



SHUN HO HOLDINGS LIMITED

順豪控股有限公司

(Stock Code: 253)

Interim Report 2017

CORPORATE INFORMATION

Executive Directors

Mr. William Cheng Kai Man (*Chairman*)

Mr. Albert Hui Wing Ho

Ms. Kimmy Lau Kam May

(appointed on 29th August, 2017)

Non-Executive Director

Madam Mabel Lui Fung Mei Yee

Independent Non-Executive Directors

Mr. Vincent Kwok Chi Sun

Mr. Chan Kim Fai

Mr. Hui Kin Hing

(retired on 16th June, 2017)

Mr. Lam Kwai Cheung

(appointed on 16th June, 2017)

Company Secretary

Ms. Koo Ching Fan

Auditor

Deloitte Touche Tohmatsu

35th Floor, One Pacific Place

88 Queensway

Hong Kong

Solicitors

KCL & Partners

Unit 1602-06, 16/F

FWD Financial Centre

308 Des Voeux Road Central

Sheung Wan, Hong Kong

Principal Bankers

The Hongkong and Shanghai Banking

Corporation Limited

Chong Hing Bank Limited

Registered Office

3rd Floor, Shun Ho Tower

24-30 Ice House Street

Central, Hong Kong

Share Registrars

Tricor Tengis Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

Tel: 2980 1333

Company's Website

www.shunho.com.hk

INTERIM RESULTS

The board of directors (the “Board”) of Shun Ho Holdings Limited (the “Company”) announces that the net profit after tax attributable to owners of the Company before depreciation of land, property and equipment for the six months ended 30th June, 2017 was HK\$135 million (six months ended 30th June, 2016: HK\$88 million), increased by 53%.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30th June, 2017 (six months ended 30th June, 2016: Nil).

The Company’s revenue mainly derived from its investment in Shun Ho Property Investments Limited (“Shun Ho Property”). Because of the limited existing dividend income, the Board does not recommend the payment of an interim dividend for the six months ended 30th June, 2017. The Company is seeking other local property investments in order to increase additional income.

MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, the Group through its major subsidiaries, Shun Ho Property and Magnificent Hotel Investments Limited (“Magnificent Hotel”), continued with its commercial properties investment and hotels investments and operations.

The net profit after tax attributable to the owners of the Company before depreciation of land, property and equipment for the six months ended 30th June, 2017 was HK\$135 million (six months ended 30th June, 2016: HK\$88 million), increased by 53%.

PERFORMANCE

Hotel Business

The Company owns 50.26% of Shun Ho Property which holds 71.09% of Magnificent Hotel as its hotel investment subsidiary. Shun Ho Property and Magnificent Hotel presently owns nine hotels, (1) Best Western Plus Hotel Kowloon, (2) Best Western Plus Hotel Hong Kong, (3) Best Western Grand Hotel, (4) Best Western Hotel Causeway Bay, (5) Best Western Hotel Harbour View, (6) Grand City Hotel, (7) Grand View Hotel, (8) Magnificent International Hotel, Shanghai and (9) Royal Scot Hotel in London. The nine hotels have about 2,821 rooms and the Group is one of the largest hotel groups in Hong Kong.

During the period, Shun Ho Property Group acquired Newton Inn at 88 Chun Yeung Street, North Point, Hong Kong. The Property comprises 30 storeys and 317 guest rooms with food and beverage and swimming pool facilities and 3 retail shops. The hotel has commenced business on the 19th August, 2017 and is renamed as Grand View Hotel and is managed by a wholly subsidiary of the Magnificent Hotel.

The net profit after tax attributable to the owners of Magnificent Hotel before exchange adjustment, revaluation gain of investment properties and depreciation of land, property and equipment for the six months ended 30th June, 2017 was HK\$78.0 million (six months ended 30th June, 2016: HK\$60.5 million), increased by 29%. The income from operation of hotels amounted to HK\$213.5 million (six months ended 30th June, 2016: HK\$198.6 million), increased by 8%. The average occupancy in the Group's Hong Kong hotels was 99.6% and the average room rate was HK\$584.

The major reason for the above increase was due to increase in room rates.

The exchange adjustment was made mainly because at the time of borrowing sterling for the acquisition of Royal Scot Hotel in London as at 30th June 2016, the exchange rate as at that time was HK\$10.43:£1. Eventual loan repayment is expected also in sterling, therefore, there was no future exchange rate risk exposure. However, due to accounting policy, adjustment had to be made regarding fluctuation of exchange rate even loan repayment is expected in sterling. At the year end of 2016, a profit of HK\$29 million resulted/announced due to depreciation of sterling from HK\$10.43:£1 to HK\$9.55:£1. Subsequently as at 30th June 2017, sterling rebounded from HK\$9.55: £1 to HK\$10.155: £1 leading to exchange adjustment of HK\$21 million.

Commercial Properties Rental Income

The properties rental income was derived from hotel property in UK, office buildings of Shun Ho Tower, 633 King's Road and shops from Best Western Plus Hotel Kowloon, Best Western Plus Hotel Hong Kong and Best Western Grand Hotel amounted to HK\$78 million (six months ended 30th June, 2016: HK\$62 million).

The properties rental income was analysed as follows:

	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	Change
633 King's Road	49,000	49,570	+1.16%
Shun Ho Tower	11,154	11,546 (<i>Note</i>)	+3.51%
Shops	2,313	1,464	-36.71%
Royal Scot Hotel	—	15,393	N/A
	<hr/>	<hr/>	
Total	<u>62,467</u>	<u>77,973</u>	+24.82%

Note: Non-controlling interest will be deducted in condensed consolidated statement of profit or loss.

The shops income decreased because the Best Western Plus Hotel Kowloon has been undergoing renovation to add approximately 40 hotel rooms and is expected to be completed in 2017.

- During the period, the administrative expenses excluding depreciation was HK\$20.0 million (six months ended 30th June, 2016: HK\$16.7 million), representing cost for corporate management office including directors' fees, salaries for executive staff and employees, rental, marketing expenses and office expenses. The higher administrative expenses were due to the legal fee incurred for the abandon purchase of Rosswood Hotel Georgia and the legal cost for the arrangement of the loan in sterling.

LIQUIDITY

- As at 30th June, 2017, the overall debt of the Group including Shun Ho Property and Magnificent Hotel and their subsidiaries was HK\$952 million (31st December, 2016: HK\$858 million). The debt ratio was 7% (31st December, 2016: 7%) in terms of overall debts of HK\$952 million (31st December, 2016: HK\$858 million) against the fully revalued assets of the Group amounted to HK\$13,450 million (31st December, 2016: HK\$12,996 million). The gearing ratio of the Group (including Magnificent Hotel and its subsidiaries) was approximately 14% (31st December, 2016: 13%).

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 management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

As at 30th June, 2017, the Group's staffing level did not have material change compared with that as at 31st December, 2016.

LOOKING AHEAD

- Magnificent Hotel will continue its business of hotel operations and will seek to acquire more hotel incomes by acquisition of hotel properties or serviced apartment hotels. Looking ahead, the hotel industry will continue to improve modestly.
- Shun Ho Property will continue its management and investment of 633 King's Road and Shun Ho Towers, Ice House Street and the income from the investment of Grand View Hotel managed by Magnificent Hotel.
- Overall the short term prospect of the Group's earning will benefit from the modest improvement of hotel industry and commercial rent. The management will endeavor to seek revenue growth from acquisition of income producing properties while maintaining LOW gearing.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the period.

DIRECTORS' INTERESTS IN LISTED SECURITIES

As at 30th June, 2017, 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 ("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, were as follows:

The Company

Name of director	Capacity	Nature of interests	Number of shares/ underlying shares held	Approximate % of shareholding
William Cheng Kai Man	Interest of controlled corporations	Corporate	216,608,825 (Note)	71.20

Note:

Trillion Resources Limited and Mercury Fast Limited beneficially owned 154,006,125 shares of the Company (the "Shares") (50.60%) and 62,602,700 Shares (20.60%) respectively. Mr. William Cheng Kai Man had controlling interests in the above mentioned companies. All the above interests in 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 Investments Limited (“Shun Ho Property”) (Note 1)	Interest of controlled corporations	Corporate	359,543,999	62.02
William Cheng Kai Man	Magnificent Hotel Investments Limited (“Magnificent Hotel”) (Note 2)	Interest of controlled corporations	Corporate	6,360,585,437	71.09
William Cheng Kai Man	Trillion Resources Limited (“Trillion Resources”) (Note 3)	Beneficial owner	Personal	1	100

Notes:

1. Shun Ho Property, the Company’s subsidiary, is a public limited company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange.
2. Magnificent Hotel, the Company’s indirect subsidiary, 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 employees share option scheme of Magnificent Hotel, an indirect subsidiary of the Company, was adopted at the extraordinary general meeting held on 14th November, 2013 and was amended at the annual general meeting held on 18th June, 2014 (the “Employees Share Option Scheme”). Since the adoption of the Employees Share Option Scheme and up to the date of this report, no share option had been granted under the Employees Share Option Scheme.

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, 2017, 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 pursuant to 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 corporation, or had exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2017, 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:

Name of shareholder	Capacity	Number of Shares/underlying Shares held	Approximate % of shareholding
Mercury Fast Limited ("Mercury")	Beneficial owner	62,602,700	20.60
Magnificent Hotel (<i>Note 1</i>)	Interest of controlled corporation	62,602,700	20.60
Shun Ho Property (<i>Note 1</i>)	Interest of controlled corporation	62,602,700	20.60
Trillion Resources (<i>Note 2</i>)	Beneficial owner and interest of controlled corporation	216,608,825	71.20
Liza Lee Pui Ling (<i>Note 3</i>)	Interest of spouse	216,608,825	71.20

Notes:

1. Magnificent Hotel and Shun Ho Property were taken to be interested in 62,602,700 Shares held by Mercury, a wholly-owned subsidiary of Magnificent Hotel which in turn owned as to 71.09% by Shun Ho Property and its subsidiaries.

2. Trillion Resources beneficially owned 154,006,125 Shares (50.60%) and was taken to be interested in 62,602,700 Shares (20.60%) held by Mercury which is the Company's indirect subsidiary.
3. Madam Liza Lee Pui Ling was deemed to be interested in 216,608,825 Shares by virtue of the interest in such Shares of her spouse, Mr. William Cheng Kai Man, a director of the Company.
4. All the above interests in the Shares are long position.

Save as disclosed above, there was no person, other than a director or chief executive of the Company, who had an interest or short position in the Shares and underlying Shares 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, 2017 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 11 of this interim report. The interim results and the interim report 2017 have also been reviewed by the Group's Audit Committee.

CORPORATE GOVERNANCE

(a) Compliance with the Corporate Governance Code

During the period ended 30th June, 2017, 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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited 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 Chairman and Chief Executive Officer. Mr. William Cheng Kai Man holds both positions. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person enables the Company to have a stable and consistent leadership. It also facilitates the planning and execution of the Company's strategy and is hence, for the interests of the Company and its shareholders.

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

Except three non-executive directors, all directors of the Company (including executive or non-executive directors) are not appointed for a fixed 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)

The terms of reference of the nomination committee adopted by the Company are in compliance with the code provision A.5.2 except that it is 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. Such duty should be performed by the board.

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

The terms of reference of the remuneration committee adopted by the Company are in compliance with the code provision B.1.2 except that it is 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. Such duties should be performed by the board.

(b) Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard set out in the Model Code during the period.

By Order of the Board

William CHENG Kai Man
Chairman

Hong Kong, 29th August, 2017

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF SHUN HO HOLDINGS LIMITED

(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Shun Ho Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 12 to 34, which comprise the condensed consolidated statement of financial position as of 30th June, 2017 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
29th August, 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2017

		Six months ended 30th June,	
		2017	2016
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	3	291,638	264,645
Cost of sales		(2,261)	(2,065)
Other service costs		(126,375)	(124,789)
Depreciation of property, plant and equipment and release of prepaid lease payments for land		<u>(39,177)</u>	<u>(37,239)</u>
Gross profit		123,825	100,552
Increase in fair value of investment properties	11	186,120	87,776
Other income and expenses and gains and losses		(18,974)	1,916
Administrative expenses		(24,033)	(20,380)
– Depreciation		(4,014)	(3,685)
– Others		(20,019)	(16,695)
Finance costs	5	<u>(6,886)</u>	<u>(5,529)</u>
Profit before taxation		260,052	164,335
Income tax expense	6	<u>(18,135)</u>	<u>(14,560)</u>
Profit for the period	7	<u>241,917</u>	<u>149,775</u>
Profit for the period attributable to:			
Owners of the Company		119,332	73,284
Non-controlling interests		<u>122,585</u>	<u>76,491</u>
		<u>241,917</u>	<u>149,775</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	9		
Basic		<u>49.36</u>	<u>30.31</u>
Diluted		<u>N/A</u>	<u>N/A</u>

**CONDENSED CONSOLIDATED STATEMENT OF TOTAL
COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30TH JUNE, 2017

	Six months ended 30th June,	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit for the period	<u>241,917</u>	<u>149,775</u>
Other comprehensive income (expense)		
Items that may be subsequently reclassified to profit or loss		
Exchange differences arising on translation of foreign operations	50,314	(30,406)
Fair value gain (loss) on available-for-sale investments	<u>265</u>	<u>(30,726)</u>
Other comprehensive income (expense) for the period	<u>50,579</u>	<u>(61,132)</u>
Total comprehensive income for the period	<u>292,496</u>	<u>88,643</u>
Total comprehensive income attributable to:		
Owners of the Company	137,404	51,440
Non-controlling interests	<u>155,092</u>	<u>37,203</u>
	<u>292,496</u>	<u>88,643</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2017

		As at 30th June, 2017	As at 31st December, 2016
	NOTES	HK\$'000 (Unaudited)	HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	2,854,653	2,874,620
Prepaid lease payments for land		28,519	27,898
Investment properties	11	4,122,080	3,890,050
Properties under development	12	64,944	56,369
Available-for-sale investments	13	7,033	6,768
Deposit paid for acquisition of a subsidiary	14	<u>100,000</u>	<u>–</u>
		<u>7,177,229</u>	<u>6,855,705</u>
CURRENT ASSETS			
Inventories		1,081	1,067
Prepaid lease payments for land		823	795
Trade and other receivables	15	19,620	22,603
Other deposits and prepayments		17,721	9,336
Pledged bank deposits	16	–	446,587
Bank balances and cash		<u>960,484</u>	<u>434,826</u>
		<u>999,729</u>	<u>915,214</u>
CURRENT LIABILITIES			
Trade and other payables and accruals	17	63,955	36,099
Rental and other deposits received		19,730	25,524
Amount due to ultimate holding company	20a	49,549	48,469
Tax liabilities		21,852	4,434
Bank loans	18	<u>586,733</u>	<u>809,271</u>
		<u>741,819</u>	<u>923,797</u>
NET CURRENT ASSETS (LIABILITIES)		<u>257,910</u>	<u>(8,583)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>7,435,139</u></u>	<u><u>6,847,122</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AT 30TH JUNE, 2017

		As at 30th June, 2017 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2016 <i>HK\$'000</i> (Audited)
	<i>NOTES</i>		
CAPITAL AND RESERVES			
Share capital	19	172,252	172,252
Reserves		<u>3,057,376</u>	<u>2,919,972</u>
Equity attributable to owners of the Company		3,229,628	3,092,224
Non-controlling interests		<u>3,696,642</u>	<u>3,565,228</u>
Total equity		<u>6,926,270</u>	<u>6,657,452</u>
NON-CURRENT LIABILITIES			
Bank loans	18	315,902	–
Rental deposits received		36,996	34,238
Deferred tax liabilities		<u>155,971</u>	<u>155,432</u>
		<u>508,869</u>	<u>189,670</u>
		<u>7,435,139</u>	<u>6,847,122</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2017

	Attributable to owners of the Company									
	Share capital <i>HKS'000</i>	Property revaluation reserve <i>HKS'000</i> <i>(Note a)</i>	Securities revaluation reserve <i>HKS'000</i> <i>(Note d)</i>	Foreign currency translation reserve <i>HKS'000</i>	Own shares held by a subsidiary <i>HKS'000</i> <i>(Note b)</i>	Other reserve <i>HKS'000</i> <i>(Note c)</i>	Retained profits <i>HKS'000</i>	Sub-total <i>HKS'000</i>	Non-controlling interests <i>HKS'000</i>	Total <i>HKS'000</i>
At 1st January, 2016 (audited)	172,252	22,702	(10,665)	5,471	(12,834)	757,197	2,002,236	2,936,359	3,436,366	6,372,725
Profit for the period	-	-	-	-	-	-	73,284	73,284	76,491	149,775
Exchange differences arising on translation of foreign operations	-	-	-	(10,865)	-	-	-	(10,865)	(19,541)	(30,406)
Fair value loss on available-for-sale investments	-	-	(10,979)	-	-	-	-	(10,979)	(19,747)	(30,726)
Total comprehensive (expense) income for the period	-	-	(10,979)	(10,865)	-	-	73,284	51,440	37,203	88,643
Dividend payable to non-controlling interests	-	-	-	-	-	-	-	-	(23,502)	(23,502)
At 30th June, 2016 (unaudited)	<u>172,252</u>	<u>22,702</u>	<u>(21,644)</u>	<u>(5,394)</u>	<u>(12,834)</u>	<u>757,197</u>	<u>2,075,520</u>	<u>2,987,799</u>	<u>3,450,067</u>	<u>6,437,866</u>
At 1st January, 2017 (audited)	<u>172,252</u>	<u>22,702</u>	<u>(12,536)</u>	<u>(30,738)</u>	<u>(12,834)</u>	<u>757,197</u>	<u>2,196,181</u>	<u>3,092,224</u>	<u>3,565,228</u>	<u>6,657,452</u>
Profit for the period	-	-	-	-	-	-	119,332	119,332	122,585	241,917
Exchange differences arising on translation of foreign operations	-	-	-	17,977	-	-	-	17,977	32,337	50,314
Fair value gain on available-for-sale investments	-	-	95	-	-	-	-	95	170	265
Total comprehensive income for the period	-	-	95	17,977	-	-	119,332	137,404	155,092	292,496
Dividend payable to non-controlling interests	-	-	-	-	-	-	-	-	(23,678)	(23,678)
At 30th June, 2017 (unaudited)	<u>172,252</u>	<u>22,702</u>	<u>(12,441)</u>	<u>(12,761)</u>	<u>(12,834)</u>	<u>757,197</u>	<u>2,315,513</u>	<u>3,229,628</u>	<u>3,696,642</u>	<u>6,926,270</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2017

Notes:

- (a) The property revaluation reserve is frozen upon the transfer and will be transferred to retained profits when the relevant properties are disposed of.
- (b) The own shares held by a subsidiary represents the carrying amount of shares in the Company held by an entity at the time the entity become a subsidiary of the Company.
- (c) The other reserve was resulted from the acquisition of additional interest or disposal of partial interest in subsidiaries without losing control.
- (d) Included in securities revaluation reserve at 30th June, 2017 is the Group's share of a decrease in change in value of securities amounting to HK\$12,252,000 (31st December, 2016: HK\$12,252,000) attributable to the securities held by a former associate, and the Group's share of the fair value gain on available-for-sale investments amounting to HK\$95,000 (31st December, 2016: fair value loss amounting to HK\$1,669,000). The associate has become a subsidiary of the Company since 2001.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2017

		Six months ended 30th June,	
	<i>NOTE</i>	2017	2016
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Net cash from operating activities		<u>135,956</u>	<u>138,151</u>
Net cash from (used in) investing activities			
Expenditure on properties under development		(8,862)	(2,222)
Acquisition of property, plant and equipment		(1,762)	(7,330)
Expenditure on investment properties		–	(124)
Deposit paid for acquisition of a subsidiary		(100,000)	–
Payments for acquisition of subsidiaries	23	(19,905)	–
Payments for acquisition of an investment property		–	(798,256)
Proceeds from disposal of property, plant and equipment		90	117
Decrease (increase) in pledged bank deposits		<u>446,587</u>	<u>(446,250)</u>
		<u>316,148</u>	<u>(1,254,065)</u>
Net cash from financing activities			
Interest paid		(5,806)	(4,533)
New bank loans raised		447,025	345,111
Repayment of bank loans		(369,492)	(33,247)
Repayment to ultimate holding company		–	(6)
		<u>71,727</u>	<u>307,325</u>
Net increase (decrease) in cash and cash equivalents		523,831	(808,589)
Cash and cash equivalents at the beginning of the period		434,826	1,065,431
Effect of foreign exchange rate changes		<u>1,827</u>	<u>(340)</u>
Cash and cash equivalents at the end of the period, represented by bank balances and cash		<u><u>960,484</u></u>	<u><u>256,502</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2017

1. BASIS OF PREPARATION

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 Stock Exchange of Hong Kong Limited.

The financial information relating to the year ended 31st December, 2016 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, 2016 to the Register of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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.

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.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2016.

In the current interim period, the Group has applied the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA for the first time that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle

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

3. REVENUE

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

	Six months ended 30th June,	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Income from operation of hotels	213,450	198,557
Income from property rental	77,973	62,467
Dividend income	215	3,621
	<u>291,638</u>	<u>264,645</u>

4. SEGMENT INFORMATION

The Group's operating and reportable segments, based on information reported to the chief operating decision maker, 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 – Best Western Hotel Harbour View
6. Hospitality services – Best Western Grand Hotel
7. Hospitality services – Grand City Hotel
8. Property investment – 633 King's Road
9. Property investment – Shun Ho Tower
10. Property investment – Shops
11. Property investment – Hotel
12. Securities investment

Information regarding the above segments is reported below.

4. SEGMENT INFORMATION (Continued)

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 profit	
	Six months ended 30th June,		Six months ended 30th June,	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hospitality services	213,450	198,557	47,281	34,782
– Best Western Plus Hotel Kowloon	27,927	25,600	1,413	1,014
– Best Western Plus Hotel Hong Kong	36,298	32,924	12,827	7,935
– Magnificent International Hotel, Shanghai	10,321	10,378	2,314	1,729
– Best Western Hotel Causeway Bay	28,263	26,155	5,199	2,654
– Best Western Hotel Harbour View	42,618	38,148	13,834	10,710
– Best Western Grand Hotel	46,927	46,080	7,802	7,445
– Grand City Hotel	21,096	19,272	3,892	3,295
Property investment	77,973	62,467	262,449	149,925
– 633 King's Road	49,570	49,000	188,230	118,861
– Shun Ho Tower	11,546	11,154	52,442	28,751
– Shops	1,464	2,313	1,464	2,313
– Hotel	15,393	–	20,313	–
Securities investment	215	3,621	215	3,621
	<u>291,638</u>	<u>264,645</u>	<u>309,945</u>	<u>188,328</u>
Other income and expenses and gains and losses			(18,974)	1,916
Central administration costs and directors' emoluments			(24,033)	(20,380)
Finance costs			(6,886)	(5,529)
Profit before taxation			<u>260,052</u>	<u>164,335</u>

4. SEGMENT INFORMATION (Continued)

Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' emoluments, other income and expenses and gains and losses and finance costs. This is the measure reported to the chief operating decision maker, Chairman of the Company, 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.

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

	As at 30th June, 2017 HK\$'000 (Unaudited)	As at 31st December, 2016 HK\$'000 (Audited)
Segment assets		
Hospitality services	2,817,018	2,853,576
– Best Western Plus Hotel Kowloon	401,352	402,544
– Best Western Plus Hotel Hong Kong	323,637	327,389
– Magnificent International Hotel, Shanghai	75,149	73,428
– Best Western Hotel Causeway Bay	342,367	349,397
– Best Western Hotel Harbour View	510,603	515,305
– Best Western Grand Hotel	762,138	779,456
– Grand City Hotel	401,772	406,057
Property investment	4,131,108	3,893,344
– 633 King's Road	2,488,393	2,343,014
– Shun Ho Tower	664,158	623,080
– Shops	211,000	211,000
– Hotel	767,557	716,250
Securities investment	11,121	8,035
Unallocated assets	6,959,247	6,754,955
	1,217,711	1,015,964
Consolidated assets	8,176,958	7,770,919

4. SEGMENT INFORMATION (Continued)

	As at 30th June, 2017 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2016 <i>HK\$'000</i> (Audited)
Segment liabilities		
Hospitality services	30,574	30,496
– Best Western Plus Hotel Kowloon	5,657	5,899
– Best Western Plus Hotel Hong Kong	4,140	4,602
– Magnificent International Hotel, Shanghai	1,748	1,113
– Best Western Hotel Causeway Bay	3,637	3,239
– Best Western Hotel Harbour View	5,824	5,240
– Best Western Grand Hotel	5,829	6,745
– Grand City Hotel	3,739	3,658
Property investment	52,208	53,099
– 633 King's Road	33,483	34,882
– Shun Ho Tower	8,190	7,692
– Shops	1,547	2,040
– Hotel	8,988	8,485
Securities investment	<u>2</u>	<u>2</u>
	82,784	83,597
Unallocated liabilities	<u>1,167,904</u>	<u>1,029,870</u>
Consolidated liabilities	<u><u>1,250,688</u></u>	<u><u>1,113,467</u></u>

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), deposit paid for acquisition of a subsidiary, pledged bank deposits and bank balances and cash; and
- all liabilities are allocated to operating and reportable segments other than the Group's head office corporate liabilities, amount due to ultimate holding company, bank loans and current and deferred tax liabilities.

5. FINANCE COSTS

	Six months ended 30th June,	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interests on:		
Bank loans	5,806	4,533
Amount due to ultimate holding company (<i>note 20a</i>)	1,080	996
	<u>6,886</u>	<u>5,529</u>

6. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
The taxation charge comprises:		
Current tax		
Hong Kong	15,925	14,072
The People's Republic of China ("PRC")	526	360
The United Kingdom ("UK")	1,145	–
	<u>17,596</u>	<u>14,432</u>
Underprovision in prior years		
Hong Kong	–	60
	<u>17,596</u>	<u>14,492</u>
Deferred tax	539	68
	<u>18,135</u>	<u>14,560</u>

6. INCOME TAX EXPENSE (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, 2017 (six months ended 30th June, 2016: 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 Group's PRC subsidiary amounted to HK\$160,000 (six months ended 30th June, 2016: HK\$108,000) were charged to profit or loss for the six months ended 30th June, 2017.

7. PROFIT FOR THE PERIOD

	Six months ended 30th June,	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Release of prepaid lease payments for land	411	418
Depreciation of property, plant and equipment	42,780	40,506
Interest on bank deposits (Note)	(1,441)	(1,384)
Loss on disposal of property, plant and equipment (Note)	254	104
Exchange loss (Note)	<u>21,094</u>	<u>-</u>

Note: The amount is included in other income and expenses and gains and losses.

8. DIVIDEND

No dividends were paid, declared or proposed during the reported period. The directors have resolved not to declare an interim dividend for the six months ended 30th June, 2017 (six months ended 30th June, 2016: nil).

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the period attributable to owners of the Company of HK\$119,332,000 (six months ended 30th June, 2016: HK\$73,284,000) and on 241,766,000 shares (six months ended 30th June, 2016: 241,766,000 shares) in issue during the period. The number of shares adopted in the calculation of the earnings per share has been arrived at after eliminating the shares in the Company held by a subsidiary.

Diluted earnings per share for both periods are not presented as there are no potential ordinary shares exist during both periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30th June, 2017, the Group has acquired furniture, fixtures and equipment of HK\$970,000 (six months ended 30th June, 2016: HK\$1,018,000), motor vehicles and vessels of HK\$792,000 (six months ended 30th June, 2016: HK\$794,000) and leasehold land and buildings of HK\$19,905,000 through acquisition of a subsidiary (six months ended 30th June, 2016: nil). In addition, the Group had incurred HK\$5,518,000 on structural improvement works on hotel premises during the six months ended 30th June, 2016.

The Group has disposed of property, plant and equipment with carrying amount of HK\$344,000 (six months ended 30th June, 2016: HK\$221,000) during the period.

11. INVESTMENT PROPERTIES

The fair values of the Group's investment properties at 30th June, 2017 have been arrived at on the basis of a valuation carried out on that date by DTZ Cushman & Wakefield Limited and Levy Real Estate LLP (31st December, 2016: DTZ Cushman & Wakefield Limited and Allsop LLP), independent qualified professional valuers not connected with the Group. The valuation reports on these properties are signed by a director of DTZ Cushman & Wakefield Limited who is a member of The Hong Kong Institute of Surveyors and a partner of Levy Real Estate LLP who is a member of the Royal Institution of Chartered Surveyors, and were arrived at by adopting the income capitalisation method and by making reference to comparable sales transactions as available in the market to assess the market value of the investment properties.

The investment properties of the Group with an aggregate carrying amount of approximately HK\$4,122 million (31st December, 2016: HK\$3,890 million) were rented out under operating leases at the end of the reporting period. The resulting gain on fair value changes of investment properties of HK\$186,120,000 has been recognised directly in profit or loss for the six months ended 30th June, 2017 (six months ended 30th June, 2016: HK\$87,776,000).

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

11. INVESTMENT PROPERTIES *(Continued)*

The income capitalisation 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.

12. PROPERTIES UNDER DEVELOPMENT

During the six months ended 30th June, 2017, the Group has incurred HK\$8,575,000 (six months ended 30th June, 2016: HK\$1,644,000) on construction cost of hotel premises.

During the six months ended 30th June, 2016, the Group had transferred HK\$103,260,000 from properties under development to hotel premises under property, plant and equipment and HK\$49,000,000 from investment properties to properties under development due to change in use from earning rental income from outsiders to owner occupation.

13. AVAILABLE-FOR-SALE INVESTMENTS

	As at 30th June, 2017 HK\$'000 (Unaudited)	As at 31st December, 2016 HK\$'000 (Audited)
Listed equity securities in Hong Kong, at fair value	5,138	4,873
Unlisted equity investments, at cost	1,895	1,895
	<u>7,033</u>	<u>6,768</u>

14. DEPOSIT PAID FOR ACQUISITION OF A SUBSIDIARY

As at 30th June, 2017, HK\$100,000,000 is paid for the acquisition of a subsidiary operating hotel in Hong Kong. Details of the acquisition are set out in the circular issued by the Company dated 24th April, 2017.

15. TRADE AND OTHER RECEIVABLES

	As at 30th June, 2017 HK\$'000 (Unaudited)	As at 31st December, 2016 HK\$'000 (Audited)
Analysed for reporting as:		
Trade receivables	13,155	19,917
Other receivables	6,465	2,686
	<u>19,620</u>	<u>22,603</u>

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 presented based on the invoice date at the end of the reporting period:

	As at 30th June, 2017 HK\$'000 (Unaudited)	As at 31st December, 2016 HK\$'000 (Audited)
Not yet due	13,097	18,974
Overdue:		
0 – 30 days	51	758
31 – 60 days	6	179
61 – 90 days	1	6
	<u>13,155</u>	<u>19,917</u>

16. PLEDGED BANK DEPOSITS

As at 31st December, 2016, pledged bank deposits represented deposits pledged to the bank to secure a banking facility granted to the Group. Deposits amounted to HK\$446,587,000 was pledged to secure a bank loan classified as a current liability and are therefore classified as current assets. The pledged bank deposits have been released upon the repayment of the secured bank loan during the six months ended 30th June, 2017.

17. TRADE AND OTHER PAYABLES AND ACCRUALS

	As at 30th June, 2017 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2016 <i>HK\$'000</i> (Audited)
Analysed for reporting as:		
Trade payables	3,441	3,194
Dividend payable	29,766	6,087
Other payables and accruals (<i>Note</i>)	30,748	26,818
	<u>63,955</u>	<u>36,099</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:

	As at 30th June, 2017 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2016 <i>HK\$'000</i> (Audited)
0 – 30 days	2,672	2,291
31 – 60 days	207	64
61 – 90 days	562	839
	<u>3,441</u>	<u>3,194</u>

Note: Other payables and accruals include construction costs payable of HK\$357,000 (31st December, 2016: HK\$644,000).

18. BANK LOANS

	As at 30th June, 2017 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2016 <i>HK\$'000</i> (Audited)
Secured bank loans	<u>902,635</u>	<u>809,271</u>
Carrying amounts of bank loans that do not contain a repayment on demand clause:		
Repayable within one year from the end of the reporting period	20,576	315,993
Not repayable within one year from the end of the reporting period	<u>315,902</u>	<u>–</u>
	<u>336,478</u>	<u>315,993</u>
Carrying amounts of bank loans that contain a repayment on demand clause (shown under current liabilities) but:		
Repayable within one year from the end of the reporting period	255,200	196,584
Not repayable within one year from the end of the reporting period shown under current liabilities	<u>310,957</u>	<u>296,694</u>
	<u>566,157</u>	<u>493,278</u>
	<u>902,635</u>	<u>809,271</u>
Amounts shown under current liabilities	586,733	809,271
Amounts shown under non-current liabilities	<u>315,902</u>	<u>–</u>
	<u>902,635</u>	<u>809,271</u>

All the Group's bank loans are floating rate borrowings. The bank loans are secured over certain of the Group's properties. Interest rates on the Group's bank loans are repriced according to the market interest rate monthly. Effective interest rate is 1.4% per annum (31st December, 2016: 1.5% per annum).

19. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary shares		
Issued and fully paid:		
At 1st January, 2016 (audited), 30th June, 2016 (unaudited), 31st December, 2016 (audited) and 30th June, 2017 (unaudited)	<u>304,369</u>	<u>172,252</u>

At 30th June, 2017, the Company's 62,603,000 (31st December, 2016: 62,603,000) issued shares were held by a subsidiary of the Group. In accordance with the Hong Kong Companies Ordinance, members of the Group who are shareholders of the Company have no right to vote at meetings of the Company.

20. RELATED PARTY TRANSACTIONS

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

	Six months ended 30th June,	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Trillion Resources Limited (the Company's ultimate holding company)		
Interest expenses on advance to the Group (<i>note a</i>)	1,080	996
Compensation of key management personnel (<i>note b</i>)	<u>5,572</u>	<u>5,302</u>

Notes:

- (a) The advance from ultimate holding company is unsecured, carries interest at Hong Kong Interbank Offered Rate ("HIBOR") plus 4% (31st December, 2016: HIBOR plus 4%) per annum and repayable on demand.
- (b) The compensation of key management personnel comprised short-term and post employment benefits attributable to such personnel.

21. PROJECT/CAPITAL COMMITMENTS

At 30th June, 2017, the Group had outstanding commitments contracted for but not provided in the condensed consolidated financial statements in respect of expenditure on properties under development amounting to HK\$9,776,000 (31st December, 2016: HK\$15,084,000).

In addition, at 30th June, 2017, the Group has outstanding commitment of HK\$900 million being the balance payment for acquisition of equity interests in Enhance Invest Inc. (“Enhance Invest”) as set out in note 25.

22. 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, 2017 of approximately HK\$3,458 million (31st December, 2016: HK\$2,445 million) and HK\$2,518 million (31st December, 2016: HK\$2,320 million), respectively;
- (b) pledge of shares in and subordination of loans due from certain subsidiaries with an aggregate carrying amount as at 30th June, 2017 of approximately HK\$1,568 million (31st December, 2016: HK\$1,091 million);
- (c) pledge of bank deposits with an aggregate carrying as at 31st December, 2016 of approximately HK\$447 million; and
- (d) assignment of the Group’s rentals and hotel revenue respectively.

23. ACQUISITION OF SUBSIDIARIES

Acquisition of Pacific Rich International Limited (“Pacific Rich”)

On 7th February, 2017, a subsidiary of the Company, Babenna Limited (“Babenna”), entered into an agreement for the acquisition of 100% equity interests in Pacific Rich for a consideration of HK\$19,905,000. The acquisition was completed during the six months ended 30th June, 2017. The principal activity of Pacific Rich is holding a property located in Hong Kong amounting to HK\$19,905,000. Accordingly, the transaction is accounted for as the acquisition of assets. The contribution from Pacific Rich to the Group’s profit for the period between the date of acquisition and the end of the reporting period is not significant.

Acquisition of Grand View Hotel Limited (“Grand View”)

On 19th June, 2017, Babenna entered into an agreement for the acquisition of 100% equity interests in Grand View for a consideration of HK\$1. The acquisition was completed during the six months ended 30th June, 2017. Grand View is an inactive company and intended to be hotel management company. The contribution from Grand View to the Group’s profit for the period between the date of acquisition and the end of the reporting period is not significant.

24. 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 those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from 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, 2017	31st December, 2016		
	HK\$'000 (Unaudited)	HK\$'000 (Audited)		
Listed equity securities classified as available-for-sale investments	5,138	4,873	Level 1	Quoted bid prices in an active market

Except for certain available-for-sale investments which are stated at cost, 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.

25. EVENT AFTER THE REPORTING PERIOD

Acquisition of interest in Enhance Invest

On 17th February, 2017, a subsidiary of the Company, Houston Venture Limited (incorporated in the British Virgin Islands), entered into an agreement for the acquisition of 100% equity interests in Enhance Invest for a consideration of approximately HK\$1,000 million. As at 30th June, 2017, the acquisition is not yet completed and only HK\$100,000,000 was paid to the vendor as disclosed in note 14. The acquisition is subsequently completed on 12th July, 2017. The principal activity of Enhance Invest is holding an investment property named Newton Inn located in Hong Kong.