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# MAGNIFICENT HOTEL INVESTMENTS LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 201)

## 2017 INTERIM RESULTS

### RESULTS

The board of directors (the “Board”) of Magnificent Hotel Investments Limited (the “Company”) announces that the **net profit after tax attributable to owners of the Company** 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%.

	<b>Six months ended</b>	
	<b>30.6.2017</b>	30.6.2016
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Profit after taxation	<b>22,102</b>	23,031
Add: Depreciation for land, property and equipment	<b>39,728</b>	37,461
Add: Exchange adjustment ( <i>Note</i> )	<b>21,094</b>	-
Less: Revaluation gain of investment properties	<b>(4,920)</b>	-
<b>Net profit after tax before exchange adjustment, revaluation gain of investment properties and depreciation for land, property and equipment</b>	<b>78,004</b>	60,492

*Note:*

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.

The unaudited consolidated results of the Group for the period, together with comparative figures for the previous period, are as follows:

### Condensed Consolidated Statement of Profit or Loss

For the six months ended 30th June, 2017

	NOTES	Six months ended	
		30.6.2017 <i>HK\$'000</i> (unaudited)	30.6.2016 <i>HK\$'000</i> (unaudited)
Revenue	3	233,343	207,762
Cost of sales		(2,261)	(2,065)
Other service costs		(124,731)	(124,472)
Depreciation of property, plant and equipment and release of prepaid lease payments for land		<u>(36,547)</u>	<u>(34,609)</u>
Gross profit		69,804	46,616
Increase in fair value of investment properties		4,920	-
Other income and expenses and gains and losses		(20,621)	871
Administrative expenses		(17,702)	(14,980)
- Depreciation		(3,181)	(2,852)
- Others		(14,521)	(12,128)
Finance costs	5	<u>(5,053)</u>	<u>(3,846)</u>
Profit before taxation		31,348	28,661
Income tax expense	6	<u>(9,246)</u>	<u>(5,630)</u>
Profit for the period attributable to owners of the Company	7	<u>22,102</u>	<u>23,031</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	9		
Basic		<u>0.25</u>	<u>0.26</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	
	30.6.2017 <i>HK\$'000</i> (unaudited)	30.6.2016 <i>HK\$'000</i> (unaudited)
Profit for the period	<u>22,102</u>	<u>23,031</u>
<b>Other comprehensive income (expense)</b>		
<b>Items that may be subsequently reclassified to profit or loss</b>		
Exchange differences arising on translation of foreign operations	50,314	(30,406)
Fair value gain (loss) on available-for-sale investments	<u>34,535</u>	<u>(37,430)</u>
Other comprehensive income (expense) for the period	<u>84,849</u>	<u>(67,836)</u>
Total comprehensive income (expense) attributable to owners of the Company	<u>106,951</u>	<u>(44,805)</u>

## Condensed Consolidated Statement of Financial Position

At 30th June, 2017

	NOTES	30.6.2017 HK\$'000 (unaudited)	31.12.2016 HK\$'000 (audited)
<b>Non-Current Assets</b>			
Property, plant and equipment		2,682,900	2,699,402
Prepaid lease payments for land		28,519	27,898
Investment properties		978,080	927,250
Properties under development		64,944	56,369
Available-for-sale investments		<u>390,606</u>	<u>356,071</u>
		<u>4,145,049</u>	<u>4,066,990</u>
<b>Current Assets</b>			
Inventories		1,081	1,067
Prepaid lease payments for land		823	795
Trade and other receivables	10	13,318	20,237
Other deposits and prepayments		8,810	7,943
Pledged bank deposit		-	173,265
Bank balances and cash		<u>656,617</u>	<u>331,074</u>
		<u>680,649</u>	<u>534,381</u>
<b>Current Liabilities</b>			
Trade and other payables and accruals	11	42,708	27,570
Rental and other deposits received		15,060	17,072
Amount due to immediate holding company		40,708	4,898
Tax liabilities		12,660	3,385
Bank loans		<u>477,628</u>	<u>683,786</u>
		<u>588,764</u>	<u>736,711</u>
<b>Net Current Assets (Liabilities)</b>		<u>91,885</u>	<u>(202,330)</u>
<b>Total Assets less Current Liabilities</b>		<u>4,236,934</u>	<u>3,864,660</u>
<b>Capital and Reserves</b>			
Share capital		841,926	841,926
Reserves		<u>2,984,646</u>	<u>2,928,067</u>
<b>Total equity</b>		<u>3,826,572</u>	<u>3,769,993</u>
<b>Non-Current Liabilities</b>			
Bank loans		315,902	-
Rental deposits received		1,880	1,880
Deferred tax liabilities		<u>92,580</u>	<u>92,787</u>
		<u>410,362</u>	<u>94,667</u>
		<u>4,236,934</u>	<u>3,864,660</u>

## NOTES:

### 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 consolidation 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 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	
	30.6.2017 <i>HK\$'000</i> (unaudited)	30.6.2016 <i>HK\$'000</i> (unaudited)
Income from operation of hotels	213,450	198,557
Income from property rental	16,857	2,313
Dividend income	<u>3,036</u>	<u>6,892</u>
	<u><b>233,343</b></u>	<u><b>207,762</b></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 - Shops
9. Property investment - Hotel
10. 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 Six months ended		Segment profit Six months ended	
	30.6.2017 HK\$'000 (unaudited)	30.6.2016 HK\$'000 (unaudited)	30.6.2017 HK\$'000 (unaudited)	30.6.2016 HK\$'000 (unaudited)
Hospitality services	<b>213,450</b>	198,557	<b>49,911</b>	37,411
- Best Western Plus Hotel Kowloon	<b>27,927</b>	25,600	<b>4,043</b>	3,643
- Best Western Plus Hotel Hong Kong	<b>36,298</b>	32,924	<b>12,827</b>	7,935
- Magnificent International Hotel, Shanghai	<b>10,321</b>	10,378	<b>2,314</b>	1,729
- Best Western Hotel Causeway Bay	<b>28,263</b>	26,155	<b>5,199</b>	2,654
- Best Western Hotel Harbour View	<b>42,618</b>	38,148	<b>13,834</b>	10,710
- Best Western Grand Hotel	<b>46,927</b>	46,080	<b>7,802</b>	7,445
- Grand City Hotel	<b>21,096</b>	19,272	<b>3,892</b>	3,295
Property investment	<b>16,857</b>	2,313	<b>21,777</b>	2,313
- Shops	<b>1,464</b>	2,313	<b>1,464</b>	2,313
- Hotel	<b>15,393</b>	-	<b>20,313</b>	-
Securities investment	<b>3,036</b>	6,892	<b>3,036</b>	6,892
	<b><u>233,343</u></b>	<u>207,762</u>	<b>74,724</b>	46,616
Other income and expenses and gains and losses			<b>(20,621)</b>	871
Central administration costs and directors' emoluments			<b>(17,702)</b>	(14,980)
Finance costs			<b><u>(5,053)</u></b>	<u>(3,846)</u>
Profit before taxation			<b><u>31,348</u></b>	<u>28,661</u>

## 5. FINANCE COSTS

	Six months ended	
	30.6.2017 HK\$'000 (unaudited)	30.6.2016 HK\$'000 (unaudited)
Interests on:		
Bank loans	5,049	3,733
Amount due to immediate holding company	4	104
Amount due to ultimate holding company	<u>-</u>	<u>9</u>
	<u>5,053</u>	<u>3,846</u>

## 6. INCOME TAX EXPENSE

	Six months ended	
	30.6.2017 HK\$'000 (unaudited)	30.6.2016 HK\$'000 (unaudited)
The taxation charge comprises:		
Current tax		
Hong Kong	7,782	5,977
The People's Republic of China ("PRC")	526	360
The United Kingdom ("UK")	<u>1,145</u>	<u>-</u>
	9,453	6,337
Underprovision in prior years		
Hong Kong	<u>-</u>	<u>60</u>
	9,453	6,397
Deferred tax	<u>(207)</u>	<u>(767)</u>
	<u>9,246</u>	<u>5,630</u>

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.



## 7. PROFIT FOR THE PERIOD

<b>Six months ended</b>	
<b>30.6.2017</b>	30.6.2016
<b>HK\$'000</b>	HK\$'000
<b>(unaudited)</b>	(unaudited)

Profit for the period has been arrived at after charging  
(crediting):

Release of prepaid lease payments for land	<b>411</b>	418
Depreciation of property, plant and equipment	<b>39,317</b>	37,043
Interest on bank deposits (Note)	<b>(665)</b>	(975)
Loss on disposal of property, plant and equipment (Note)	<b>254</b>	104
Exchange loss (Note)	<b><u>21,094</u></b>	<u>-</u>

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

## 8. DIVIDEND

During the six months ended 30th June, 2017, a final dividend of HK0.563 cent per share amounting to HK\$50,372,000 was declared and payable to shareholders for the year ended 31st December, 2016 (six months ended 30th June, 2016: a final dividend of HK0.5 cent per share amounting to HK\$44,735,000 was paid to shareholders for the year ended 31st December, 2015).

The interim dividend in respect of the six months ended 30th June, 2017 of HK0.077 cent per share amounting to HK\$6,899,000 has been declared by the Board (six months ended 30th June, 2016: HK0.077 cent per share amounting to HK\$6,889,000).

## 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\$22,102,000 (six months ended 30th June, 2016: HK\$23,031,000) and on 8,947,051,000 shares (six months ended 30th June, 2016: 8,947,051,000 shares) in issue during the period.

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

## 10. TRADE AND OTHER RECEIVABLES

	<b>As at 30.6.2017 HK\$'000 (unaudited)</b>	As at 31.12.2016 HK\$'000 (audited)
Analysed for reporting as:		
Trade receivables	<b>8,696</b>	18,641
Other receivables	<u><b>4,622</b></u>	<u>1,596</u>
	<u><b>13,318</b></u>	<u>20,237</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:

	<b>As at 30.6.2017 HK\$'000 (unaudited)</b>	As at 31.12.2016 HK\$'000 (audited)
Not yet due	<b>8,638</b>	17,698
Overdue:		
0 - 30 days	<b>51</b>	758
31 - 60 days	<b>6</b>	179
61 - 90 days	<u><b>1</b></u>	<u>6</u>
	<u><b>8,696</b></u>	<u>18,641</u>

## 11. TRADE AND OTHER PAYABLES AND ACCRUALS

	As at 30.6.2017 <i>HK\$'000</i> (unaudited)	As at 31.12.2016 <i>HK\$'000</i> (audited)
Analysed for reporting as:		
Trade payables	3,441	3,194
Dividend payable	16,553	1,992
Other payables and accruals (Note)	<u>22,714</u>	<u>22,384</u>
	<u>42,708</u>	<u>27,570</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 30.6.2017 <i>HK\$'000</i> (unaudited)	As at 31.12.2016 <i>HK\$'000</i> (audited)
0 - 30 days	2,672	2,291
31 - 60 days	207	64
61 - 90 days	<u>562</u>	<u>839</u>
	<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).

## **INTERIM DIVIDEND**

The Board has resolved to declare the payment of an interim dividend of HK0.077 cent per share for the six months ended 30th June, 2017 (six months ended 30th June, 2016: HK0.077 cent per share) payable on Thursday, 28th June, 2018 to shareholders whose names appear on the register of members of the Company on Friday, 15th June, 2018. The dividend payout ratio is 40%.

## **BOOK CLOSURE**

The register of members will be closed from Tuesday, 12th June, 2018 to Friday, 15th June, 2018, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 11th June, 2018.

## MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, the Group continued with its hotel investments and operation and properties leasing.

The net profit after tax attributable to owners of the Company 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%. (See Note a)

	<b>Six months ended</b>		Change
	30.6.2016	30.6.2017	
	<i>HK\$'000</i>	<i>HK\$'000</i>	
	(unaudited)	<b>(unaudited)</b>	
Revaluation profit of investment properties	-	<b>4,920</b>	N/A
Profit from operation of hotels	33,565	<b>45,869</b>	+37%
Properties rental income	2,313	<b>15,846</b>	+585%
Income from securities investments	6,892	<b>3,036</b>	-56%
Other income	<u>871</u>	<u><b>727</b></u>	-17%
	43,641	<b>70,398</b>	+61%
Administrative expenses	(14,980)	<b>(17,702)</b>	+18%
Exchange adjustment and other losses (Note)	-	<b>(21,348)</b>	N/A
Income tax expense	<u>(5,630)</u>	<u><b>(9,246)</b></u>	+64%
Profit after taxation	23,031	<b>22,102</b>	-4%
Less: Revaluation profit of investment properties	-	<b>(4,920)</b>	N/A
Add: Exchange adjustment	-	<b>21,094</b>	N/A
Add: Properties depreciation and release of prepaid lease payments for land	<u>37,461</u>	<u><b>39,728</b></u>	+6%
Net profit after tax before exchange adjustment, revaluation gain and depreciation of land, property and equipment	60,492	<b>78,004</b>	+29%
			(Note a)

### Note:

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.

The overall net profit of HK\$78.0 million, which was increased by of HK\$17.5 million and the reasons for its increment were as follows:

	<i>HK\$ million</i>
(1) Property rental income derived from UK hotel property	12
(2) Increase in hotel net profit	12
(3) Decrease in dividend from available-for-sale investments	(4)
(4) Increase in administrative expenses	<u>(2.5)</u>
	<u>17.5</u>

## PERFORMANCES

- For the six months ended 30th June, 2017, the **GROUP'S INCOME** was mostly derived from the aggregate of income from operation of hotels and properties rental income, which was analysed as follows:

### Income

	<b>Six months ended</b>		Change	Reasoning
	30.6.2016 <i>HK\$'000</i> (unaudited)	<b>30.6.2017</b> <i>HK\$'000</i> (unaudited)		
Income from operation of hotels	198,557	<b>213,450</b>	+8%	Increase in room rates
Properties rental income	2,313	<b>16,857</b>	+629%	Rental income from UK hotel property
Dividend income	6,892	<b>3,036</b>	-56%	Disposal of high yield stock investment during 2016
Other income	<u>871</u>	<u><b>727</b></u>	-17%	Decrease in interest income from fixed deposits
<b>Total</b>	208,633	<b>234,070</b>	+12%	

The total income for the Group increased by 12% from HK\$209 million to HK\$234 million for the same period compared with last year.

The income from operation of hotels increased by 8% to HK\$213.5 million (six months ended 30th June, 2016: HK\$198.6 million).

	Best Western Plus Hotel Hong Kong		Best Western Plus Hotel Kowloon		Best Western Grand Hotel		Best Western Hotel Harbour View		Best Western Hotel Causeway Bay		Grand City Hotel		Magnificent International Hotel, Shanghai		Change
	Avg Room	Avg Rate	Avg Room	Avg Rate	Avg Room	Avg Rate	Avg Room	Avg Rate	Avg Room	Avg Rate	Avg Room	Avg Rate	Avg Room	Avg Rate	
	Occupancy %	Rate HK\$	Occupancy %	Rate HK\$	Occupancy %	Rate HK\$	Occupancy %	Rate HK\$	Occupancy %	Rate HK\$	Occupancy %	Rate HK\$	Occupancy %	Rate HK\$	
<b>2017</b>															
Jan	100	697	99	820	99	747	100	592	100	680	99	612	70	317	
Feb	100	552	100	671	100	602	100	464	99	531	99	508	83	286	
Mar	100	592	100	713	99	621	100	502	99	605	99	536	91	330	
Apr	100	714	100	826	99	729	100	620	100	717	99	631	92	367	
May	100	511	99	610	99	535	100	426	100	466	99	446	88	360	
Jun	100	527	99	599	99	505	100	434	100	487	99	450	92	335	
<b>Total</b> (HK'000)	36,298		27,927		46,927		42,618		28,263		21,096		10,321		
Jan to Jun 2016 Total (HK'000)	32,924		25,600		46,080		38,148		26,155		19,272		10,378		
Change(%)	+10		+9		+2		+12		+8		+9		-1		+8

For the period under review, there was increase in the overnight PRC visitors for the hotel industry. According to Hong Kong Tourism Board, total overnight visitors were 13,051,876 visitors (six months ended 30th June, 2016: 12,427,158 visitors) during January to June 2017, increased by 5%. The visitors segments was analysed as follows:

	No. of Visitors	%
Mainland China	8,440,411	+5.4
Other Asia markets	2,801,794	+7.9
Long haul markets	1,542,430	+1.0
New markets	267,241	-10.3

## COSTS

- **SERVICE COST** of the Group for the period was HK\$124.7 million (six months ended 30th June, 2016: HK\$124.4 million) representing hotel operations.

Name of Hotel	Six months ended		Change
	30.6.2016 <i>HK\$ million per month</i>	30.6.2017 <i>HK\$ million per month</i>	
Best Western Plus Hotel Kowloon	2.99	<b>2.93</b>	-2%
Best Western Plus Hotel Hong Kong	3.86	<b>3.60</b>	-7%
Best Western Grand Hotel	3.92	<b>4.00</b>	+2%
Best Western Hotel Harbour View	3.99	<b>4.22</b>	+6%
Best Western Hotel Causeway Bay	2.93	<b>2.90</b>	-1%
Grand City Hotel	2.18	<b>2.39</b>	+10%
Magnificent International Hotel, Shanghai	1.22	<b>1.12</b>	-8%

Cost of sale of HK\$2 million (six months ended 30th June, 2016: HK\$2 million) was from cost of food and beverage.

- During the period, the **ADMINISTRATIVE EXPENSES** excluding depreciation was HK\$14.5 million (six months ended 30th June, 2016: HK\$12.1 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.

The accounting standards require hotel properties of the Group to provide **DEPRECIATION** which amounted to HK\$36.5 million (six months ended 30th June, 2016: HK\$34.6 million) for the period. The depreciation increased due to shop in Best Western Plus Hotel Kowloon was changed to owner's own use.

### DEPRECIATION OF HOTEL PROPERTIES

Name of Hotel	Six months ended		Change <i>HK\$ million</i>
	30.6.2016 <i>HK\$ million</i>	30.6.2017 <i>HK\$ million</i>	
Best Western Plus Hotel Kowloon	4.0	<b>6.3</b>	+2.3
Best Western Plus Hotel Hong Kong	1.8	<b>1.9</b>	+0.1
Best Western Grand Hotel	15.1	<b>15.1</b>	-
Best Western Hotel Harbour View	3.5	<b>3.4</b>	-0.1
Best Western Hotel Causeway Bay	5.9	<b>5.6</b>	-0.3
Grand City Hotel	2.9	<b>2.9</b>	-
Magnificent International Hotel, Shanghai	<u>1.4</u>	<u><b>1.3</b></u>	-0.1
<b>Total amount for the period</b>	34.6	<b>36.5</b>	+1.9

## FUNDING

- As at 30th June, 2017, the **OVERALL DEBTS** of the Group were HK\$834 million (31st December, 2016: HK\$689 million), of which HK\$793 million (31st December, 2016: HK\$684 million) was bank borrowings and HK\$41 million (31st December, 2016: HK\$5 million) was advance from shareholder. The increase in overall debt was due to additional bank borrowings incurred which is placed in cash deposit which may be used to repay loan at any time or to be used for future assets acquisition. As at 30th June, 2017, the cash deposit was HK\$657 million (31st December, 2016: HK\$504 million), increased HK\$153 million.



**The debt ratio was 8%** (31st December, 2016: 7%) in terms of overall debts of HK\$834 million (31st December, 2016: HK\$689 million) against the fully revalued assets of the Group amounted to HK\$10,099 million (31st December, 2016: HK\$9,653 million).

The gearing ratio was approximately 22% (31st December, 2016: 18%) in terms of overall debts of HK\$834 million (31st December, 2016: HK\$689 million) against funds employed of HK\$3,827 million (31st December, 2016: HK\$3,770 million).

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 when compared with that of 31st December, 2016. Remuneration and benefit were set with reference to the market.

## **LOOKING AHEAD**

- The hotel industry may have stabilized with increase of visitors from short haul markets and more PRC individual travellers. But the PRC visitor's less spending power, increase of supply of new hotel rooms, competing room rate and occupancy may still affect hotel industry adversely.
- Hotel revenue in this coming year may experience further improvement. The management will try to further increase overall revenue by acquisition of income producing hotel properties.
- The management continues to seek good opportunities to further increase operating profit by the acquisition of hotel properties or serviced apartment hotels.

## **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.

## **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.

## **REVIEW BY THE AUDIT COMMITTEE**

The audit committee has reviewed the unaudited financial results of the Group for the six months ended 30th June, 2017.

By Order of the Board

**William CHENG Kai Man**  
*Chairman*

Hong Kong, 29th August, 2017

*As at the date hereof, the Board comprises eight Directors, of which four are Executive Directors, namely Mr. William Cheng Kai Man, Mr. Albert Hui Wing Ho, Madam Kimmy Lau Kam May and Madam Ng Yuet Ying; one is Non-executive Director, Madam Mabel Lui Fung Mei Yee; and three are Independent Non-executive Directors, namely Mr. Vincent Kwok Chi Sun, Mr. Chan Kim Fai and Mr. Lam Kwai Cheung.*