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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, 2020

RESULTS

The board of directors (the “Board”) of Magnificent Hotel Investments Limited (the “Company”) announces that the loss for the year attributable to owners of the Company for the year ended 31st December, 2020 was HK\$202 million (profit for 2019: HK\$32 million), decreased by HK\$234 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, 2020

	NOTES	2020 HK\$'000	2019 HK\$'000
Revenue	3		
Contracts with customers		183,859	386,619
Leases		39,498	35,953
Dividend income		53	5,021
Total revenue		223,410	427,593
Cost of sales		(788)	(3,540)
Other service costs		(138,171)	(262,679)
Depreciation of property, plant and equipment		(74,820)	(74,865)
Depreciation of right-of-use asset		(853)	(797)
Gross profit		8,778	85,712
Decrease in fair value of investment properties		(180,310)	(28,000)
Other income and gains and losses		11,662	36,850
Administrative expenses		(35,731)	(40,404)
- Depreciation		(5,670)	(8,064)
- Others		(30,061)	(32,340)
Finance costs	5	(8,324)	(8,025)
(Loss) profit before taxation	6	(203,925)	46,133
Income tax credit (expense)	7	2,215	(14,302)
(Loss) profit for the year		(201,710)	31,831
		HK cents	HK cents
(Loss) earnings per share	9		
Basic		(2.25)	0.36

Consolidated Statement of Total Comprehensive Income

For the year ended 31st December, 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(Loss) profit for the year	<u>(201,710)</u>	<u>31,831</u>
Other comprehensive expense		
Items that will not be reclassified to profit or loss		
Fair value loss on equity instruments at fair value through other comprehensive income	(98,780)	(54,168)
Revaluation surplus regarding transfer from property, plant and equipment at cost to investment properties at fair value	910	-
Item that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	<u>47,346</u>	<u>17,379</u>
Other comprehensive expense for the year	<u>(50,524)</u>	<u>(36,789)</u>
Total comprehensive expense for the year	<u>(252,234)</u>	<u>(4,958)</u>

Consolidated Statement of Financial Position

At 31st December, 2020

	<i>NOTES</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-Current Assets			
Property, plant and equipment		2,520,947	2,655,849
Right-of-use asset		27,629	26,481
Investment properties		1,491,110	1,097,900
Deposit paid for acquisition of an investment property		-	429,470
Equity instruments at fair value through other comprehensive income		<u>167,763</u>	<u>266,543</u>
		<u>4,207,449</u>	<u>4,476,243</u>
Current Assets			
Inventories		1,022	1,172
Trade and other receivables	10	6,235	6,276
Other deposits and prepayments		12,855	8,422
Bank balances and cash		<u>143,317</u>	<u>82,502</u>
		<u>163,429</u>	<u>98,372</u>
Current Liabilities			
Trade and other payables and accruals	11	30,422	39,363
Rental and other deposits received		2,130	3,157
Contract liabilities		18,027	1,633
Amount due to immediate holding company		133,873	27,808
Tax liabilities		9,234	20,648
Bank loans		<u>93,817</u>	<u>125,386</u>
		<u>287,503</u>	<u>217,995</u>
Net Current Liabilities		<u>(124,074)</u>	<u>(119,623)</u>
Total Assets less Current Liabilities		<u>4,083,375</u>	<u>4,356,620</u>
Capital and Reserves			
Share capital		841,926	841,926
Reserves		<u>2,897,050</u>	<u>3,149,284</u>
Total Equity		<u>3,738,976</u>	<u>3,991,210</u>
Non-Current Liabilities			
Bank loans		253,728	266,024
Rental deposits received		1,236	1,552
Deferred tax liabilities		<u>89,435</u>	<u>97,834</u>
		<u>344,399</u>	<u>365,410</u>
		<u>4,083,375</u>	<u>4,356,620</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, 2020 and 2019 included in this preliminary announcement of annual results 2020 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, 2019 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, 2020 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 Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by HKICPA for the first time:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the other 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:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Income from operation of hotels	183,859	386,619
Income from property rental	39,498	35,953
Dividend income	<u>53</u>	<u>5,021</u>
	<u><u>223,410</u></u>	<u><u>427,593</u></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 purpose 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
(formerly known as Best Western Hotel Harbour View)
6. Hospitality services - Ramada Hong Kong Grand
(formerly known as Best Western Grand Hotel)
7. Hospitality services - Grand City Hotel
8. Property investment
9. 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,	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hospitality services	183,859	386,619	(30,773)	44,738
- Best Western Plus Hotel Kowloon	24,526	54,544	(10,780)	(503)
- Best Western Plus Hotel Hong Kong	35,544	68,515	5,278	20,273
- Magnificent International Hotel, Shanghai	8,272	18,079	(2,327)	(1,542)
- Best Western Hotel Causeway Bay	23,220	48,350	(8,662)	1,597
- Ramada Hong Kong Harbour View (formerly known as Best Western Hotel Harbour View)	36,385	81,114	4,327	22,153
- Ramada Hong Kong Grand (formerly known as Best Western Grand Hotel)	36,068	77,150	(16,605)	(1,071)
- Grand City Hotel	19,844	38,867	(2,004)	3,831
Property investment	39,498	35,953	(140,812)	7,953
Securities investment	53	5,021	53	5,021
	<u>223,410</u>	<u>427,593</u>	<u>(171,532)</u>	<u>57,712</u>
Other income and gains and losses			11,662	36,850
Administration expenses			(35,731)	(40,404)
Finance costs			(8,324)	(8,025)
(Loss) profit before taxation			<u>(203,925)</u>	<u>46,133</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:

	2020	2019
	HK\$'000	HK\$'000
Hong Kong (place of domicile)	177,775	375,668
The PRC	8,272	18,079
The UK	37,363	33,846
	<u>223,410</u>	<u>427,593</u>

5. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interests on :		
Bank loans	6,667	7,972
Amount due to immediate holding company	<u>1,657</u>	<u>53</u>
	<u><u>8,324</u></u>	<u><u>8,025</u></u>

6. (LOSS) PROFIT BEFORE TAXATION

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(Loss) profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	2,616	2,666
Staff costs including directors' emoluments	92,392	182,943
Depreciation of property, plant and equipment	80,490	82,929
Depreciation of right-of-use asset	853	797
Gross rental income from investment properties	<u>(39,498)</u>	<u>(35,953)</u>

7. INCOME TAX (CREDIT) EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
The taxation (credit) expense comprises:		
Current tax		
Hong Kong	122	8,306
PRC Enterprises Income Tax	-	252
The UK	<u>6,501</u>	<u>5,582</u>
	6,623	14,140
(Over)underprovision in prior years		
Hong Kong	(320)	-
PRC Enterprises Income Tax	(257)	-
The UK	<u>138</u>	<u>(104)</u>
	6,184	14,036
Deferred tax	<u>(8,399)</u>	<u>266</u>
	<u><u>(2,215)</u></u>	<u><u>14,302</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. DIVIDENDS

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividends recognised as distribution during the year:		
Final dividend in respect of the year ended 31st December, 2019 of nil (2019: Final dividend in respect of the year ended 31st December, 2018 of HK0.652 cent) per share was paid to shareholders	-	58,335
Interim dividend in respect of the six months ended 30th June, 2020 of nil (2019: Interim dividend in respect of the six months ended 30th June, 2019 of HK0.08 cent) per share payable to shareholders	<u>-</u>	<u>7,158</u>
	<u>-</u>	<u>65,493</u>

No final dividend was proposed by the directors for ordinary shareholders of the Company since the end of the reporting period.

9. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share is based on the loss for the year attributable to owners of the Company of HK\$201,710,000 (profit for 2019: HK\$31,831,000) and on 8,947,051,000 shares (2019: 8,947,051,000 shares) in issue during the year.

Diluted (loss) 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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables from contacts with customers	2,692	3,408
Other receivables	<u>3,543</u>	<u>2,868</u>
	<u><u>6,235</u></u>	<u><u>6,276</u></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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Not yet due	2,652	3,362
Overdue:		
0-30 days	24	37
31-60 days	1	9
61-90 days	<u>15</u>	<u>-</u>
	<u><u>2,692</u></u>	<u><u>3,408</u></u>

11. TRADE AND OTHER PAYABLES AND ACCRUALS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	2,658	2,392
Other payables and accruals	<u>27,764</u>	<u>36,971</u>
	<u><u>30,422</u></u>	<u><u>39,363</u></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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0-30 days	2,218	2,296
31-60 days	439	54
61-90 days	<u>1</u>	<u>42</u>
	<u><u>2,658</u></u>	<u><u>2,392</u></u>

DIVIDEND

In deciding whether to distribute the final 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 may cause significant hotel operating losses and strain on the cash flow of the Group, the Board does not recommend the payment of final dividend for the year ended 31st December, 2020 (2019: Nil).

BOOK CLOSURE

To ascertain shareholders' eligibility to attend and vote at the annual general meeting to be held on Friday, 21st May, 2021 ("AGM"), the register of members will be closed from Friday, 14th May, 2021 to Friday, 21st May, 2021, 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, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 13th May, 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Loss for the year attributable to owners of the Company for the year ended 31st December, 2020 was HK\$202 million (profit for the year ended 31st December, 2019: HK\$32 million), decreased by HK\$234 million.

	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	Change
Profit (loss) from operation of hotels	41,068	(34,521)	N/A
Profit (loss) from property investment	3,598	(145,388)	N/A
Income from securities investments	5,021	53	-99%
Other income and gains and losses	<u>36,850</u>	<u>11,662</u>	-68%
	86,537	(168,194)	N/A
Administrative expenses	(40,404)	(35,731)	-12%
Income tax (expense) credit	<u>(14,302)</u>	<u>2,215</u>	N/A
Profit (loss) after taxation	31,831	(201,710)	N/A

The overall loss for the year ended 31st December, 2020 was mainly due to drop in hotel revenue, revaluation loss and depreciation.

PERFORMANCE

For the year ended 31st December, 2020, 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

	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	Change	Reason
Income from operation of hotels	386,619	183,859	-52%	Decrease in room rates and occupancies
Income from investment properties	35,953	39,498	+10%	Royal Scot Hotel, London and apartment leasing
Dividend income	5,021	53	-99%	Decrease in dividend received from stock investment
Other income	<u>36,850</u>	<u>11,662</u>	-68%	
Total	<u>464,443</u>	<u>235,072</u>	-49%	

The total income for the Group decreased by 49% from HK\$464 million to HK\$235 million for the same year 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 decreased by 52% to HK\$185 million (2019: HK\$389 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
2020							
Average room occupancy (%)	85	86	91	88	91	93	46

Best Western Grand Hotel was re-branded to the higher class **RAMADA HONG KONG GRAND** in August 2020.

As at 31st December, 2020, an independent third party valuation of Royal Scot Hotel, London was GBP83,000,000 (2019: GBP95,000,000) resulted in decrease in fair value of investments properties of GBP12 million, equivalent to HK\$125 million. The rental income of Royal Scot Hotel, London for the year was GBP3,547,000, equivalent to HK\$36,889,000 (2019: GBP3,351,000, equivalent to HK\$33,846,000), increased by 6%.

COST

- The **SERVICE COST** of the Group for the year was HK\$138.9 million (2019: HK\$266.2 million), representing hotel operation cost, **decreased by HK\$127.3 million, which is a reduction of 48% of previous operation costs**. During the year, the Group's staffs were reduced from 618 to 498 due to operation costs saving, while average hotel occupancies was above 85%.

Cost of sale of HK\$0.8 million (2019: HK\$3.5 million) was from cost of food and beverage, which represented a HK\$2.7 million decrease.

- During the year, the **ADMINISTRATIVE EXPENSES** excluding depreciation was HK\$30 million (2019: HK\$32 million), representing costs for corporate management office including directors' fees, salaries for executive staff and employees, rental, marketing expenses, office expenses and professional fee paid for the acquisition of the Wood Street Hotel project, London.

The accounting standards require hotel properties of the Group to provide **DEPRECIATION** which amounted to HK\$76 million (2019: HK\$76 million) for the year.

DEPRECIATION OF HOTEL PROPERTIES

Name of Hotel	2019	2020	Change
	<i>HK\$' 000</i>	<i>HK\$' 000</i>	<i>HK\$' 000</i>
Ramada Hong Kong Harbour View	6,018	6,032	+14
Ramada Hong Kong Grand	29,086	29,363	+277
Best Western Plus Hotel Kowloon	16,714	16,272	-442
Best Western Plus Hotel Hong Kong	3,942	4,240	+298
Best Western Hotel Causeway Bay	11,574	11,654	+80
Grand City Hotel	5,803	5,390	-413
Magnificent International Hotel, Shanghai	<u>2,525</u>	<u>2,722</u>	+197
Total amount for the year	75,662	75,673	+11

FUNDING

- As at 31st December, 2020, the **OVERALL DEBTS** of the Group were HK\$481 million (2019: HK\$419 million), of which HK\$347 million (2019: HK\$391 million) was assets secured bank borrowings and HK\$134 million was advances from shareholder (2019: HK\$28 million). The increase in overall debts was due to the increase in advances from a shareholder for the repayment of bank loans and acquisition cost of the Wood Street Hotel project, London.

The gearing ratio was 13% (2019: 10%) in terms of overall debts of HK\$481 million (2019: HK\$419 million) against funds employed of HK\$3,739 million before revaluation of all hotel properties (2019: HK\$3,991 million).

The overall debts were analysed as follows:

	2019	2020	Change	Interest Paid 2020
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Bank loans	391	347	-44	6.667
Shareholder's loan	28	134	+106	1.657
		<hr/>		
Overall debts	419	481	+62	8.324

- FINANCE COST:** Of these loans, the total interest expenses amounted to HK\$8.324 million (2019: HK\$8.025 million), the bank loans interest expenses amounted to HK\$6.667 million (2019: HK\$7.972 million) and the shareholder's loan interest expenses amounted to HK\$1.657 million (2019: HK\$0.053 million). The interests increased was mainly due to the increase in shareholder's loan during the year.

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, 2020, the Group had a total number of 498 employees (2019: 618 employees). Remuneration and benefit were set with reference to the market.

BUSINESS HIGHLIGHT

During the year, the tourism market in Hong Kong was most devastated by the COVID-19. Overseas/PRC visitors have dropped to less than 10 a day and most hotels and retail stores suffer from an over 90% drop in turnover. **Our hotel management achieved a reduction of operating costs of HK\$127 million (approximately 48%) while maintaining high occupancy rates of above 85%.**

During the year, the rental income of Royal Scot Hotel, London increased by 6% compared with last year.

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 an intention to refurbish a deluxe hotel of about 210 guest rooms, restaurants, bar and facilities (subject to approval). The management is proud of having 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 in 2020, due to the continuous COVID-19 effect and unstable US-China relationship, it is quite unlikely that 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.

In longer term, the continuous adverse US-China relationship will impact on the geopolitics, which may continue to damage any international tourism and economy recovering.

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, 2020.

CORPORATE GOVERNANCE

(a) Compliance with the Corporate Governance Code

During the year ended 31st December, 2020, 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 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 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 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 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 set out in Appendix 10 to the Listing Rules (the “Model Code”) as its own code of conduct regarding directors’ securities transactions. All directors of the Company 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, 2020.

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, consolidated statement of total comprehensive income and the related notes thereto for the year ended 31st December, 2020 as set out in this preliminary announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

By Order of the Board

William Cheng Kai Man
Chairman

Hong Kong, 19th March, 2021

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. Vincent Kwok Chi Sun, Mr. Chan Kim Fai and Mr. Lam Kwai Cheung.