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# MAGNIFICENT HOTEL INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 201)

## ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2022

### RESULTS

The board (the “Board”) of directors (the “Directors”) of Magnificent Hotel Investments Limited (the “Company”) announces that the profit for the year attributable to owners of the Company for the year ended 31st December, 2022 was HK\$593 million (2021: HK\$66 million), increased by HK\$527 million. The audited consolidated results of the Company and its subsidiaries (together the “Group”) for the year, together with comparative figures for the previous year, are as follows:

#### Consolidated Statement of Profit or Loss

For the year ended 31st December, 2022

	NOTES	2022 HK\$'000	2021 HK\$'000
Revenue	3		
Contracts with customers		403,159	284,082
Leases		36,281	42,316
Dividend income		42	-
Total revenue		439,482	326,398
Cost of sales		(25,701)	(36,482)
Other service costs		(166,960)	(165,407)
Depreciation of property, plant and equipment		(73,153)	(74,525)
Depreciation of right-of-use asset		(800)	(880)
Gross profit		172,868	49,104
Net (decrease) increase in fair value of investment properties		(5,000)	62,300
Gain on disposal of a subsidiary		521,857	-
Other income and gains and losses		(12,341)	2,892
Administrative expenses		(37,977)	(33,920)
- Depreciation		(1,858)	(2,781)
- Others		(36,119)	(31,139)
Finance costs	5	(23,098)	(6,508)
Profit before taxation	6	616,309	73,868
Income tax expense	7	(24,146)	(8,269)
Profit for the year		592,163	65,599

**Consolidated Statement of Profit or Loss (Continued)**  
*For the year ended 31st December, 2022*

	<i>NOTE</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit (loss) for the year attributable to:			
Owners of the Company		<b>592,799</b>	65,522
Non-controlling interests		<u><b>(636)</b></u>	<u>77</u>
		<u><b>592,163</b></u>	<u>65,599</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
Basic	9	<u><b>6.63</b></u>	<u>0.73</u>

**Consolidated Statement of Total Comprehensive Income**  
*For the year ended 31st December, 2022*

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit for the year	<u><b>592,163</b></u>	<u>65,599</u>
<b>Other comprehensive expense</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Fair value loss on equity instruments at fair value through other comprehensive income	<b>(1,829)</b>	(21,531)
<b>Item that may be reclassified subsequently to profit or loss</b>		
Exchange differences on translation of foreign operations	<u><b>(144,809)</b></u>	<u>(3,767)</u>
Other comprehensive expense for the year	<u><b>(146,638)</b></u>	<u>(25,298)</u>
Total comprehensive income for the year	<u><b>445,525</b></u>	<u>40,301</u>
Total comprehensive income (expense) attributable to:		
Owners of the Company	<b>446,161</b>	40,224
Non-controlling interests	<u><b>(636)</b></u>	<u>77</u>
	<u><b>445,525</b></u>	<u>40,301</u>

## Consolidated Statement of Financial Position

At 31st December, 2022

	NOTES	2022 HK\$'000	2021 HK\$'000
<b>Non-Current Assets</b>			
Property, plant and equipment		3,782,568	2,879,814
Right-of-use asset		24,374	27,657
Investment properties		1,020,440	1,121,905
Equity instruments at fair value through other comprehensive income		<u>144,403</u>	<u>146,232</u>
		<u>4,971,785</u>	<u>4,175,608</u>
<b>Current Assets</b>			
Inventories		1,133	1,037
Trade and other receivables	10	16,059	6,336
Other deposits and prepayments		10,623	7,728
Financial assets at fair value through profit or loss		-	12,450
Bank balances and cash		<u>265,908</u>	<u>247,842</u>
		<u>293,723</u>	<u>275,393</u>
<b>Current Liabilities</b>			
Trade and other payables and accruals	11	51,915	34,448
Rental and other deposits received		2,840	1,877
Refund liabilities		14,932	-
Contract liabilities		5,744	26,455
Amount due to immediate holding company		609,974	189,078
Amount due to a shareholder		5,088	5,088
Tax liabilities		16,497	5,159
Bank loans		<u>22,000</u>	<u>310,299</u>
		<u>728,990</u>	<u>572,404</u>
<b>Net Current Liabilities</b>		<u>(435,267)</u>	<u>(297,011)</u>
<b>Total Assets less Current Liabilities</b>		<u>4,536,518</u>	<u>3,878,597</u>
<b>Capital and Reserves</b>			
Share capital		841,926	841,926
Reserves		<u>3,383,435</u>	<u>2,937,274</u>
Equity attributable to owners of the Company		4,225,361	3,779,200
Non-controlling interests		<u>7,403</u>	<u>8,039</u>
<b>Total Equity</b>		<u>4,232,764</u>	<u>3,787,239</u>
<b>Non-Current Liabilities</b>			
Bank loans		219,715	-
Rental deposits received		-	1,262
Deferred tax liabilities		<u>84,039</u>	<u>90,096</u>
		<u>303,754</u>	<u>91,358</u>
		<u>4,536,518</u>	<u>3,878,597</u>

Notes:

## 1. GENERAL

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The 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.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The financial information relating to the years ended 31st December, 2022 and 2021 included in this preliminary announcement of annual results 2022 do not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31st December, 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31st December, 2022 in due course.

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

## 2. APPLICATION OF AMENDMENTS TO HKFRSs

### *Amendments to HKFRSs that are mandatorily effective for the current year*

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group’s annual periods beginning on or after 1st January, 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS16	Covid-19-Related Rent Concessions beyond 30th June, 2021
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements

### 3. REVENUE

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

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Income from operation of hotels	<b>403,159</b>	284,082
Income from property rental	<b>36,281</b>	42,316
Dividend income	<b>42</b>	-
	<b><u>439,482</u></b>	<u>326,398</u>

### 4. SEGMENT INFORMATION

HKFRS 8 “Operating Segments” requires operating and reportable segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the “CODM”), being the Chairman of the Company, for the purposes of allocating resources to segments and assessing their performance. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

The Group’s operating and reportable segments under HKFRS 8 are therefore 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. Hospitality services - Grand Bay View Hotel
10. Property investment - Shops, hotel and residential properties
11. Securities investment

Information regarding the above segments is 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 segments for both years:

	<u>Segment revenue</u>		<u>Segment results</u>	
	Year ended		Year ended	
	31st December,		31st December,	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hospitality services	<b>403,159</b>	284,082	<b>136,545</b>	6,788
- Best Western Plus Hotel Kowloon	<b>29,922</b>	20,566	<b>(7,355)</b>	(15,030)
- Best Western Plus Hotel Hong Kong	<b>57,220</b>	55,226	<b>14,765</b>	13,178
- Magnificent International Hotel, Shanghai	<b>19,177</b>	18,627	<b>4,183</b>	3,301
- Best Western Hotel Causeway Bay	<b>64,135</b>	39,260	<b>23,295</b>	(2,032)
- Ramada Hong Kong Harbour View	<b>109,027</b>	64,295	<b>61,950</b>	16,811
- Ramada Hong Kong Grand	<b>101,664</b>	54,221	<b>34,098</b>	(11,588)
- Grand City Hotel	<b>22,014</b>	31,887	<b>5,609</b>	2,148
Property investment	<b>36,281</b>	42,316	<b>31,281</b>	104,616
Securities investment	<b>42</b>	-	<b>42</b>	-
	<b><u>439,482</u></b>	<u>326,398</u>	<b>167,868</b>	111,404
Gain on disposal of a subsidiary			<b>521,857</b>	-
Other income and gains and losses			<b>(12,341)</b>	2,892
Administration expenses			<b>(37,977)</b>	(33,920)
Finance costs			<b>(23,098)</b>	(6,508)
Profit before taxation			<b><u>616,309</u></b>	<u>73,868</u>

##### Geographical information

The Group's operations are located in Hong Kong, the People's Republic of China (the "PRC") and the United Kingdom (the "UK").

The following is an analysis of the Group's revenue primarily by geographical markets based on location of assets:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong (place of domicile)	<b>385,840</b>	266,685
The PRC	<b>19,177</b>	18,627
The UK	<b>34,465</b>	41,086
	<b><u>439,482</u></b>	<u>326,398</u>

## 5. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interests on :		
Bank loans	8,226	3,071
Amount due to immediate holding company	<u>14,872</u>	<u>3,437</u>
	<u><u>23,098</u></u>	<u><u>6,508</u></u>

## 6. PROFIT BEFORE TAXATION

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	1,386	1,526
Staff costs including directors' emoluments	115,655	118,658
Depreciation of property, plant and equipment	75,011	77,306
Depreciation of right-of-use asset	<u>800</u>	<u>880</u>

## 7. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
The taxation expense comprises:		
Current tax		
Hong Kong	14,419	176
PRC Enterprises Income Tax	598	-
The UK	<u>5,477</u>	<u>7,245</u>
	20,494	7,421
(Over)underprovision in prior years		
Hong Kong	(60)	(84)
The UK	<u>(93)</u>	<u>271</u>
	20,341	7,608
Deferred tax	<u>3,805</u>	<u>661</u>
	<u><u>24,146</u></u>	<u><u>8,269</u></u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years. Taxation arising in other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions.

## 8. DIVIDEND

No dividend was paid or proposed by the directors for ordinary shareholders of the Company during 2022 and 2021, nor has any dividend been proposed since the end of the reporting period.

## 9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company of HK\$592,799,000 (2021: HK\$65,522,000) and on 8,947,051,000 shares (2021: 8,947,051,000 shares) in issue during the year.

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

## 10. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables from contacts with customers	10,730	3,402
Other receivables	<u>5,329</u>	<u>2,934</u>
	<u>16,059</u>	<u>6,336</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 from contracts with customers presented based on the invoice date at the end of the reporting period:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Not yet due	8,122	3,391
Overdue:		
0-30 days	1,194	-
31-60 days	1,057	-
61-90 days	<u>357</u>	<u>11</u>
	<u>10,730</u>	<u>3,402</u>

## 11. TRADE AND OTHER PAYABLES AND ACCRUALS

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	<b>2,487</b>	5,229
Other payables and accruals	<u><b>49,428</b></u>	<u>29,219</u>
	<u><b>51,915</b></u>	<u>34,448</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>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0-30 days	<b>2,414</b>	5,198
31-60 days	<b>72</b>	4
61-90 days	<u><b>1</b></u>	<u>27</u>
	<u><b>2,487</b></u>	<u>5,229</u>

## **DIVIDEND**

The proceeds from the disposal of the hotel subsidiary plus cash and borrowings were spent on the acquisition of the Bay Bridge Hotel at HK\$1,420,695,000. It is expected that around \$50 million will be required to renovate the Bay Bridge Hotel to a modern standard ready for business this summer. The overall debt amounted to HK\$857 million will require around HK\$25 million interest payment this coming year. The management considers the overall cash expenses of the renovation costs of the Bay Bridge Hotel, hotels in Shanghai, Hong Kong and London, plus interest payments are substantial while the local hotel businesses is not yet stable.

In deciding whether to distribute the final dividend and its amount, the Board has reviewed the Company's adopted dividend policy and does not recommend the payment of final dividend for the year ended 31st December, 2022 (2021: Nil) for the following reasons:

- i) the prospect of local hotel business is not yet stable;
- ii) higher interest expenses;
- iii) renovation cost of Bay Bridge Hotel; and
- iv) cost of renovation of each of our quarantine hotels to become hotels of satisfactory standard.

## **BOOK CLOSURE**

To ascertain shareholders' eligibility to attend and vote at the annual general meeting to be held on Tuesday, 30th May, 2023 ("AGM"), the register of members will be closed from Wednesday, 24th May, 2023 to Tuesday, 30th May, 2023, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Tricor Tengis Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Tuesday, 23rd May, 2023.

## MANAGEMENT DISCUSSION AND ANALYSIS

During the year, the Group continued with its hotel investment, hotel management, property leasing and property development.

Profit for the year attributable to owners of the Company for the year ended 31st December, 2022 was HK\$593 million (2021: HK\$66 million), increased by HK\$527 million.

	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	Change
Net profit from operation of hotels	5,853	<b>118,828</b>	+1,930%
- Profit	81,258	<b>192,781</b>	
- Depreciation	(75,405)	<b>(73,953)</b>	
Net profit from property investment	99,043	<b>25,900</b>	-74%
- Profit	36,743	<b>30,900</b>	
- Revaluation gain (loss)	62,300	<b>(5,000)</b>	
Income from securities investments	-	<b>42</b>	N/A
Other income and gains and losses	<u>2,892</u>	<u><b>(12,341)</b></u>	N/A
	107,788	<b>132,429</b>	+23%
Gain on disposal of a subsidiary	-	<b>521,857</b>	N/A
Administrative expenses	(33,920)	<b>(37,977)</b>	+12%
Income tax expense	<u>(8,269)</u>	<u><b>(24,146)</b></u>	+192%
Profit after taxation	65,599	<b>592,163</b>	+803%
Non-controlling interests	<u>(77)</u>	<u><b>636</b></u>	N/A
Profit after taxation and non-controlling interests	<u><u>65,522</u></u>	<u><u><b>592,799</b></u></u>	+805%

The overall increase in profit for the year ended 31st December, 2022 was mainly due to increase in hotel revenue and gain on disposal of a subsidiary.

## PERFORMANCE

For the year ended 31st December, 2022, 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

	2021 <i>HK\$'000</i>	<b>2022</b> <b><i>HK\$'000</i></b>	Change	Reason
Income from operation of hotels	284,082	<b>403,159</b>	+42%	Increase in room rates and occupancy
Income from investment properties	42,316	<b>36,281</b>	-14%	Rental income received in Pounds depreciated against Hong Kong dollars and decrease in rental income from Wood Street, London
Dividend income	<u>-</u>	<u><b>42</b></u>	N/A	Dividend received from stock investment
<b>Total</b>	<u><b>326,398</b></u>	<u><b>439,482</b></u>	+35%	

During the year, since 5 out of 6 local hotels of the Group took up the role of designated quarantine hotels under the government's regulation since January 2021, the total income for the Group increased by 42% from HK\$284 million to HK\$403 million compared with last year. The significant increase in hotel revenue was due to 4 out of 5 of the quarantine hotels becoming "Community Isolation Facility" hotels from February to May 2022.

### HOTEL 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 42% to HK\$403 million (2021: HK\$284 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	Magnificent International Hotel, Shanghai
2022 Average room occupancy (%)	80	79	71	79	97	81

As at 31st December, 2022, an independent third party valuation of Royal Scot Hotel, London was GBP88,500,000 (2021: GBP88,500,000). Future prospect of rental increase of the Royal Scot Hotel is encouraging because annual rent increase (once every 5 years) is linked with the United Kingdom Retail Price Index, which currently hits 40-years high at 13.4% in December 2022. The rental income of Royal Scot Hotel, London for the year was GBP3,546,000 (2021: GBP3,546,000).

## COST

- The **SERVICE COST** for the year was HK\$167.0 million (2021: HK\$165.4 million), representing hotel operation cost, increased by HK\$1.6 million.

Cost of sale of HK\$25.7 million (2021: HK\$36.4 million) was from cost of food and beverage. The cost represents the provision of special meals to designated quarantine hotels' guests. The decrease in cost of sales was due to the designated quarantine hotels policy terminated in September 2022, no more provision of special meals were required.

- During the year, the **ADMINISTRATIVE EXPENSES** excluding depreciation was HK\$36 million (2021: HK\$31 million). The increase was mainly due to the legal and professional fee incurred for the disposal and acquisition of the subsidiaries.

The accounting standards require hotel properties of the Group to provide **DEPRECIATION** which amounted to HK\$74 million (2021: HK\$75 million) for the year.

## DEPRECIATION OF HOTEL PROPERTIES

Name of Hotel	2021 HK\$ '000	2022 HK\$ '000	Change HK\$ '000
Ramada Hong Kong Harbour View	6,082	<b>6,164</b>	+82
Ramada Hong Kong Grand	29,582	<b>29,689</b>	+107
Best Western Plus Hotel Kowloon	16,176	<b>16,132</b>	-44
Best Western Plus Hotel Hong Kong	4,200	<b>4,176</b>	-24
Best Western Hotel Causeway Bay	11,655	<b>11,730</b>	+75
Grand City Hotel	4,860	<b>3,574</b>	-1,286
Magnificent International Hotel, Shanghai	<u>2,850</u>	<u><b>2,488</b></u>	-362
<b>Total amount for the year</b>	75,405	<b>73,953</b>	-1,452

## FUNDING

- As at 31st December, 2022, the **OVERALL DEBTS** of the Group were HK\$857 million (2021: HK\$504 million), of which HK\$242 million (2021: HK\$310 million) was assets secured bank borrowings and HK\$615 million was advances from shareholders (Shun Ho Property Investments Limited) (2021: HK\$194 million). The increase in shareholder loan and the net increase of the overall debts of HK\$353 million were attributable to acquisition of Bay Bridge Hotel at HK\$1,420,695,000.

The gearing ratio was 20% (2021: 13%) in terms of overall debts of HK\$857 million (2021: HK\$504 million) against funds employed of HK\$4,233 million before revaluation of all hotel properties (2021: HK\$3,779 million).

The overall debts were analysed as follows:

	2021 HK\$ million	2022 HK\$ million	Change HK\$ million	Interest Paid 2022 HK\$ million
Bank loans	310	<b>242</b>	-68	<b>8.2</b>
Shareholders' loans	194	<b>615</b>	+421	<b>14.9</b>
Overall debts	<u>504</u>	<u><b>857</b></u>	+353	<b>23.1</b>

- **FINANCE COST:** Of these loans, the total interest expenses amounted to HK\$23.1 million (2021: HK\$6.5 million), the bank loans interest expenses amounted to HK\$8.2 million (2021: HK\$3.1 million) and the shareholders' loan interest expenses amounted to HK\$14.9 million (2021: HK\$3.4 million). The increase in finance cost was due to increase in shareholders' loan and increase in interest rate.

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 31st December, 2022, the Group had a total number of 334 employees (2021: 424 employees). Remuneration and benefit were set with reference to the market.

## **BUSINESS HIGHLIGHTS**

In 2022, the tourism market in Hong Kong was devastated by COVID-19. The number of overseas/China visitors was just 605,000 (dropped by over 90%) which substantially affected hotel businesses. During the year, 5 out of 6 local hotels of the Group have took up the role of designated quarantine hotels.

During the year, the Group acquired Bay Bridge Hotel, with 435 guest rooms, restaurant, 180 covered carparks, consisting 216,314 square feet gross area (excluding 180 covered carparks) at approximately HK\$6,570 per square feet. It is anticipated that such large-size hotel would be much more cost effective for operation, with operating profit upside and capital gain potential in the long run.

Future prospect of the Royal Scot Hotel, London rental increase is encouraging because annual rent increase is linked with the United Kingdom Retail Price Index, which currently hits 40-years high at 13.4% in December 2022.

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 and obtained planning consents approval to refurbish a deluxe hotel of about 216 guest rooms, restaurants, bar and facilities.

## **LOOKING AHEAD**

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

With lessening influence of COVID-19 and re-opening of border of China and the rest of the world, the local hotel business is expected to gradually improve. However, the hotel business improvement may continue to be affected by unstable China economy, global economies and geopolitics. Operating expense is expected to go up significantly due to shortage of local labours. The management will continue to achieve high occupancy rate and control operating expenses while renovating our quarantine hotels to suit the increase of normal hotel guests.

The Bay Bridge Hotel is expected to commence business in the summer of 2023 after extensive renovation underway. The management is looking forward to the potential revenue contributable from its 435 guest rooms and food and beverage facilities.

Future prospects of the hotel business and rental incomes continue to be challenging and unstable. The management will continue its effort to increase incomes and control costs.

## **MATERIAL ACQUISITIONS AND DISPOSALS AND SIGNIFICANT INVESTMENTS**

On 11th May, 2022, Babenna Limited (a subsidiary of the Company) (“Babenna”) and SYP Investment Limited (an independent third party to the Group) (“SYP”) entered into a sale and purchase agreement pursuant to which Babenna agreed to sell the entire issued share capital of Sino Money Investments Limited (a wholly-owned subsidiary of the Company) (“Sino Money”) and assign to SYP the loan owing by Sino Money to Babenna as at completion at a consideration of HK\$900,532,000. The disposal was approved by the shareholders at the extraordinary general meeting of the Company held on 16th August, 2022. The disposal was completed on 27th September, 2022. Further details of the disposal were disclosed in the Company’s announcement dated 11th May, 2022 and circular dated 27th July, 2022. The gain on disposal of Sino Money is HK\$521,857,000.

On 11th May, 2022, Shun Ho Construction (Holdings) Limited (a subsidiary of the Company) (“Shun Ho Construction”) and Crest Incorporated (an independent third party to the Group) (“Crest”) entered into a sale and purchase agreement pursuant to which Shun Ho Construction agreed to acquire the Bay Bridge Hotel by acquisition of the entire issued share capital of Ocean Time Investments Limited (a wholly-owned subsidiary of Crest) (“Ocean Time”) and accept the assignment of the loan owing by Ocean Time to Crest as at completion at a consideration of HK\$1,420,695,000, subject to adjustments. The acquisition was approved by the shareholders of the Company on 29th September, 2022. The acquisition was completed on 9th December, 2022. Further details of the acquisition were disclosed in the Company’s announcement dated 11th May, 2022 and circular dated 8th September, 2022.

Save as disclosed above, there were no material acquisitions or disposals of subsidiaries, associates or joint ventures or significant investments during the year.

## **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 year ended 31st December, 2022.

## **CORPORATE GOVERNANCE**

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

From 1st January, 2022, certain amendments to the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited came into effect and most of the requirements under the CG Code applied to all listed issuers for financial year commencing on or after 1st January, 2022. The Board will continue to review and enhance the corporate governance practice of the Company to ensure compliance with the CG Code and align with the latest developments.

During the year ended 31st December, 2022, the Company has complied with all the code provisions of the CG Code with the exception of the following deviation:

*Code Provision C.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.

## **(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 year.

## **REVIEW BY THE AUDIT COMMITTEE**

The audit committee has reviewed the audited financial results of the Group for the year ended 31st December, 2022.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31st December, 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board on 17th March, 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

By Order of the Board

**William CHENG Kai Man**  
*Chairman*

Hong Kong, 17th March, 2023

*As at the date hereof, the Board of the Company comprises five Executive Directors, namely Mr. William Cheng Kai Man (Chairman), Mr. Albert Hui Wing Ho, Madam Kimmy Lau Kam May, Madam Ng Yuet Ying and Madam Wendy Cheng Wai Kwan; one Non-executive Director, namely, Madam Mabel Lui Fung Mei Yee; and three Independent Non-executive Directors, namely, Mr. Chan Kim Fai, Mr. Lam Kwai Cheung and Mr. Warren Liu Yuk Cho.*