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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, 2019

### RESULTS

The board of directors (the “Board”) of Magnificent Hotel Investments Limited (the “Company”) announces that profit for the year attributable to owners of the Company for the year ended 31st December, 2019 was HK\$32 million (2018: HK\$260 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, 2019

	NOTES	2019 HK\$'000	2018 HK\$'000
Revenue	3		
Contracts with customers		386,619	540,040
Leases		35,953	34,762
Dividend income		<u>5,021</u>	<u>4,871</u>
Total revenue		427,593	579,673
Cost of sales		(3,540)	(4,414)
Other service costs		(262,679)	(260,703)
Depreciation of property, plant and equipment		(74,865)	(70,500)
Depreciation of right-of-use assets		(797)	-
Release of prepaid lease payments for land		<u>-</u>	<u>(815)</u>
Gross profit		85,712	243,241
(Decrease) increase in fair value of investment properties		(28,000)	97,750
Other income and expenses and gains and losses		36,850	10,096
Administrative expenses		(40,404)	(39,516)
- Depreciation		(8,064)	(7,210)
- Others		(32,340)	(32,306)
Finance costs	5	<u>(8,025)</u>	<u>(13,759)</u>
Profit before taxation	6	46,133	297,812
Income tax expense	7	<u>(14,302)</u>	<u>(37,463)</u>
Profit for the year attributable to owners of the Company		<u>31,831</u>	<u>260,349</u>
		HK cents	HK cents
Earnings per share	9		
Basic		<u>0.36</u>	<u>2.91</u>

**Consolidated Statement of Total Comprehensive Income**  
*For the year ended 31st December, 2019*

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit for the year attributable to owners of the Company	<u><b>31,831</b></u>	<u>260,349</u>
<b>Other comprehensive (expense) income</b>		
<b>Item that will not be reclassified to profit or loss</b>		
Fair value loss on investment in equity instruments at fair value through other comprehensive income	<b>(54,168)</b>	(54,764)
<b>Item that may be reclassified subsequently to profit or loss</b>		
Exchange differences arising on translation of foreign operations	<u><b>17,379</b></u>	<u>(41,941)</u>
Other comprehensive expense for the year	<u><b>(36,789)</b></u>	<u>(96,705)</u>
Total comprehensive (expense) income for the year attributable to owners of the Company	<u><b>(4,958)</b></u>	<u>163,644</u>

**Consolidated Statement of Financial Position**

At 31st December, 2019

	<i>NOTES</i>	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Non-Current Assets</b>			
Property, plant and equipment		2,655,849	2,690,769
Right-of-use assets		26,481	-
Prepaid lease payments for land		-	27,105
Investment properties		1,097,900	1,099,300
Deposit paid for acquisition of an investment property		429,470	-
Equity instruments at fair value through other comprehensive income		<u>266,543</u>	<u>320,711</u>
		<u><b>4,476,243</b></u>	<u><b>4,137,885</b></u>
<b>Current Assets</b>			
Inventories		1,172	1,309
Prepaid lease payments for land		-	815
Trade and other receivables	10	6,276	23,827
Other deposits and prepayments		8,422	8,330
Bank balances and cash		<u>82,502</u>	<u>499,169</u>
		<u><b>98,372</b></u>	<u><b>533,450</b></u>
<b>Current Liabilities</b>			
Trade and other payables and accruals	11	39,363	24,822
Rental and other deposits received		3,157	10,752
Contract liabilities		1,633	3,680
Amount due to immediate holding company		27,808	5,088
Tax liabilities		20,648	14,611
Bank loans		<u>125,386</u>	<u>172,735</u>
		<u><b>217,995</b></u>	<u><b>231,688</b></u>
<b>Net Current (Liabilities) Assets</b>		<u><b>(119,623)</b></u>	<u><b>301,762</b></u>
<b>Total Assets less Current Liabilities</b>		<u><b>4,356,620</b></u>	<u><b>4,439,647</b></u>
<b>Capital and Reserves</b>			
Share capital		841,926	841,926
Reserves		<u>3,149,284</u>	<u>3,219,735</u>
<b>Total Equity</b>		<u><b>3,991,210</b></u>	<u><b>4,061,661</b></u>
<b>Non-Current Liabilities</b>			
Bank loans		266,024	278,866
Rental deposits received		1,552	1,552
Deferred tax liabilities		<u>97,834</u>	<u>97,568</u>
		<u><b>365,410</b></u>	<u><b>377,986</b></u>
		<u><b>4,356,620</b></u>	<u><b>4,439,647</b></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.

The financial information relating to the years ended 31st December, 2019 and 2018 included in this preliminary announcement of annual results 2019 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, 2018 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, 2019 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 NEW AND AMENDMENTS TO HKFRSs

*New and amendments to HKFRSs that are mandatorily effective for the current year*

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

The application of the new and amendments to HKFRSs in the current year has been applied in accordance with the relevant transition provisions in the respective standards and amendments which result in changes in accounting policies.

### 3. REVENUE

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

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Income from operation of hotels	<b>386,619</b>	540,040
Income from property rental	<b>35,953</b>	34,762
Dividend income	<u><b>5,021</b></u>	<u>4,871</u>
	<u><b>427,593</b></u>	<u>579,673</u>

### 4. SEGMENT INFORMATION

The Group's operating and reportable segments under HKFRS 8 "Operating Segments" 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 - 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:

	Segment revenue		Segment profit	
	Year ended		Year ended	
	31st December,		31st December,	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hospitality services	<b>386,619</b>	540,040	<b>44,738</b>	203,608
- Best Western Plus Hotel Kowloon	<b>54,544</b>	69,763	<b>(503)</b>	19,017
- Best Western Plus Hotel Hong Kong	<b>68,515</b>	90,715	<b>20,273</b>	42,144
- Magnificent International Hotel, Shanghai	<b>18,079</b>	19,969	<b>(1,542)</b>	3,334
- Best Western Hotel Causeway Bay	<b>48,350</b>	72,108	<b>1,597</b>	24,725
- Ramada Hong Kong Harbour View (formerly known as Best Western Hotel Harbour View)	<b>81,114</b>	113,247	<b>22,153</b>	53,433
- Best Western Grand Hotel	<b>77,150</b>	117,884	<b>(1,071)</b>	38,959
- Grand City Hotel	<b>38,867</b>	56,354	<b>3,831</b>	21,996
Property investment	<b>35,953</b>	34,762	<b>7,953</b>	132,512
Securities investment	<b>5,021</b>	4,871	<b>5,021</b>	4,871
	<b><u>427,593</u></b>	<u>579,673</u>	<b>57,712</b>	340,991
Other income and expenses and gains and losses			<b>36,850</b>	10,096
Central administration costs and directors' emoluments			<b>(40,404)</b>	(39,516)
Finance costs			<b>(8,025)</b>	(13,759)
Profit before taxation			<b><u>46,133</u></b>	<u>297,812</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:

	2019	2018
	HK\$'000	HK\$'000
Hong Kong (place of domicile)	<b>375,668</b>	527,545
The PRC	<b>18,079</b>	19,969
The UK	<b>33,846</b>	32,159
	<b><u>427,593</u></b>	<u>579,673</u>

## 5. FINANCE COSTS

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interests on :		
Bank loans	7,972	13,747
Amount due to immediate holding company	<u>53</u>	<u>12</u>
	<u><b>8,025</b></u>	<u>13,759</u>

## 6. PROFIT BEFORE TAXATION

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	2,666	2,526
Staff costs including directors' emoluments	182,943	182,078
Depreciation of property, plant and equipment	82,929	77,710
Cost of inventories recognised as an expense	9,373	10,884
Operating lease rental in respect of office and rented equipment	-	3,725
Gross rental income from investment properties	(35,953)	(34,762)
Less: Direct operating expenses incurred for investment properties that generated rental income during the year	<u>-</u>	<u>-</u>
	<u><b>(35,953)</b></u>	<u>(34,762)</u>

## 7. INCOME TAX EXPENSE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Income tax expense comprises:		
Current tax		
Hong Kong	8,306	28,808
The PRC	252	733
The UK	<u>5,582</u>	<u>5,262</u>
	14,140	34,803
Overprovision in prior years		
Hong Kong	-	(849)
The UK	<u>(104)</u>	<u>(62)</u>
	14,036	33,892
Deferred tax	<u>266</u>	<u>3,571</u>
	<u><u>14,302</u></u>	<u><u>37,463</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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Dividend recognised as distribution during the year:		
Final dividend in respect of the year ended 31st December, 2018 of HK0.652 cent (2018: Final dividend in respect of the year ended 31st December, 2017 of HK0.627 cent) per share was paid to shareholders	58,335	56,098
Interim dividend in respect of the six months ended 30th June, 2019 of HK0.08 cent (2018: Interim dividend in respect of the six months ended 30th June, 2018 of HK0.08 cent) per share payable to shareholders	<u>7,158</u>	<u>7,158</u>
	<u><u>65,493</u></u>	<u><u>63,256</u></u>

No final dividend was proposed by the director for ordinary shareholders of the Company 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\$31,831,000 (2018: HK\$260,349,000) and on 8,947,051,000 issued shares (2018: 8,947,051,000 shares) 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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables from contacts with customers	3,408	19,155
Other receivables	<u>2,868</u>	<u>4,672</u>
	<u><u>6,276</u></u>	<u><u>23,827</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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Not yet due	3,362	17,942
Overdue:		
0-30 days	37	1,051
31-60 days	9	119
61-90 days	<u>-</u>	<u>43</u>
	<u><u>3,408</u></u>	<u><u>19,155</u></u>

## 11. TRADE AND OTHER PAYABLES AND ACCRUALS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade payables	2,392	3,557
Other payables and accruals	<u>36,971</u>	<u>21,265</u>
	<u><u>39,363</u></u>	<u><u>24,822</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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0-30 days	2,296	3,464
31-60 days	54	72
61-90 days	<u>42</u>	<u>21</u>
	<u><u>2,392</u></u>	<u><u>3,557</u></u>

## **DIVIDEND**

In deciding whether to distribute the final dividend and the amount, the Board has reviewed the Company's adopted dividend policy, the Board considers the current adverse political and COVID-19 crisis may last a long time and may result in prolong significant operating losses and strain on the cash flow of the Group, the Board does not recommend the payment of a final dividend for the year ended 31st December, 2019 (2018: HK0.652 cent per share). With reference to the announcement of 2019 interim results of the Company dated 19th August, 2019, shareholders are reminded that an interim dividend of HK0.080 cent per share for the six months ended 30th June, 2019 is payable on 26th June, 2020 to shareholders whose names appear on the register of members of the Company on 12th June, 2020.

## **BOOK CLOSURE**

To ascertain shareholders' eligibility to attend and vote at the Annual General Meeting to be held on Friday, 22nd May, 2020 ("AGM"), the register of members will be closed from Tuesday, 19th May, 2020 to Friday, 22nd May, 2020, both dates 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 Monday, 18th May, 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

Profit for the year attributable to owners of the Company for the year ended 31st December, 2019 was HK\$32 million (2018: HK\$260 million), decreased by 88%.

	2018 HK\$'000	Jan-Jun 2019 HK\$'000	Jul-Dec 2019 HK\$'000	2019 HK\$'000	Change
Revaluation adjustment of investment properties	97,750	-	(28,000)	(28,000)	N/A
Profit from operation of hotels	194,187	63,261	(22,193)	41,068	-79%
- Profit	265,502	101,208	15,522	116,730	
- Depreciation	(71,315)	(37,947)	(37,715)	(75,662)	
Properties rental income	30,424	14,566	17,032	31,598	+4%
Income from securities investments	4,871	3,557	1,464	5,021	+3%
Other income and expenses and gains and losses	10,096	8,804	28,046	36,850	+265%
	337,328	90,188	(3,651)	86,537	-74%
Administrative expenses	(39,516)	(18,698)	(21,706)	(40,404)	+2%
Income tax expense	(37,463)	(13,891)	(411)	(14,302)	-62%
Profit after taxation	260,349	57,599	(25,768)	31,831	-88%

The overall profit for the year decreased by approximately HK\$228 million was mainly due to the decrease in the hotel profit from the second half of the year and revaluation loss.

Hotel business dramatically collapsed in the second half of the financial year:

	Jul-Dec 2018 HK\$'000	Jul-Dec 2019 HK\$'000	Change HK\$'000	%
1 Revenue	296,045	138,249	-157,796	-53%
2 Occupancy (%)	98%	96%	N/A	-2%
3 Profit before depreciation	163,155	15,522	-147,633	-90%

## PERFORMANCE

- For the year ended 31st December, 2019, the **GROUP'S INCOME** was mostly derived from the aggregate of income from operation of hotels and hotel properties rental income, which was analysed as follows:

### Income

	2018 HK\$'000	Jan-Jun 2019 HK\$'000	Jul-Dec 2019 HK\$'000	2019 HK\$'000	Change	Reasoning
Income from operation of hotels	540,040	<b>248,370</b>	<b>138,249</b>	<b>386,619</b>	-28%	Decrease in room rates
Hotel properties rental income	34,762	<b>16,739</b>	<b>19,214</b>	<b>35,953</b>	+3%	Increase in rental income from UK hotel property
Dividend income	4,871	<b>3,557</b>	<b>1,464</b>	<b>5,021</b>	+3%	Increase in dividend received from stock investment
Other income	10,136	<b>8,804</b>	<b>3,730</b>	<b>12,534</b>	+24%	Gain from the disposal of the apartment property at Tai Hang and others
Exchange gain	—	—	<b>24,316</b>	<b>24,316</b>	N/A	Currency exchange gain from purchase of sterling on 9th September, 2019 and exchange gain realised upon the deposit paid for the acquisition of Wood Street Hotel on 17th December, 2019
<b>Total</b>	<u>589,809</u>	<u><b>277,470</b></u>	<u><b>186,973</b></u>	<u><b>464,443</b></u>	-21%	

The total income for the Group decreased by 21% from HK\$590 million to HK\$464 million compared with last year.

## HOTELS PERFORMANCES

- During the year, the decrease of overnight PRC visitors was 18.5%. According to the data published by the Hong Kong Tourism Board in 2019, there were 23,752,359 total overnight visitors which decreased by 18.8% as compared to 2018. The visitors segments were analysed as follows:

	No. of Visitors	Change (%)
Mainland China	16,226,642	-18.5
Other Asia markets	4,347,007	-22.4
Long haul markets	2,730,581	-15.4
New markets	448,129	-15.3



### Ramada Hong Kong Harbour View

2019	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Avg/ yr
Avg Room Occupancy (%)	99	100	99	100	99	100	99	97	98	98	99	97	99
Avg Room Rate (HK\$)	638	720	686	696	556	515	511	353	300	356	319	259	492

- The **total income** was HK\$81,114,000 (2018: HK\$113,247,000), decreased by 28%.
- The **net operating income** was HK\$28,170,000 (2018: HK\$59,070,000), decreased by 52%.
- Best Western Hotel Harbour View was re-branded to the higher class **RAMADA HONG KONG HARBOUR VIEW** in January 2019.



### Best Western Grand Hotel

2019	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Avg/ yr
Avg Room Occupancy (%)	99	99	100	99	99	99	98	93	95	94	93	87	96
Avg Room Rate (HK\$)	761	837	752	727	587	562	532	329	266	344	298	249	526

- The **total income** was HK\$77,150,000 (2018: HK\$117,884,000), decreased by 35%.
- The **net operating income** was HK\$28,015,000 (2018: HK\$67,913,000), decreased by 59%.
- Best Western Grand Hotel will be re-branded to the higher class **RAMADA HONG KONG GRAND** in 2020.



### Best Western Plus Hotel Hong Kong

2019	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Avg/ yr
Avg Room Occupancy (%)	100	100	100	100	100	100	100	98	97	94	100	97	99
Avg Room Rate (HK\$)	738	781	765	803	607	583	578	465	335	437	377	310	563

- The **total income** was HK\$70,457,000 (2018: HK\$93,235,000), decreased by 24%.
- The **net operating income** was HK\$26,158,000 (2018: HK\$48,385,000), decreased by 46%.



### Best Western Hotel Causeway Bay

2019	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Avg/ yr
Avg Room Occupancy (%)	100	100	100	100	100	100	100	97	97	96	99	94	98
Avg Room Rate (HK\$)	697	760	731	714	548	501	490	330	304	403	337	247	506

- The **total income** was HK\$48,350,000 (2018: HK\$72,108,000), decreased by 33%.
- The **net operating income** was HK\$13,171,000 (2018: HK\$36,083,000), decreased by 63%.
- The renovation of external wall of the hotel with modern LED signages was carried in 2019.





### Best Western Plus Hotel Kowloon

2019	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Avg/ yr
<b>Avg Room Occupancy (%)</b>	99	99	100	100	100	99	100	<b>100</b>	<b>100</b>	<b>99</b>	<b>95</b>	<b>95</b>	99
<b>Avg Room Rate (HK\$)</b>	859	934	825	805	683	636	585	<b>408</b>	<b>350</b>	<b>394</b>	<b>318</b>	<b>284</b>	590

- The **total income** was HK\$54,708,000 (2018: HK\$69,846,000), decreased by 22%.
- The **net operating income** was HK\$16,377,000 (2018: HK\$32,409,000), decreased by 49%.
- The adding of 40 rooms to the Best Western Plus Hotel Kowloon was completed in 2018.



### Grand City Hotel

2019	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Avg/ yr
Avg Room Occupancy (%)	99	99	99	99	99	99	99	98	99	99	99	98	99
Avg Room Rate (HK\$)	667	725	694	686	554	480	508	366	279	340	314	255	488

- The **total income** was HK\$38,867,000 (2018: HK\$56,354,000), decreased by 31%.
- The **net operating income** was HK\$9,634,000 (2018: HK\$27,791,000), decreased by 65%.
- Swimming pool on terrace floor was added in 2018.



### Magnificent International Hotel, Shanghai

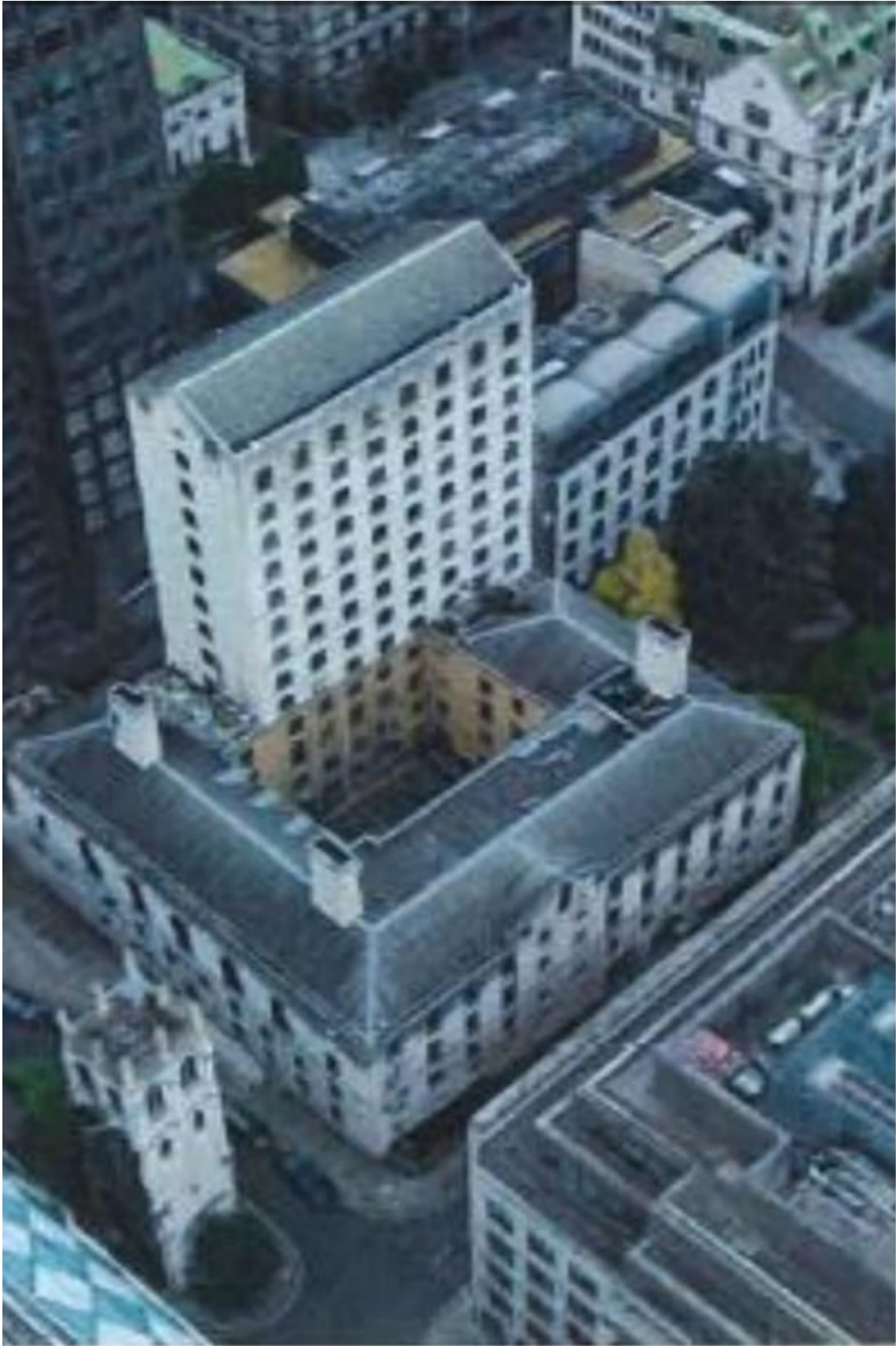
2019	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Avg/ yr
Avg Room Occupancy (%)	57	60	69	85	87	77	86	86	87	85	78	75	78
Avg Room Rate (HK\$)	234	283	326	329	322	313	345	361	292	350	330	283	318

- The **total income** was HK\$18,079,000 (2018: HK\$19,969,000), decreased by 9%.
- The **net operating income** was HK\$983,000 (2018: HK\$5,875,000), decreased by 83%.



### **Royal Scot Hotel, London**

- The **total rental income** in 2019 was GBP3,351,000 equivalent to HK\$33,846,000 (2018: GBP3,137,487, equivalent to HK\$32,159,000).
- As at 31st December, 2019, an independent third party valuation was GBP95,000,000 (Acquisition cost GBP70,000,000).



Wood Street Police Headquarter, 37 Wood Street London EC2 UK



Wood Street Police Headquarter, 37 Wood Street London EC2 UK

## COST

- The **SERVICE COSTS** of the Group for the year was HK\$266.2 million (2018: HK\$265.1 million), representing hotel operations cost, increased by 0.4%.

Name of Hotel	2018 <i>HK\$ million</i>	2019 <i>HK\$ million</i>	Change
Ramada Hong Kong Harbour View	54.1	<b>52.9</b>	-2%
Best Western Grand Hotel	50.0	<b>49.1</b>	-2%
Best Western Plus Hotel Kowloon	37.4	<b>38.3</b>	+2%
Best Western Plus Hotel Hong Kong	44.9	<b>44.3</b>	-1%
Best Western Hotel Causeway Bay	36.0	<b>35.2</b>	-2%
Grand City Hotel	28.6	<b>29.2</b>	+2%
Magnificent International Hotel, Shanghai	<u>14.1</u>	<u><b>17.2</b></u>	+22%
<b>Total amount for the year</b>	265.1	<b>266.2</b>	+0.4%

The increase of the expenses in Magnificent International Hotel, Shanghai was due to a significant refurbishment which has been completed during the year.

Cost of sale of HK\$3.5 million (2018: HK\$4.4 million) was from cost of food and beverage.

During the year, the **ADMINISTRATIVE EXPENSES** excluding depreciation was HK\$32 million (2018: HK\$32 million) representing costs for corporate management office including directors' fees, salaries for executive staff and employees, rental, marketing expenses and office expenses.

## FUNDING

- At 31st December, 2019, the **OVERALL DEBTS** of the Group were HK\$419 million (2018: HK\$457 million), of which HK\$391 million (2018: HK\$452 million) was assets secured bank borrowings and HK\$28 million was advances from shareholder (2018: HK\$5 million). The decrease in overall debts was due to repayment of bank borrowings.

The gearing ratio was 10% (2018: 11%) in terms of overall debts of HK\$419 million (2018: HK\$457 million) against funds employed of HK\$3,991 million before revaluation of all hotel properties (2018: HK\$4,062 million).

The overall debts were analysed as follows:

	2018 <i>HK\$ million</i>	2019 <i>HK\$ million</i>	Change <i>HK\$ million</i>	Interest Paid 2019 <i>HK\$ million</i>
Bank loans	452	<b>391</b>	-61	<b>7.972</b>
Shareholder's loan	5	<b>28</b>	+23	<b>0.053</b>
Overall debts	457	<b>419</b>	-38	<b>8.025</b>

- **FINANCE COST:** Of these loans, the total interest expenses amounted to HK\$8.025 million (2018: HK\$13.759 million), the bank loans interest expenses amounted to HK\$7.972 million (2018: HK\$13.747 million) and the shareholder's loan interest expenses amounted to HK\$0.053 million (2018: HK\$0.012 million). The bank loan interests decreased due to repayment of bank loans 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 management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. As at 31st December, 2019, the Group's staffing number was 618 (2018: 667), decreased by 7.35%. Remuneration and benefit were set with reference to the market.

### Cash flows of the Group

	2018 <i>HK\$ million</i>	2019 <i>HK\$ million</i>
Gross income	580	428
Less:		
Operating expenses	(297)	(299)
Interests expenses	(14)	(8)
Dividend paid out	(63)	(65)
Net repayment of bank loans	(251)	(68)
Acquisition of property, plant and equipment and a subsidiary	<u>(8)</u>	<u>(9)</u>
Cash Outflow	(53)	(21)
Less:		
Deposit paid for acquisition of 37 Wood Street, City of London, UK	-	(405)
Various construction expenses	(2)	-
Acquisition of a subsidiary	<u>(38)</u>	<u>(58)</u>
Cash Outflow	(93)	(484)

- The accounting standards require hotel properties of the Group to provide **depreciation** which amounted to HK\$76 million (2018: HK\$71 million) for the year.

### Depreciation of Hotel Properties

Name of Hotel	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	Change <i>HK\$'000</i>
Ramada Hong Kong Harbour View	5,636	<b>6,018</b>	+382
Best Western Grand Hotel	28,954	<b>29,086</b>	+132
Best Western Plus Hotel Kowloon	13,309	<b>16,714</b>	+3,405
Best Western Plus Hotel Hong Kong	3,721	<b>3,942</b>	+221
Best Western Hotel Causeway Bay	11,359	<b>11,574</b>	+215
Grand City Hotel	5,795	<b>5,803</b>	+8
Magnificent International Hotel, Shanghai	<u>2,541</u>	<u>2,525</u>	-16
Total amount for the year	71,315	<b>75,662</b>	+4,347



- **BUSINESS HIGHLIGHT**

During the year, Best Western Hotel Harbour View was re-branded to a higher class **RAMADA HONG KONG HARBOUR VIEW**.

The completion of renovation of the Best Western Plus Hotel Kowloon by adding of 40 rooms.

As at 31st December, 2019, the valuation of Royal Scot Hotel, London was GBP95,000,000 against initial purchase cost GBP70,000,000.

The Group acquired Wood Street Police Headquarter, 37 Wood Street London EC2 UK (the “Property”) for a consideration of GBP40,000,000 (equivalent to approximately HK\$404,540,000) on 29th January, 2020. The total gross internal area of the Property is 117,472 sq. ft. (10,913.3 sq. m.). The Property is 0.18 hectare (approximately 20,000 sq. ft.) island site. The Property is purchased on a new long lease of 151 years commencing from the Completion at a peppercorn rent.

The Property is located in the core of the City of London, approximately 350 metres north west of the Bank of England. The Property occupies a prominent corner position at the junction of Wood Street and Love Lane. The Property is located within 6 minutes walk of Liverpool Street Station and Moorgate Crossrail Station.

The Property is the Grade II\* listed building. It comprises two primary forms, a four storey building built around a large courtyard, with a 12 storey tower to the north east corner of the site. Constructed between 1963-66 by McMorran and Whitby. It is a striking example of neo-classical architecture. The Property was purpose built for the City of London Police Headquarter.

Given the vibrant economic importance of center district, the City of London, UK and the development prospect of the Property, the Boards believes that the Acquisition provides an excellent investment opportunity for the Group (a member of the Shun Ho Property Investments Limited group and Shun Ho Holdings Limited group) to expand and diversify into property investments in the City of London, one of the world’s biggest commercial and tourist center. The Boards are also of the view that the acquisition will allow the Group to strategically increase its investment in London, UK.

The purchase price of GBP40,000,000 (equivalent to approximately HK\$404,540,000), represents a good opportunity for the Group to acquire a sizeable property in the Central London location at a relative low price at GBP341 (equivalent to approximately HK\$3,500) per sq. ft. gross based on 117,472 sq. ft. total gross internal area. The acquisition also allows the Groups to enter into the London commercial and tourism center and to benefit from considerable refurbishment potential and its future incomes.

Planning consent approval will be applied for any change of use from existing sui generis use to office, retail use or hotel use. The excellent location of the Property being in the center of the City of London is ideal for conversion to a grade A office, and retail and food/beverages mix uses. However, the management consider even more excellent plan to renovate this high profile well located heritage building to become a deluxe heritage hotel of about 200 guest rooms with restaurant, bar, ballroom and spa with gross internal area about 117,472 sq. ft. The management is proud of having this opportunity to renovate this deluxe and heritage building in the center of the City of London.

## **LOOKING AHEAD**

The Magnificent Hotel Investments 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 social disorders and coronavirus in the last several months which has stopped the International/the PRC tourism visiting. Such unforeseeable circumstances have adversely affected the local economy, hospitality, retail and hotel market of Hong Kong which most establishments are either closed or operating on low occupancy with significant losses.

It is the management's view that the local social disorders are not easily resolvable and are likely to continue for sometimes that seriously affect the PRC and international visitors.

The coronavirus may also take more months to die out for recovery of international travel and leisure tourism.

The combination of lengthy damaged economy of Hong Kong, the PRC and global, continuous coronavirus, continuous social disorders and trade wars, the management envisage the hotel operations will be lost making for sometimes. The management will continue to try to maintain high hotel occupancies to compensate hotel operating costs.

## **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 year.

## **PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float during the year and up to the date of this announcement as required under the Listing Rules.

## CORPORATE GOVERNANCE

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

During the year ended 31st December, 2019, the Company has complied with all the code provisions set out in the Corporate Governance Code of 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 year.

**REVIEW BY THE AUDIT COMMITTEE**

The audit committee has reviewed the audited financial results of the Group for the year ended 31st December, 2019.

**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, 2019 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 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 the Preliminary Announcement.

By Order of the Board

**William Cheng Kai Man**  
*Chairman*

Hong Kong, 30th March, 2020

*As at the date hereof, the Board comprises nine Directors, of which five are Executive Directors, namely Mr. William Cheng Kai Man, Mr. Albert Hui Wing Ho, Madam Kimmy Lau Kam May, Madam Ng Yuet Ying and Madam Jennie Wong Kwai Fong; one is Non-Executive Director, namely 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.*