

# MAGNIFICENT HOTEL INVESTMENTS LIMITED

## 華大酒店投資有限公司

(Stock Code: 201)



INTERIM REPORT 2021

## **CORPORATE INFORMATION**

### **Executive Directors**

Mr. William CHENG Kai Man (*Chairman*)  
Mr. Albert HUI Wing Ho  
Madam Kimmy LAU Kam May  
Madam NG Yuet Ying  
Madam Wendy CHENG Wai Kwan

### **Non-executive Director**

Madam Mabel LUI FUNG Mei Yee

### **Independent Non-executive Directors**

Mr. CHAN Kim Fai  
Mr. LAM Kwai Cheung  
Mr. Warren LIU Yuk Cho  
(appointed on 20th July, 2021)

### **Company Secretary**

Madam KOO Ching Fan

### **Auditor**

Deloitte Touche Tohmatsu  
Certified Public Accountants  
Registered Public Interest Entity Auditor  
35th Floor, One Pacific Place  
88 Queensway  
Hong Kong

### **Solicitors**

Withers  
30th Floor  
United Centre  
95 Queensway  
Hong Kong

### **Principal Bankers**

The Hongkong and Shanghai Banking  
Corporation Limited  
Bank of China (Hong Kong) Limited

### **Registered Office**

3rd Floor, Shun Ho Tower  
24-30 Ice House Street  
Central, Hong Kong

### **Share Registrars**

Tricor Tengis Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong  
Tel: 2980 1333

### **Company's Website**

[www.magnificenthotelinv.com](http://www.magnificenthotelinv.com)

## INTERIM RESULTS

The board (the “Board”) of directors (the “Director(s)”) of Magnificent Hotel Investments Limited (the “Company”) announces that the profit attributable to owners of the Company for the six months ended 30th June, 2021 was HK\$9 million (loss for the six months ended 30th June, 2020: HK\$154 million), increased by HK\$163 million.

## INTERIM DIVIDEND

In deciding whether to distribute the interim dividend and its amount, the Board has reviewed the Company’s adopted dividend policy, the Board considers the current COVID-19 crisis may continue to affect international travels for a long time and therefore future hotel income base and cashflow will continue to be highly unstable, the Board does not recommend the payment of interim dividend for the six months ended 30th June, 2021 (six months ended 30th June, 2020: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

During the period, the Group continued with its hotel investments, hotel management and property leasing.

Profit for the period attributable to owners of the Company for the six months ended 30th June, 2021 was HK\$9 million (loss for the six months ended 30th June, 2020: HK\$154 million), increased by HK\$163 million.

	Six months ended		Change
	30.6.2020 <i>HK\$'000</i> (unaudited)	30.6.2021 <i>HK\$'000</i> (unaudited)	
(Loss) profit from operation of hotels	(49,907)	373	N/A
– (Loss) profit	(12,111)	38,045	
– Depreciation	(37,796)	(37,672)	
(Loss) profit from property investment	(99,247)	26,245	N/A
Income from securities investments	53	–	-100%
Other income and gain and losses	9,489	2,229	-77%
	(139,612)	28,847	N/A
Administrative expenses	(19,113)	(15,829)	-17%
Income tax credit (expense)	4,866	(4,255)	N/A
(Loss) profit after taxation	(153,859)	8,763	N/A
Non-controlling interests	–	(9)	N/A
(Loss) profit after taxation and non-controlling interests	(153,859)	8,754	N/A

The overall increase in the profit for the six months ended 30th June, 2021 was mainly due to increase in hotel revenue and revaluation gain.

## PERFORMANCE

For the six months ended 30th June, 2021, the **GROUP'S INCOME** was mostly derived from the aggregate of income from operation of hotels and investment properties, which was analysed as follows:

### Income

	Six months ended		Change	Reason
	30.6.2020 <i>HK\$'000</i> (unaudited)	30.6.2021 <i>HK\$'000</i> (unaudited)		
Income from operation of hotels	71,463	<b>119,493</b>	+67%	Increase in room rates and occupancies
Income from investment properties	18,782	<b>22,983</b>	+22%	Royal Scot Hotel, London, Wood Street Hotel project and apartments leasing
Dividend income	53	–	-100%	No dividend received from stock investment
Other income	<u>9,489</u>	<u><b>2,229</b></u>	-77%	
<b>Total</b>	<u><u>99,787</u></u>	<u><u><b>144,705</b></u></u>	+45%	

Since 5 out of 6 local hotels of the Group have taken up the role of designated quarantine hotels under the government's regulation since January 2021, the total income for the Group increased by 45% from HK\$100 million to HK\$145 million for the same period compared with last year.

## HOTELS PERFORMANCES

The Group presently owns eight hotels, operates seven hotels and leases out one hotel in London. The income from operation of hotels increased by 67% to HK\$119 million (six months ended 30th June, 2020: HK\$71 million). Royal Scot Hotel in London was leased to a hotel management company, Travelodge.

	Ramada Hong Kong Harbour View	Ramada Hong Kong Grand	Best Western Plus Hotel Hong Kong	Best Western Hotel Causeway Bay	Best Western Plus Hotel Kowloon	Grand City Hotel	Magnificent International Hotel, Shanghai
2021 Jan to Jun average room occupancy (%)	81	87	79	87	95	80	74

As at 30th June, 2021, an independent third party valuation of Royal Scot Hotel, London was GBP83,000,000 (As at 31st December, 2020: GBP83,000,000). The rental income of Royal Scot Hotel, London for the period was GBP1,768,000, equivalent to HK\$18,846,000 (six months ended 30th June, 2020: GBP1,769,000, equivalent to HK\$17,474,000), increased by 8% (in term of HK dollars).

## COST

- THE **SERVICE COST** of the Group for the period was HK\$79.5 million (six months ended 30th June, 2020: HK\$80.6 million), representing hotel operation cost, decreased by HK\$1.1 million.

Cost of sale of HK\$0.2 million (six months ended 30th June, 2020: HK\$0.2 million) was from cost of food and beverage.

- During the period, the **ADMINISTRATIVE EXPENSES** excluding depreciation was HK\$14.5 million (six months ended 30th June, 2020: HK\$15.4 million), representing costs for corporate management office including directors' fees, salaries for executive staff and employees, rental, marketing expenses and office expenses.

The accounting standards require hotel properties of the Group to provide **DEPRECIATION** which amounted to HK\$37.7 million (six months ended 30th June, 2020: HK\$37.8 million) for the period.

## DEPRECIATION OF HOTEL PROPERTIES

Name of Hotel	Six months ended		Change HK\$ million
	30.6.2020 HK\$ million	30.6.2021 HK\$ million	
Ramada Hong Kong Harbour View	3.0	<b>3.0</b>	–
Ramada Hong Kong Grand	14.6	<b>14.8</b>	+0.2
Best Western Plus Hotel Kowloon	8.1	<b>8.1</b>	–
Best Western Plus Hotel Hong Kong	2.1	<b>2.1</b>	–
Best Western Hotel Causeway Bay	5.8	<b>5.8</b>	–
Grand City Hotel	2.9	<b>2.5</b>	-0.4
Magnificent International Hotel, Shanghai	<u>1.3</u>	<u><b>1.4</b></u>	+0.1
<b>Total amount for the period</b>	<u>37.8</u>	<u><b>37.7</b></u>	-0.1

## FUNDING

- As at 30th June, 2021, the **OVERALL DEBTS** of the Group were HK\$531 million (31st December, 2020: HK\$481 million), of which HK\$340 million (31st December, 2020: HK\$347 million) was assets secured bank borrowings and HK\$191 million was advances from shareholders (31st December, 2020: HK\$134 million).

The gearing ratio was 14% (31st December, 2020: 13%) in terms of overall debts of HK\$531 million (31st December, 2020: HK\$481 million) against funds employed of HK\$3,742 million before revaluation of all hotel properties (31st December, 2020: HK\$3,739 million).

The overall debts were analysed as follows:

	As at 31st December, 2020 HK\$ million	As at 30th June, 2021 HK\$ million	Change HK\$ million	Interest Paid
				As at 30th June, 2021 HK\$ million
Bank loans	347	<b>340</b>	-7	<b>1.5</b>
Shareholder's loans	<u>134</u>	<u><b>191</b></u>	+57	<b>1.5</b>
Overall debts	481	<b>531</b>	+50	<b>3.0</b>

- **FINANCE COST:** Of these loans, the total interest expenses amounted to HK\$3.0 million (30th June, 2020: HK\$4.6 million), the bank loans interest expenses amounted to HK\$1.5 million (30th June, 2020: HK\$3.8 million) and the shareholder's loan interest expenses amounted to HK\$1.5 million (30th June, 2020: HK\$0.8 million). The interests expenses decreased was mainly due to the decrease in interest rate during the period.

The Group's bank borrowings carry interest at floating rates and are mainly denominated in Hong Kong dollar and Pound Sterling. Accordingly, the Group exposes to exchange risk and the management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

As at 30th June, 2021, the Group had a total number of 436 employees (31st December, 2020: 498 employees). Remuneration and benefit were set with reference to the market.

## **BUSINESS HIGHLIGHTS**

During the period, the tourism market in Hong Kong was most devastated by the COVID-19. Overseas/PRC visitors have dropped significantly and most hotels and retail stores suffer from an over 90% drop in turnover.

During the period, the rental income of Royal Scot Hotel, London increased by 8% in term of HK dollars compared with last period.

The Group acquired Wood Street Police Headquarter building in the centre of City of London for GBP40 million on 29th January, 2020 which has a gross internal area of 117,472 s.f. on a 20,000 s.f. island site with planning consents approved to refurbish a deluxe hotel of about 216 guest rooms, restaurants, bar and facilities. The management is making further application to increase number of guest rooms while making preparations for the commencement of refurbishment works. The management is pleased to have this opportunity to renovate this landmark heritage building in the centre of City of London.

## **LOOKING AHEAD**

The Group has eight income producing hotels, six in Hong Kong, one in Shanghai, one in London, and the newly acquired Wood Street Hotel refurbishment project in London.

Hong Kong has been suffering from US-Sino trade war and COVID-19 which have stopped international/PRC tourism visiting. Such unforeseeable circumstances have adversely affected the local economy, hospitality, retail and hotel market of Hong Kong with most establishments either closed or operating on low occupancies with significant losses.

It is the management's view that for the remaining 2021, due to the continuous COVID-19 effect, it is quite unlikely that significant overseas/PRC visitors will return to Hong Kong. Hotels in Hong Kong and retail stores will continue to suffer from low occupancies and high operating costs. The management will continue to try to control hotel operating costs.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June, 2021.

## **DIRECTORS' INTERESTS IN LISTED SECURITIES**

As at 30th June, 2021, the interests or short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (a) to be entered in the register required to be kept by the Company under section 352 of the SFO; or (b) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

### **The Company**

<b>Name of Director</b>	<b>Capacity</b>	<b>Nature of interests</b>	<b>Number of shares/ underlying shares held</b>	<b>Approximate % of shareholding</b>
William Cheng Kai Man	Interest of controlled corporations	Corporate	6,360,585,437 (Note)	71.09

#### *Note:*

Shun Ho Property Investments Limited ("Shun Ho Property") beneficially owned 2,709,650,873 shares of the Company (the "Shares") (30.29%) and was taken to be interested in 395,656,000 Shares (4.42%) held by Good Taylor Limited, 273,579,983 Shares (3.06%) held by South Point Investments Limited, 3,500,000 Shares (0.04%) held by Shun Ho Technology Developments Limited and 2,978,198,581 Shares (33.29%) held by Fastgrow Engineering & Construction Company Limited ("Fastgrow"), representing a total of 6,360,585,437 Shares (71.09%). Mr. William Cheng Kai Man had controlling interests in the above-mentioned companies. All the above interests in the Shares are long position.



## Associated corporations

Name of Director	Name of associated corporation	Capacity	Nature of interests	Number of shares/ underlying shares held	Approximate % of shareholding
William Cheng Kai Man	Shun Ho Property (Note 1)	Beneficial owner and interest of controlled corporations	Personal and corporate	375,423,999	64.76
William Cheng Kai Man	Shun Ho Holdings Limited ("Shun Ho Holdings") (Note 2)	Beneficial owner and interest of controlled corporations	Personal and corporate	223,626,825	73.47
William Cheng Kai Man	Trillion Resources Limited ("Trillion Resources") (Note 3)	Beneficial owner	Personal	2	100

### Notes:

1. Shun Ho Property, the Company's immediate holding company, is a public limited company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange.
2. Shun Ho Holdings, the Company's intermediate holding company, is a public limited company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange.
3. Trillion Resources, the Company's ultimate holding company, is a company incorporated in the British Virgin Islands.
4. All the above interests in the shares of the associated corporations are long position.

An employee share option scheme of the Company was adopted at the extraordinary general meeting held on 14th November, 2013 ("Share Option Scheme") and was amended at the annual general meeting held on 18th June, 2014. Since the adoption of the Share Option Scheme and up to the date of this report, no share option has been granted under the Share Option Scheme and no other shares option scheme was adopted by the Company and its subsidiaries.

Save as disclosed above and save for shares in subsidiaries held by a director in trust for their immediate holding companies, as at 30th June, 2021, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be entered in the register required to be kept by the Company under section 352 of the SFO; or (b) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers and none of the directors or their associates or their spouse or children under the age of 18, had any right to subscribe for the securities of the Company or associated corporations, or had exercised any such right during the period.

## SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2021, the following persons (not being directors or chief executive of the Company) had interests in the Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of shares/ underlying shares held</b>	<b>Approximate % of shareholding</b>
Shun Ho Property <i>(Note 1)</i>	Beneficial owner and interest of controlled corporations	6,360,585,437 (L)	71.09
Omnico Company Inc. (“Omnico”) <i>(Note 2)</i>	Interest of controlled corporations	6,360,585,437 (L)	71.09
Shun Ho Holdings <i>(Note 2)</i>	Interest of controlled corporations	6,360,585,437 (L)	71.09
Trillion Resources <i>(Note 2)</i>	Interest of controlled corporations	6,360,585,437 (L)	71.09
Liza Lee Pui Ling <i>(Note 3)</i>	Interest of spouse	6,360,585,437 (L)	71.09
Fastgrow	Beneficial owner	2,978,198,581 (L)	33.29
Credit Suisse Trust Limited <i>(Note 4)</i>	Interest of controlled corporations	782,114,500 (L)	8.74
Hashim Majed Hashim A. <i>(Note 4)</i>	Interest of controlled corporations	782,114,500 (L)	8.74
North Salomon Limited <i>(Note 4)</i>	Interest of controlled corporations	782,114,500 (L)	8.74

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of shares/ underlying shares held</b>	<b>Approximate % of shareholding</b>
Saray Capital Limited <i>(Note 4)</i>	Interest of controlled corporations	782,114,500 (L)	8.74
Saray Value Fund SPC <i>(Note 4)</i>	Beneficial owner and interest in persons acting in concert	782,114,500 (L)	8.74
Saray Value SPV Asia I <i>(Note 4)</i>	Beneficial owner and interest in persons acting in concert	782,114,500 (L)	8.74
Shobokshi Hussam Ali H. <i>(Note 4)</i>	Interest of controlled corporations	782,114,500 (L)	8.74
FMR LLC <i>(Note 5)</i>	Interest of controlled corporation	469,451,000 (L)	5.25

*Notes:*

1. Shun Ho Property beneficially owned 2,709,650,873 Shares (30.29%) and was taken to be interested in 395,656,000 Shares (4.42%) held by Good Taylor Limited, 273,579,983 Shares (3.06%) held by South Point Investments Limited, 3,500,000 Shares (0.04%) held by Shun Ho Technology Developments Limited and 2,978,198,581 Shares (33.29%) held by Fastgrow, representing a total of 6,360,585,437 Shares (71.09%). The above-mentioned companies were wholly-owned subsidiaries of Shun Ho Property.
2. Shun Ho Property is directly and indirectly owned as to 60.38% by Omnico, which was in turn owned as to 100% by Shun Ho Holdings, which was in turn directly owned as to 50.60% by Trillion Resources, which was in turn wholly-owned by Mr. William Cheng Kai Man. Therefore, Omnico, Shun Ho Holdings and Trillion Resources were taken to be interested in 6,360,585,437 Shares by virtue of their direct or indirect interests in Shun Ho Property.
3. Madam Liza Lee Pui Ling was deemed to be interested in 6,360,585,437 Shares by virtue of the interest in such Shares of her spouse, Mr. William Cheng Kai Man, a director of the Company.

4. Saray Value SPV Asia I (“Saray Value SPV”) beneficially held 676,050,500 Shares (7.56%). Saray Value Fund SPC (“Saray Value Fund”) beneficially held 106,064,000 Shares (1.18%). Both Saray Value SPV and Saray Value Fund were wholly-owned subsidiaries of Saray Capital Limited. Therefore, Saray Value SPV had interest in persons acting in concert of 106,064,000 Shares held by Saray Value Fund. Saray Value Fund had interest in persons acting in concert of 676,050,500 Shares held by Saray Value SPV. Saray Capital Limited was held by Shobokshi Hussam Ali H. as to 35% and Hashim Majed Hashim A. as to 45%. Therefore, the total number of Shares in which Saray Value SPV, Saray Value Fund, Saray Capital Limited, Shobokshi Hussam Ali H. and Hashim Majed Hashim A. were interested under Sections 317 and 318 of SFO was 782,114,500 Shares (8.74%).

Saray Value SPV was held by North Salomon Limited as to 88.49% and Saray Value Fund was held by North Salomon Limited as to 75.04%. North Salomon Limited was held by Credit Suisse Trust Limited as to 100%. Therefore, the total number of Shares in which North Salomon Limited and Credit Suisse Trust Limited were interested under Sections 317 and 318 of SFO was 782,114,500 Shares (8.74%).

5. Fidelity Management & Research (Japan) Limited beneficially held 220,316,000 Shares (2.46%). Fidelity Management & Research (Hong Kong) Limited beneficially held 90,048,000 Shares (1.01%). FMR Investment Management (UK) Limited beneficially held 159,087,000 Shares (1.78%). Both Fidelity Management & Research (Japan) Limited and Fidelity Management & Research (Hong Kong) Limited were wholly-owned by Fidelity Management & Research Company. FMR Investment Management (UK) Limited was wholly-owned by Fidelity Management & Research Company, Fidelity Management & Research Company was wholly-owned by FMR LLC. Therefore, FMR LLC was deemed to have interest in 469,451,000 Shares (5.25%).

**L: Long Position**

Save as disclosed above, there was no person, other than a director or chief executive of the Company, who has an interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

## **INDEPENDENT REVIEW**

The interim results for the six months ended 30th June, 2021 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, by Deloitte Touche Tohmatsu, whose independent review report is included on page 15 of this interim report. The interim results and the interim report 2021 have also been reviewed by the Group’s Audit Committee.

## CORPORATE GOVERNANCE

### (a) Compliance with the Corporate Governance Code

During the six months ended 30th June, 2021, the Company has complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) with the exception of the following deviations:

*Code Provision A.2.1: chairman and chief executive should not be performed by the same individual*

The Company does not have separate appointments for the Chairman and the Chief Executive Officer. Mr. William Cheng Kai Man holds both positions. The Board believes that vesting the roles of both the Chairman and the Chief Executive Officer in the same person enables the Company to have a stable and consistent leadership. It also facilitates planning and execution of the Company’s strategy and is hence, for the interests of the Company and its shareholders. It is also significantly cost-saving for Mr. Cheng, the Chairman to also serve as the Chief Executive Officer, which would have otherwise been recruited from the market at a heavy cost.

*Code Provision A.4.1: non-executive directors should be appointed for a specific term*

Except three Independent Non-executive Directors, all Directors of the Company (including Executive or Non-executive Directors) are not appointed for a specific term. The Articles of Association of the Company stipulate that every director (including Executive or Non-executive Directors) shall retire and be re-elected at least once every three years. Therefore, the Company has adopted adequate measures to ensure the corporate governance of the Company complies with the same level to that required under the Corporate Governance Code.

*Code Provision A.5.2: the nomination committee should perform the duties set out in paragraphs (a) to (d)*

For the period from 1st January, 2021 to 18th March, 2021, the terms of reference of the nomination committee adopted by the Company were in compliance with Code Provision A.5.2 except that it was not the duty of the nomination committee to select individuals nominated for directorships. The nomination committee comprises a majority of independent non-executive directors who are not involved in the daily operation of the Company and may not have sufficient knowledge of industry practice. Therefore, such duty was performed by the Board. However, the terms of reference of the nomination committee have been revised to fully comply with Code Provision A.5.2 since 19th March, 2021.

*Code Provision B.1.2: the remuneration committee's terms of reference should include, as a minimum, paragraphs (a) to (h)*

For the period from 1st January, 2021 to 18th March, 2021, the terms of reference of the remuneration committee adopted by the Company were in compliance with Code Provision B.1.2 except that it was not the duties of the remuneration committee to approve the management's remuneration proposals, compensation payable to executive directors and senior management for any loss or termination of office or appointment and compensation arrangements relating to dismissal or removal of directors for misconduct. The remuneration committee comprises a majority of independent non-executive directors who are not involved in the daily operation of the Company and may not have sufficient knowledge of industry practice. Therefore, such duties were performed by the board. However, the terms of reference of the remuneration committee have been revised to fully comply with Code Provision B.1.2 since 19th March, 2021.

**(b) Compliance with the Model Code**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by directors. All Directors have confirmed, following specific enquiry by the Company, their compliance with the required standard set out in the Model Code throughout the period.

**(c) Change in Directors' information**

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in Directors' information, as notified to the Company, subsequent to the date of the 2020 Annual Report, are set out below:

***Mr. Vincent Kwok Chi Sun***

- Resigned as an independent non-executive Director of the Company, Shun Ho Property, Shun Ho Holdings and ceased to be the chairman of the audit committee and remuneration committee of the aforesaid companies with effect from 8th July, 2021.

Immediately following his resignation, the number of independent non-executive Directors has been reduced to two, representing less than one-third of the Board, and the Audit Committee has only two members, hence the Company failed to meet the requirements under Rules 3.10(1), 3.10A and 3.21 of the Listing Rules.

***Mr. Chan Kim Fai***

- Appointed as the chairman of the audit committee and the remuneration committee of the Company, Shun Ho Property and Shun Ho Holdings with effect from 8th July, 2021; and
- Resigned as an independent non-executive director of China Fortune Investments (Holdings) Limited, a company whose shares are listed on the Stock Exchange (stock code: 8116), with effect from 1st April, 2021.

***Mr. Lam Kwai Cheung***

- Appointed as a member of the remuneration committee of the Company, Shun Ho Property and Shun Ho Holdings with effect from 8th July, 2021.

***Mr. Warren Liu Yuk Cho***

- Appointed as an independent non-executive Director and a member of the audit committee of the Company, Shun Ho Property, Shun Ho Holdings with effect from 20th July, 2021.

Since the appointment of Mr. Warren Liu Yuk Cho, the Company has resumed full compliance with the requirements under Rules 3.10(1), 3.10A and 3.21 of the Listing Rules.

By Order of the Board

**William CHENG Kai Man**  
*Chairman*

Hong Kong, 20th August, 2021

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

# Deloitte.

# 德勤

## TO THE BOARD OF DIRECTORS OF MAGNIFICENT HOTEL INVESTMENTS LIMITED

華大酒店投資有限公司

*(incorporated in Hong Kong with limited liability)*

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of Magnificent Hotel Investments Limited (the “Company”) and its subsidiaries set out on pages 16 to 44, which comprise the condensed consolidated statement of financial position as of 30th June, 2021 and the related condensed consolidated statement of profit or loss, statement of total comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
20th August, 2021



**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE SIX MONTHS ENDED 30TH JUNE, 2021**

		<b>Six months ended 30th June,</b>	
	<i>NOTES</i>	<b>2021</b>	2020
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	3		
Contracts with customers		<b>119,493</b>	71,463
Leases		<b>22,983</b>	18,782
Dividend income		<b>–</b>	53
		<hr/>	<hr/>
Total revenue		<b>142,476</b>	90,298
Cost of sales		<b>(269)</b>	(238)
Other service costs		<b>(79,204)</b>	(80,354)
Depreciation of property, plant and equipment		<b>(37,245)</b>	(37,405)
Depreciation of right-of-use assets		<b>(427)</b>	(391)
		<hr/>	<hr/>
Gross profit (loss)		<b>25,331</b>	(28,090)
Increase (decrease) in fair value of investment properties		<b>4,330</b>	(116,429)
Other income and gains and losses		<b>2,229</b>	9,489
Administrative expenses		<b>(15,829)</b>	(19,113)
– Depreciation		<b>(1,334)</b>	(3,748)
– Others		<b>(14,495)</b>	(15,365)
Finance costs	5	<b>(3,043)</b>	(4,582)
Profit (loss) before taxation		<b>13,018</b>	(158,725)
Income tax (expense) credit	6	<b>(4,255)</b>	4,866
Profit (loss) for the period	7	<b>8,763</b>	(153,859)
Profit (loss) for the period attributable to:			
Owners of the Company		<b>8,754</b>	(153,859)
Non-controlling interests		<b>9</b>	–
		<hr/>	<hr/>
		<b>8,763</b>	(153,859)
		<hr/>	<hr/>
		<b>HK cents</b>	<b>HK cents</b>
Earnings (loss) per share	9		
Basic		<b>0.10</b>	(1.72)
		<hr/>	<hr/>

**CONDENSED CONSOLIDATED STATEMENT OF TOTAL  
COMPREHENSIVE INCOME**

*FOR THE SIX MONTHS ENDED 30TH JUNE, 2021*

	<b>Six months ended 30th June,</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Profit (loss) for the period	<u><b>8,763</b></u>	<u>(153,859)</u>
<b>Other comprehensive income (expense)</b>		
<b>Item that will not be reclassified to profit or loss</b>		
Fair value loss on equity instruments at fair value through other comprehensive income	<b>(25,291)</b>	(75,997)
<b>Item that may be reclassified subsequently to profit or loss</b>		
Exchange differences on translation of foreign operations	<u><b>20,034</b></u>	<u>(76,024)</u>
Other comprehensive expense for the period	<u><b>(5,257)</b></u>	<u>(152,021)</u>
Total comprehensive income (expense) for the period	<u><b>3,506</b></u>	<u>(305,880)</u>
Total comprehensive income (expense) attributable to:		
Owners of the Company	<b>3,497</b>	(305,880)
Non-controlling interests	<u><b>9</b></u>	<u>–</u>
	<u><b>3,506</b></u>	<u>(305,880)</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2021

	NOTES	As at 30th June, 2021 HK\$'000 (Unaudited)	As at 31st December, 2020 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	2,924,503	2,520,947
Right-of-use assets		27,511	27,629
Investment properties	11	1,082,250	1,491,110
Equity instruments at fair value through other comprehensive income		<u>142,472</u>	<u>167,763</u>
		<u>4,176,736</u>	<u>4,207,449</u>
<b>CURRENT ASSETS</b>			
Inventories		1,041	1,022
Trade and other receivables	12	6,831	6,235
Other deposits and prepayments		7,916	12,855
Bank balances and cash		<u>242,483</u>	<u>143,317</u>
		<u>258,271</u>	<u>163,429</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables and accruals	13	32,084	30,422
Rental and other deposits received		1,780	2,130
Contract liabilities		22,082	18,027
Amount due to immediate holding company	16(b)	186,005	133,873
Amount due to a shareholder		5,088	–
Tax liabilities		7,325	9,234
Bank loans	14	<u>339,547</u>	<u>93,817</u>
		<u>593,911</u>	<u>287,503</u>
<b>NET CURRENT LIABILITIES</b>		<u>(335,640)</u>	<u>(124,074)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><u>3,841,096</u></u>	<u><u>4,083,375</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL  
POSITION (Continued)**

AT 30TH JUNE, 2021

	NOTES	As at 30th June, 2021 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2020 <i>HK\$'000</i> (Audited)
<b>CAPITAL AND RESERVES</b>			
Share capital	15	841,926	841,926
Reserves		<u>2,900,547</u>	<u>2,897,050</u>
Equity attributable to owners of the Company		3,742,473	3,738,976
Non-controlling interests		<u>7,971</u>	<u>–</u>
<b>TOTAL EQUITY</b>		<u><b>3,750,444</b></u>	<u>3,738,976</u>
<b>NON-CURRENT LIABILITIES</b>			
Bank loans	14	–	253,728
Rental deposits received		1,366	1,236
Deferred tax liabilities		<u>89,286</u>	<u>89,435</u>
		<u>90,652</u>	<u>344,399</u>
		<u><b>3,841,096</b></u>	<u>4,083,375</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30TH JUNE, 2021

	Attributable to owners of the Company								Non-controlling interest HK\$'000 (Note d)	Total HK\$'000
	Share capital HK\$'000	Special capital reserve HK\$'000 (Note a)	Property revaluation reserve HK\$'000 (Note b)	Securities revaluation reserve HK\$'000	Foreign currency translation reserve HK\$'000	Other reserve HK\$'000 (Note c)	Retained profits HK\$'000	Sub-total HK\$'000		
At 1st January, 2020 (audited)	841,926	612,477	179	190,186	(34,380)	3,561	2,377,261	3,991,210	-	3,991,210
Loss for the period	-	-	-	-	-	-	(153,859)	(153,859)	-	(153,859)
Fair value loss on equity instruments at fair value through other comprehensive income	-	-	-	(75,997)	-	-	-	(75,997)	-	(75,997)
Exchange differences arising on translation of foreign operations	-	-	-	-	(76,024)	-	-	(76,024)	-	(76,024)
Total comprehensive expense for the period	-	-	-	(75,997)	(76,024)	-	(153,859)	(305,880)	-	(305,880)
At 30th June, 2020 (unaudited)	<u>841,926</u>	<u>612,477</u>	<u>179</u>	<u>114,189</u>	<u>(110,404)</u>	<u>3,561</u>	<u>2,223,402</u>	<u>3,685,330</u>	<u>-</u>	<u>3,685,330</u>
At 1st January, 2021 (audited)	<u>841,926</u>	<u>612,477</u>	<u>1,089</u>	<u>91,406</u>	<u>12,966</u>	<u>3,561</u>	<u>2,175,551</u>	<u>3,738,976</u>	<u>-</u>	<u>3,738,976</u>
Profit for the period	-	-	-	-	-	-	8,754	8,754	9	8,763
Fair value loss on equity instruments at fair value through other comprehensive income	-	-	-	(25,291)	-	-	-	(25,291)	-	(25,291)
Exchange differences arising on translation of foreign operations	-	-	-	-	20,034	-	-	20,034	-	20,034
Total comprehensive (expense) income for the period	-	-	-	(25,291)	20,034	-	8,754	3,497	9	3,506
Disposal of partial interest in a subsidiary	-	-	-	-	-	-	-	-	7,962	7,962
At 30th June, 2021 (unaudited)	<u>841,926</u>	<u>612,477</u>	<u>1,089</u>	<u>66,115</u>	<u>33,000</u>	<u>3,561</u>	<u>2,184,305</u>	<u>3,742,473</u>	<u>7,971</u>	<u>3,750,444</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**(Continued)**

*FOR THE SIX MONTHS ENDED 30TH JUNE, 2021*

*Notes:*

- (a) The special capital reserve represents the difference arising from the reduction of the nominal value of the Company's shares in year 1999.
- (b) The property revaluation reserve is arisen from the transfer of properties from property, plant and equipment to investment properties and will be transferred to retained profits when the relevant properties are disposed of.
- (c) The other reserve represents the difference between the sales proceeds from the disposal of partial interest in a subsidiary and the reduction of interest in the carrying amounts of assets and liabilities of the subsidiary in previous years.
- (d) The Company had disposed 25% equity interest in its subsidiary incorporated in Hong Kong, Postal Power Company Limited ("Postal Power") and a sale debt of HK\$5,088,000 to Mr. William Cheng, the Executive Director and ultimate controlling shareholder of the Company at a cash consideration of HK\$13,050,000 on 27th May, 2021. The disposal had been accounted for as equity transaction. In the opinion of the directors, the difference between the consideration and the fair value of the sale debt and the disposed equity interest of Postal Power was considered insignificant.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 30TH JUNE, 2021**

	<b>Six months</b>	
	<b>ended 30th June,</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Operating activities</b>		
Profit (loss) before taxation	<b>13,018</b>	(158,725)
Adjustments for:		
(Increase) decrease in fair value of investment properties	<b>(4,330)</b>	116,429
(Gain) loss on disposal of property, plant and equipment	<b>(709)</b>	7
Depreciation of property, plant and equipment	<b>38,579</b>	41,153
Depreciation of right-of-use assets	<b>427</b>	391
Other non-cash items	<b>3,036</b>	(1,171)
	<hr/>	<hr/>
Operating cash flows before movements in working capital	<b>50,021</b>	(1,916)
Increase in trade and other receivables	<b>(596)</b>	(306)
Decrease in rental and other deposits received	<b>(220)</b>	(2,432)
Increase (decrease) in contract liabilities	<b>4,055</b>	(1,633)
Other changes in working capital	<b>1,837</b>	(848)
	<hr/>	<hr/>
Cash generated (used in) from operations	<b>55,097</b>	(7,135)
Hong Kong Profits Tax paid	<b>(87)</b>	(14,223)
Income tax paid in other jurisdictions	<b>(6,383)</b>	(3,351)
	<hr/>	<hr/>
<b>Net cash from (used in) operating activities</b>	<b>48,627</b>	(24,709)
	<hr/>	<hr/>
<b>Investing activities</b>		
Addition of property, plant and equipment	<b>(2,493)</b>	(29,431)
Proceeds from disposal of property, plant and equipment	<b>2,050</b>	132
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	<b>(443)</b>	(29,299)
	<hr/>	<hr/>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*(Continued)*

FOR THE SIX MONTHS ENDED 30TH JUNE, 2021

	Six months ended 30th June,	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Financing activities</b>		
Interest paid	(1,550)	(4,582)
Bank loans raised	–	384,430
Repayment of bank loans	(12,592)	(11,522)
Dividend paid to shareholders	–	(2,071)
Advance from (repayment to) immediate holding company	50,611	(3,245)
Proceeds from disposal of partial interest in a subsidiary without losing control	13,050	–
<b>Net cash from financing activities</b>	<b>49,519</b>	<b>363,010</b>
<b>Net increase in cash and cash equivalents</b>	<b>97,703</b>	<b>309,002</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>143,317</b>	<b>82,502</b>
Effect of foreign exchange rate changes	1,463	(830)
<b>Cash and cash equivalents at the end of the period, represented by bank balances and cash</b>	<b>242,483</b>	<b>390,674</b>



# **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*FOR THE SIX MONTHS ENDED 30TH JUNE, 2021*

## **1. BASIS OF PREPARATION**

Magnificent Hotel Investments Limited (the “Company”) is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

The Company’s immediate and intermediate holding company are Shun Ho Property Investments Limited and Shun Ho Holdings Limited, respectively, both are public limited companies incorporated in Hong Kong whose shares are listed on the Hong Kong Stock Exchange. The directors of the Company consider the Company’s ultimate holding company to be Trillion Resources Limited, an international business company incorporated in the British Virgin Islands.

The condensed consolidated financial statements are presented in Hong Kong Dollars (“HK\$”), which is also the functional currency of the Company. The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are the investment and operation of hotels, property investment and securities investment.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

The financial information relating to the year ended 31st December, 2020 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 31st December, 2020 to the Register of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

## 1. BASIS OF PREPARATION (*Continued*)

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by HK\$335,640,000 as at 30th June, 2021. In the opinion of the directors of the Company, the Group has a number of sources of finance available to fund its operations, including internal resources and available unutilised banking facilities. The immediate holding company and the shareholder has also agreed not to demand for repayment until the Group has the financial ability to do so. Accordingly, the condensed consolidated financial statements have been prepared in conformity with principles applicable to a going concern basis because:

- Management performed the going concern assessment, including the evaluation of the on-going impact of COVID-19 on the Group, the Group's access to available sources of liquidity;
- Management prepared the cash flow forecasts and covenant calculations for the going concern period to 30th September, 2022. The Group has modelled a base case which is consistent with the assumptions used in the Group's impairment assessments; downside scenarios which assumes a 10% decrease on revenue and how much additional downside percentage of revenue in hospitality segment could be absorbed before the unutilised bank facilities would need to be drawn;
- The Group is having a positive operating cash inflow at HK\$48,627,000 during the period and net increase in cash and cash equivalents of HK\$97,703,000. Moreover, Shun Ho Property Investments Limited, which is the immediate holding company agreed not to demand repayment on the amount due to immediate holding company before the Group has the financial ability to do so; and
- The Group has unutilised banking facilities with aggregate amount of HK\$910,500,000 as at 30th June, 2021.

## **1. BASIS OF PREPARATION (*Continued*)**

### **1A. SIGNIFICANT EVENTS IN THE CURRENT INTERIM PERIOD**

The outbreak of COVID-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment, directly and indirectly affect the operations of the Group. The financial positions and performance of the Group were affected in different aspects, including reduction in revenue.

In the current interim period, five hotels of the Group participated in the Designated Quarantine Hotel Scheme (the “Scheme”). The management considers that the participation of the Scheme would have positive impact to the revenue of the Group and the five hotels are still participating in the Scheme up to the date of issuance of this condensed consolidated financial statements.

## **2. PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31st December, 2020.

### **Accounting policies which became relevant to the Group**

#### Investment properties

Transfer from investment property to property, plant and equipment will be made when there is a change in use, evidenced by commencement of owner occupation or of development with a view to owner-occupation. For a transfer from investment property carried at fair value to owner-occupied property, the property’s deemed cost for subsequent accounting are determined by reference to its fair value at the date of change in use.

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### *Application of amendments to HKFRSs*

In the current interim period, the Group has applied the amendments issued by the HKICPA, for the first time, which are mandatory effective for the annual period beginning on or after 1st January, 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

Except as described below, the application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

### **Impacts and accounting policies on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 “Interest Rate Benchmark Reform – Phase 2”**

#### *Accounting policies*

##### Financial instruments

#### **Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform**

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### **Impacts and accounting policies on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 “Interest Rate Benchmark Reform – Phase 2” *(Continued)***

#### ***Accounting policies (Continued)***

##### Financial instruments *(Continued)*

#### **Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform *(Continued)***

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

For other changes made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first applies the practical expedient to the changes required by interest rate benchmark reform by updating the effective interest rate. The Group then applies the applicable requirements in HKFRS 9 “Financial Instruments” on modification of a financial asset or a financial liability to the additional changes to which the practical expedient does not apply.

#### ***Transition and summary of effects***

As at 1st January, 2021, the Group has several financial liabilities, the interest of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform.

The following table shows the total amounts of outstanding contracts. The amounts of financial liabilities are shown at their carrying amounts.

	<b>HKD Hong Kong Interbank Offered Rate <i>HK\$’000</i></b>	<b>GBP London Interbank Offered Rate <i>HK\$’000</i></b>
<b>Financial liabilities</b>		
Bank loans	70,613	268,934

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

**Impacts and accounting policies on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 “Interest Rate Benchmark Reform – Phase 2” *(Continued)***

*Accounting policies (Continued)*

Financial instruments *(Continued)*

**Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform *(Continued)***

*Transition and summary of effects (Continued)*

The Group intends to apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank loans measured at amortised cost. The amendments have had no impact on the condensed consolidated financial statements as none of the above contracts has been transitioned to the relevant replacement rates during the interim period. The impacts on application of the amendments, if any, including additional disclosures, will be reflected in the Group’s consolidated financial statements for the year ending 31st December, 2021.

## 3. REVENUE

Revenue represents the aggregate of income from operation of hotels, property rental and dividend income, and is analysed as follows:

	<b>Six months ended 30th June,</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$’000</b>	<b>HK\$’000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Income from operation of hotels	<b>119,493</b>	71,463
Income from property rental	<b>22,983</b>	18,782
Dividend income	<b>–</b>	53
	<b><u>142,476</u></b>	<b><u>90,298</u></b>

### 3. REVENUE (Continued)

Disaggregation of revenue for operation of hotels:

	<b>Six months ended 30th June,</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Types of goods or services (time of revenue recognition):		
Room revenue and other ancillary services (recognised over time)	<b>118,575</b>	70,171
Food and beverage (recognised at a point in time)	<b>918</b>	1,292
	<u><b>119,493</b></u>	<u>71,463</u>
	<u><b>119,493</b></u>	<u>71,463</u>
	<b>Six months</b>	<b>Six months</b>
	<b>ended 30th June,</b>	<b>ended 30th June,</b>
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Geographical markets:		
Hong Kong	<b>111,916</b>	69,797
The People's Republic of China (the "PRC")	<b>7,577</b>	1,666
	<u><b>119,493</b></u>	<u>71,463</u>
	<u><b>119,493</b></u>	<u>71,463</u>

#### **4. SEGMENT INFORMATION**

The Group's operating and reportable segments, based on information reported to the chief operating decision maker (the "CODM"), being the Chairman of the Company, for the purpose of resources allocation and performance assessment are as follows:

1. Hospitality services – Best Western Plus Hotel Kowloon
2. Hospitality services – Best Western Plus Hotel Hong Kong
3. Hospitality services – Magnificent International Hotel, Shanghai
4. Hospitality services – Best Western Hotel Causeway Bay
5. Hospitality services – Ramada Hong Kong Harbour View
6. Hospitality services – Ramada Hong Kong Grand
7. Hospitality services – Grand City Hotel
8. Hospitality services – Wood Street Hotel
9. Property investment – Shops, hotel and residential property
10. Securities investment

Information regarding the above segments reported below.



#### 4. SEGMENT INFORMATION (*Continued*)

##### Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segment for the periods under review:

	Segment revenue		Segment result	
	Six months		Six months	
	ended 30th June,		ended 30th June,	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Hospitality services</b>	<b>119,493</b>	71,463	<b>2,348</b>	(46,925)
– Best Western Plus Hotel Kowloon	9,277	9,486	(8,561)	(10,352)
– Best Western Plus Hotel Hong Kong	24,070	15,582	7,598	(1,881)
– Magnificent International Hotel, Shanghai	7,577	1,666	405	(3,350)
– Best Western Hotel Causeway Bay	17,020	8,573	(42)	(8,139)
– Ramada Hong Kong Harbour View	26,727	14,387	8,384	(3,610)
– Ramada Hong Kong Grand	21,613	13,397	(6,453)	(15,058)
– Grand City Hotel	13,209	8,372	1,017	(4,535)
Property investment – shops, hotel and residential property	22,983	18,782	27,313	(97,647)
Securities investment	–	53	–	53
	<u>142,476</u>	<u>90,298</u>	<u>29,661</u>	(144,519)
Other income and gains and losses			2,229	9,489
Administrative expenses			(15,829)	(19,113)
Finance costs			(3,043)	(4,582)
Profit (loss) before taxation			<u>13,018</u>	<u>(158,725)</u>

Segment results represents the result of each segment without allocation of administration expenses, other income and gains and losses and finance costs. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales for both periods.

#### 4. SEGMENT INFORMATION *(Continued)*

##### Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segment:

	<b>As at 30th June, 2021 HK\$'000 (Unaudited)</b>	As at 31st December, 2020 HK\$'000 (Audited)
<b>Segment assets</b>		
Hospitality services	<b>2,886,991</b>	2,481,095
– Best Western Plus Hotel Kowloon	<b>250,749</b>	258,711
– Best Western Plus Hotel Hong Kong	<b>311,442</b>	313,814
– Magnificent International Hotel, Shanghai	<b>68,829</b>	68,957
– Best Western Hotel Causeway Bay	<b>297,823</b>	303,483
– Ramada Hong Kong Harbour View	<b>489,321</b>	491,377
– Ramada Hong Kong Grand	<b>648,752</b>	662,933
– Grand City Hotel	<b>379,554</b>	381,820
– Wood Street Hotel	<b>440,521</b>	–
Property investment – shops, hotel and residential property	<b>1,082,250</b>	1,491,110
Securities investment	<b>142,472</b>	167,763
Total segment assets	<b>4,111,713</b>	4,139,968
Unallocated assets	<b>323,294</b>	230,910
<b>Consolidated assets</b>	<b>4,435,007</b>	4,370,878

#### 4. SEGMENT INFORMATION (*Continued*)

##### Segment assets and liabilities (*Continued*)

The following is an analysis of the Group's assets and liabilities by operating and reportable segment: (*Continued*)

	As at <b>30th June,</b> <b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>	As at 31st December, 2020 <i>HK\$'000</i> <b>(Audited)</b>
<b>Segment liabilities</b>		
Hospitality services	<b>41,014</b>	35,681
– Best Western Plus Hotel Kowloon	<b>4,313</b>	3,866
– Best Western Plus Hotel Hong Kong	<b>5,759</b>	4,621
– Magnificent International Hotel, Shanghai	<b>2,081</b>	2,030
– Best Western Hotel Causeway Bay	<b>6,341</b>	5,083
– Ramada Hong Kong Harbour View	<b>9,448</b>	7,794
– Ramada Hong Kong Grand	<b>7,987</b>	8,771
– Grand City Hotel	<b>5,085</b>	3,516
Property investment – shops, hotel and residential property	<b>12,527</b>	11,986
Securities investment	<b>7</b>	1
Total segment liabilities	<b>53,548</b>	47,668
Unallocated liabilities	<b>631,015</b>	584,234
<b>Consolidated liabilities</b>	<b>684,563</b>	631,902

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating and reportable segments other than the Group's head office corporate assets (including certain property, plant and equipment), all bank balances and cash and certain other receivables and deposits; and
- all liabilities are allocated to operating and reportable segments other than the Group's head office corporate liabilities, amount due to immediate holding company, amount due to a shareholder, bank loans, tax liabilities and deferred tax liabilities.

## 5. FINANCE COSTS

	Six months ended 30th June,	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interests on:		
Bank loans	1,522	3,816
Amount due to immediate holding company ( <i>note 16(b)</i> )	<u>1,521</u>	<u>766</u>
	<u><b>3,043</b></u>	<u><b>4,582</b></u>

## 6. INCOME TAX EXPENSE (CREDIT)

	Six months ended 30th June,	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
The taxation expense (credit) comprises:		
Current tax:		
Hong Kong	97	34
The United Kingdom (the "UK")	<u>4,029</u>	<u>3,041</u>
	4,126	3,075
(Over) under provision in prior years		
Hong Kong	(20)	(285)
The UK	<u>298</u>	<u>131</u>
	4,404	2,921
Deferred tax	<u>(149)</u>	<u>(7,787)</u>
	<u><b>4,255</b></u>	<u><b>(4,866)</b></u>

## 6. INCOME TAX EXPENSE (CREDIT) (Continued)

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The annual tax rate used is 16.5% for the six months ended 30th June, 2021 (six months ended 30th June, 2020: 16.5%).

Taxation arising in the PRC and the UK are recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year prevailing in the relevant jurisdictions.

Deferred tax liabilities on the temporary differences attributable to the undistributed retained profits earned by the Company's PRC subsidiary amounted to HK\$26,000 (six months ended 30th June, 2020: Nil) were charged to profit or loss for the six months ended 30th June, 2021.

## 7. PROFIT (LOSS) FOR THE PERIOD

	Six months ended 30th June,	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit (loss) for the period has been arrived at after charging (crediting) the following items:		
Depreciation of right-of-use assets	427	391
Depreciation of property, plant and equipment	38,579	41,153
Interest on bank deposits (Note)	(136)	(318)
(Gain) loss on disposal of property, plant and equipment (Note)	<u>(709)</u>	<u>7</u>

Note: The amounts are included in other income and gains and losses.

## 8. DIVIDEND

During the six months ended 30th June, 2021 and 30th June, 2020, no dividend was declared and paid to shareholders for the year ended 31st December, 2020 and 31st December, 2019.

The directors have resolved not to declare or propose an interim dividend for the six months ended 30th June, 2021 and 30th June, 2020.

## 9. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share is based on the profit for the period attributable to owners of the Company of HK\$8,754,000 (loss for the six months ended 30th June, 2020: HK\$153,859,000) and on 8,947,051,000 shares (six months ended 30th June, 2020: 8,947,051,000 shares) in issue during the period.

Diluted earnings (loss) per share for both periods are not presented as there are no potential ordinary shares outstanding during both periods.

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30th June, 2021, the Group acquired property, plant and equipment of HK\$7,266,000 (six months ended 30th June, 2020: HK\$29,431,000).

The Group has disposed of property, plant and equipment with carrying amount of HK\$1,341,000 (six months ended 30th June, 2020: HK\$139,000) during the period.

During the period ended 30th June, 2020, a building with a carrying amount of HK\$57,499,000 was transferred from property, plant and equipment to investment properties.

### **Impairment assessment of leasehold land and hotel buildings (“Hotel Properties”)**

The impact of COVID-19 pandemic on the Group’s hospitality segment result has been considered as an indicator for impairment testing on Hotel Properties, the management engaged independent valuer (“Valuer”) to assess the recoverable amounts of the Hotel Properties in Hong Kong and the management assess the recoverable amount of the Hotel Property in Shanghai. The carrying amount of Hotel Properties is HK\$2,373,571,000 as at 30th June, 2021. The recoverable amount of these Hotel Properties are estimated individually and have been determined by discounted cash flow analysis.

The estimation of the recoverable amounts of the Hotel Properties involves Valuer and management’s judgment and is dependent on certain assumptions and key inputs used in the valuation report which includes the discount rates, terminal growth rates and estimated revenue per available room with estimated occupancy rates. Based on the result of the assessment, the carrying amount of the Hotel Properties has not been reduced since the amount of value in use of the Hotel Properties is higher than the carrying amount. Accordingly, no impairment loss was recognised as at 30th June, 2021.

## 11. INVESTMENT PROPERTIES

Investment properties are stated at fair value based on the valuations performed by independent professional valuers which are not connected with the Group and the Directors of the Company. The fair value is derived by using income approach and residual method respectively to assess the market value of the investment properties. During the assessment of the fair values of investment properties, the valuers and the Directors of the Company have exercised their judgement and are satisfied that the method of valuation and the key inputs, including term yield, reversionary yield, market rent, hotel building cost and developers profit required are reflective of the current market conditions. If there are changes in the assumptions used for the valuations, the fair value of the investment properties will change in the future.

The investment properties of the Group with an aggregate carrying amount of approximately HK\$1,051,250,000 (31st December, 2020: HK\$1,423,110,000) were rented out under operating leases at the end of the reporting period. Outgoing expenses for investment properties that are not generating income during the period are insignificant. The resulting net gain on fair value changes of investment properties HK\$4,330,000 has been recognised directly in profit or loss for the six months ended 30th June, 2021 (six months ended 30th June, 2020: loss of HK\$116,429,000).

The income approach estimates the values of the properties on an open market basis by capitalising rental income on a fully leased basis having regard to the current passing rental income from existing tenancies and potential future reversionary income at the market level. The term value involves the capitalisation of the current passing rental income over the existing lease term. The reversionary value is taken to be current market rental income upon the expiry of the lease and is capitalised on a fully leased basis. In this approach, the valuers have considered the term yield and reversionary yield. The term yield is used for capitalisation of the current passing rental income as at the date of valuation whilst the reversionary yield is used to convert reversionary rental income.

One investment property (37 Wood Street, London) is valued by using residual method whereas the residual method is applied for developing land or projects to estimate the value of an undeveloped land. It is used when there are no comparable market prices available. The residual method starts with a notional value, the net realisation value from similar projects and less the development cost and also the profit of the developer, then the residual value will be arrived. There are many assumptions necessary in the calculation and the results react very sensitively to even small changes in the input variables. During the period, the investment property originally held for rental purpose was transferred to property, plant and equipment upon the commencement of the development with a view to property, plant and equipment at fair value of HK\$435,375,000 at the date of transfer.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

## 12. TRADE AND OTHER RECEIVABLES

	As at <b>30th June,</b> <b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>	As at 31st December, 2020 <i>HK\$'000</i> <b>(Audited)</b>
Trade receivables from contracts with customers	<b>3,293</b>	2,692
Other receivables	<b>3,538</b>	3,543
	<b>6,831</b>	6,235

Except for a credit period of 30 to 60 days granted to travel agencies and certain customers of the hotels, the Group does not allow any credit period to customers. The following is an aged analysis of the Group's trade receivables from contracts with customers presented based on the invoice date at the end of the reporting period:

	As at <b>30th June,</b> <b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>	As at 31st December, 2020 <i>HK\$'000</i> <b>(Audited)</b>
Not yet due	<b>3,210</b>	2,652
Overdue:		
0 – 30 days	<b>43</b>	24
31 – 60 days	<b>3</b>	1
61 – 90 days	<b>37</b>	15
	<b>3,293</b>	2,692



### 13. TRADE AND OTHER PAYABLES AND ACCRUALS

	<b>As at 30th June, 2021 HK\$'000 (Unaudited)</b>	As at 31st December, 2020 HK\$'000 (Audited)
Trade payables	4,693	2,658
Other payables and accruals	<u>27,391</u>	<u>27,764</u>
	<u><b>32,084</b></u>	<u><b>30,422</b></u>

The following is an aged analysis of the Group's trade payables presented based on the invoice date at the end of the reporting period:

	<b>As at 30th June, 2021 HK\$'000 (Unaudited)</b>	As at 31st December, 2020 HK\$'000 (Audited)
0 – 30 days	3,788	2,218
31 – 60 days	904	439
61 – 90 days	<u>1</u>	<u>1</u>
	<u><b>4,693</b></u>	<u><b>2,658</b></u>

## 14. BANK LOANS

	As at <b>30th June,</b> <b>2021</b> <b>HK\$'000</b> <b>(Unaudited)</b>	As at 31st December, 2020 <b>HK\$'000</b> <b>(Audited)</b>
Secured bank loans	<u><b>339,547</b></u>	<u>347,545</u>
The carrying amounts of bank loans are repayable (based on scheduled repayment dates set out in the loan agreements):		
Within one year	<b>268,934</b>	21,406
Within a period of more than one year but not exceeding two years	<u>–</u>	<u>253,728</u>
	<u><b>268,934</b></u>	<u>275,134</u>
The carrying amounts of bank loans that contain a repayable on demand clause (shown under current liabilities) but repayable:		
Within one year	<b>68,463</b>	58,415
Within a period of more than one year but not exceeding two years	<b>702</b>	12,194
Within a period of more than two years but not exceeding five years	<u><b>1,448</b></u>	<u>1,802</u>
	<u><b>70,613</b></u>	<u>72,411</u>
	<u><b>339,547</b></u>	<u>347,545</u>
Amounts shown under current liabilities	<b>339,547</b>	93,817
Amounts shown under non-current liabilities	<u>–</u>	<u>253,728</u>
	<u><b>339,547</b></u>	<u>347,545</u>

All the Group's bank loans are floating rate borrowings. The bank loans are secured over certain of the Group's assets as disclosed in note 17. Effective interest rate is 0.89% per annum (31st December, 2020: 1.42% per annum).

## 15. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary shares		
Issued and fully paid:		
At 1st January, 2020 (audited),		
30th June, 2020 (unaudited),		
31st December, 2020 (audited) and		
30th June, 2021 (unaudited)	<u>8,947,051</u>	<u>841,926</u>

## 16. RELATED PARTY TRANSACTIONS

Other than those disclosed in the condensed consolidated financial statements, the Group had the following transactions and balance with related parties during the period:

	Six months ended 30th June,	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Shun Ho Property Investments Limited (the Company's immediate holding company) and its subsidiaries*</b>		
Expense related to short term leases ( <i>note a</i> )	550	550
Interest expenses ( <i>note b</i> )	1,521	766
Corporate management fee income for administrative facilities provided	1,406	1,342
Corporate management fee income for hotel operations services provided	247	–
Amount due to the immediate holding company at the end of the reporting period ( <i>note b</i> )	186,005	133,873
<b>Shun Ho Holdings Limited (the Company's intermediate holding company)</b>		
Corporate management fee income for administrative facilities provided	75	75
Compensation of key management personnel ( <i>note c</i> )	<u>4,780</u>	<u>4,119</u>

\* exclude the Company and its subsidiaries

## 16. RELATED PARTY TRANSACTIONS *(Continued)*

*Notes:*

- (a) No commitment arised from the lease rental from the immediate holding company.
- (b) The amount due to immediate holding company was unsecured, carried interest at fixed rate 2% per annum and repayable on demand.
- (c) The compensation of key management personnel comprised short-term and post employment benefits attributable to such personnel.

## 17. PLEDGE OF ASSETS

At the end of the reporting period, the bank loan facilities of the Group were secured by the followings:

- (a) investment properties and property, plant and equipment of the Group with carrying amounts as at 30th June, 2021 of approximately HK\$994 million (31st December, 2020: HK\$980 million), and HK\$2,334 million (31st December, 2020: HK\$2,367 million), respectively;
- (b) pledge of shares in certain subsidiaries of the Company with an aggregate net asset value as at 30th June, 2021 of approximately HK\$601 million (31st December, 2020: HK\$603 million);
- (c) assignment of property rental of certain subsidiaries of the Company; and
- (d) assignment of insurance on a hotel property.

## 18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

### Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial asset	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30th June, 2021 <i>HK\$'000</i> (Unaudited)	31st December, 2020 <i>HK\$'000</i> (Audited)		
Equity instrument at fair value through other comprehensive income	142,472	167,763	Level 1	Quoted bid prices in an active market

The directors of the Company consider that the carrying amounts of the other financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.