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# MAGNIFICENT HOTEL INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 201)

## 2023 INTERIM RESULTS

### RESULTS

The board (the “Board”) of directors (the “Directors”) of Magnificent Hotel Investments Limited (the “Company”) announces that the net profit after tax attributable to owners of the Company before depreciation of land, property and equipment for the six months ended 30th June, 2023 was HK\$18 million (six months ended 30th June, 2022: HK\$145 million), decreased by HK\$127 million. The unaudited consolidated results of the Company and its subsidiaries (together 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, 2023

		Six months ended	
	NOTES	30.6.2023	30.6.2022
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	3		
Contracts with customers		159,513	256,622
Leases		18,395	18,737
Dividend income		<u>45</u>	<u>42</u>
Total revenue		177,953	275,401
Cost of sales		(446)	(14,008)
Other services costs		(93,994)	(76,279)
Depreciation of property, plant and equipment		(34,528)	(37,284)
Depreciation of right-of-use asset		<u>(394)</u>	<u>(419)</u>
Gross Profit		48,591	147,411
Other income and gains and losses		3,618	3,554
Administrative expenses		(51,110)	(18,065)
- Depreciation		(898)	(963)
- Others		(50,212)	(17,102)
Finance costs	5	<u>(19,446)</u>	<u>(4,349)</u>
(Loss) profit before taxation		(18,347)	128,551
Income tax credit (expense)	6	<u>486</u>	<u>(22,546)</u>
(Loss) profit for the period	7	<u>(17,861)</u>	<u>106,005</u>

**Condensed Consolidated Statement of Profit or Loss (Continued)***For the six months ended 30th June, 2023*

		<b>Six months ended</b>	
	<i>NOTE</i>	<b>30.6.2023</b>	30.6.2022
		<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
		<b>(unaudited)</b>	(unaudited)
(Loss) profit for the period attributable to:			
Owners of the Company		<b>(17,920)</b>	105,958
Non-controlling interests		<b><u>59</u></b>	<u>47</u>
		<b><u>(17,861)</u></b>	<u>106,005</u>
		<b><i>HK cents</i></b>	<b><i>HK cents</i></b>
(Loss) earnings per share			
Basic	9	<b><u>(0.20)</u></b>	<u>1.18</u>

## Condensed Consolidated Statement of Total Comprehensive Income

For the six months ended 30th June, 2023

	Six months ended	
	30.6.2023	30.6.2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss) profit for the period	<u>(17,861)</u>	<u>106,005</u>
<b>Other comprehensive income (expense)</b>		
<b>Item that will not be reclassified to profit or loss</b>		
Fair value gain (loss) on equity instruments at fair value through other comprehensive income ("FVTOCI")	9,313	(7,198)
<b>Item that may be reclassified subsequently to profit or loss</b>		
Exchange differences on translation of foreign operations	<u>53,257</u>	<u>(131,077)</u>
Other comprehensive income (expense) for the period	<u>62,570</u>	<u>(138,275)</u>
Total comprehensive income (expense) for the period	<u>44,709</u>	<u>(32,270)</u>
Total comprehensive income (expense) attributable to:		
Owners of the Company	44,650	(32,317)
Non-controlling interests	<u>59</u>	<u>47</u>
	<u>44,709</u>	<u>(32,270)</u>

## Condensed Consolidated Statement of Financial Position

At 30th June, 2023

	<i>NOTES</i>	<b>30.6.2023</b> <i>HK\$'000</i> <b>(unaudited)</b>	31.12.2022 <i>HK\$'000</i> (audited)
<b>Non-Current Assets</b>			
Property, plant and equipment		3,765,473	3,782,568
Right-of-use asset		23,962	24,374
Investment properties		1,060,265	1,020,440
Equity instruments at FVTOCI		<u>153,716</u>	<u>144,403</u>
		<u><b>5,003,416</b></u>	<u>4,971,785</u>
<b>Current Assets</b>			
Inventories		2,114	1,133
Trade and other receivables	10	6,752	16,059
Other deposits and prepayments		9,897	10,623
Bank balances and cash		<u>265,556</u>	<u>265,908</u>
		<u><b>284,319</b></u>	<u>293,723</u>
<b>Current Liabilities</b>			
Trade and other payables and accruals	11	33,531	51,915
Rental and other deposits received		2,143	2,840
Refund liabilities		-	14,932
Contract liabilities		6,173	5,744
Amount due to immediate holding company		625,711	609,974
Amount due to a shareholder		5,088	5,088
Tax liabilities		20,158	16,497
Bank loans		<u>10,000</u>	<u>22,000</u>
		<u><b>702,804</b></u>	<u>728,990</u>
<b>Net Current Liabilities</b>		<u><b>(418,485)</b></u>	<u>(435,267)</u>
<b>Total Assets less Current Liabilities</b>		<u><b>4,584,931</b></u>	<u>4,536,518</u>
<b>Capital and Reserves</b>			
Share capital		841,926	841,926
Reserves		<u>3,428,085</u>	<u>3,383,435</u>
Equity attributable to owners of the Company		<u>4,270,011</u>	4,225,361
Non-controlling interests		<u>7,462</u>	<u>7,403</u>
<b>Total Equity</b>		<u><b>4,277,473</b></u>	<u>4,232,764</u>
<b>Non-Current Liabilities</b>			
Bank loans		230,303	219,715
Rental deposits received		1,006	-
Deferred tax liabilities		<u>76,149</u>	<u>84,039</u>
		<u><b>307,458</b></u>	<u>303,754</u>
		<u><b>4,584,931</b></u>	<u>4,536,518</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, 2022 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, 2022 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, as appropriate.

The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30th June, 2023 are the same as those presented in the Group’s annual financial statements for the year ended 31st December, 2022.

The application of all the amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA are disclosed below.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### *Application of new and amendments to HKFRSs*

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1st January, 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

	<b>Six months ended</b>	
	<b>30.6.2023</b>	<b>30.6.2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Income from operation of hotels	<b>159,513</b>	256,622
Income from property rental	<b>18,395</b>	18,737
Dividend income	<b>45</b>	42
	<b><u>177,953</u></b>	<b><u>275,401</u></b>

#### **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
6. Hospitality services - Ramada Hong Kong Grand
7. Hospitality services - Grand City Hotel
8. Hospitality services - Wood Street Hotel
9. Hospitality services - Grand Bay View Hotel
10. Property investment - Shops, hotel and residential properties
11. Securities investment

Information regarding the above segments is reported below.

#### 4. SEGMENT INFORMATION (Continued)

##### Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segment for the periods under review:

	<u>Segment revenue</u>		<u>Segment results</u>	
	<u>Six months ended</u>		<u>Six months ended</u>	
	<b>30.6.2023</b>	30.6.2022	<b>30.6.2023</b>	30.6.2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Hospitality services	<b>159,513</b>	256,622	<b>26,262</b>	127,506
- Best Western Plus Hotel Kowloon	<b>25,521</b>	12,090	<b>4,377</b>	(4,297)
- Best Western Plus Hotel Hong Kong	<b>35,300</b>	26,526	<b>13,181</b>	7,438
- Magnificent International Hotel, Shanghai	-	9,870	<b>(7,427)</b>	2,452
- Best Western Hotel Causeway Bay	<b>21,995</b>	43,947	<b>1,877</b>	26,387
- Ramada Hong Kong Harbour View	<b>40,268</b>	75,535	<b>16,421</b>	53,215
- Ramada Hong Kong Grand	<b>36,429</b>	69,439	<b>1,722</b>	36,995
- Grand City Hotel	-	19,215	-	6,442
- Wood Street Hotel	-	-	<b>(3,889)</b>	(1,126)
Property investment	<b>18,395</b>	18,737	<b>18,395</b>	18,737
Securities investment	<b>45</b>	42	<b>45</b>	42
	<b><u>177,953</u></b>	<u>275,401</u>	<b>44,702</b>	146,285
Other income and gains and losses			<b>3,618</b>	3,554
Administrative expenses			<b>(47,221)</b>	(16,939)
Finance costs			<b><u>(19,446)</u></b>	<u>(4,349)</u>
(Loss) profit before taxation			<b><u>(18,347)</u></b>	<u>128,551</u>

#### 5. FINANCE COSTS

	<u>Six months ended</u>	
	<b>30.6.2023</b>	30.6.2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interests on:		
Bank loans	<b>6,242</b>	2,728
Amount due to immediate holding company	<b><u>13,204</u></b>	<u>1,621</u>
	<b><u>19,446</u></b>	<u>4,349</u>



## 6. INCOME TAX (CREDIT) EXPENSE

	<b>Six months ended</b>	
	<b>30.6.2023</b> <i>HK\$'000</i> <b>(unaudited)</b>	30.6.2022 <i>HK\$'000</i> (unaudited)
The taxation (credit) expense comprises:		
Current tax:		
Hong Kong	<b>4,669</b>	15,975
The People's Republic of China (the "PRC")	<b>13</b>	209
The United Kingdom (the "UK")	<u><b>2,722</b></u>	<u>3,108</u>
	<b>7,404</b>	19,292
Overprovision in prior years		
Hong Kong	<u>-</u>	<u>(40)</u>
	<b>7,404</b>	19,252
Deferred tax	<u><b>(7,890)</b></u>	<u>3,294</u>
	<u><b>(486)</b></u>	<u>22,546</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, 2023 (six months ended 30th June, 2022: 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. (LOSS) PROFIT FOR THE PERIOD

	<b>Six months ended</b>	
	<b>30.6.2023</b> <i>HK\$'000</i> <b>(unaudited)</b>	30.6.2022 <i>HK\$'000</i> (unaudited)
(Loss) profit for the period has been arrived at after charging (crediting) the following items:		
Depreciation of right-of-use asset	<b>394</b>	419
Depreciation of property, plant and equipment	<b>35,426</b>	38,247
Interest on bank deposits (Note)	<b>(3,152)</b>	(204)
(Gain) loss on disposal of property, plant and equipment (Note)	<u><b>(7)</b></u>	<u>449</u>

Note: The amounts are included in other income and gains and losses.

## 8. DIVIDEND

During the six months ended 30th June, 2023 and 30th June, 2022, no dividend was declared and paid to shareholders for the year ended 31st December, 2022 and 31st December, 2021.

The directors have resolved not to declare or propose an interim dividend for the six months ended 30th June, 2023 and 30th June, 2022.

## 9. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share is based on the loss for the period attributable to owners of the Company of HK\$17,920,000 (profit for six months ended 30th June, 2022: HK\$105,958,000) and on 8,947,051,000 shares (six months ended 30th June, 2022: 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 outstanding during both periods.

## 10. TRADE AND OTHER RECEIVABLES

	As at 30.6.2023 <i>HK\$'000</i> (unaudited)	As at 31.12.2022 <i>HK\$'000</i> (audited)
Trade receivables from contracts with customers	3,210	10,730
Other receivables	<u>3,542</u>	<u>5,329</u>
	<u><u>6,752</u></u>	<u><u>16,059</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:

	As at 30.6.2023 <i>HK\$'000</i> (unaudited)	As at 31.12.2022 <i>HK\$'000</i> (audited)
Not yet due	2,904	8,122
Overdue:		
0 – 30 days	113	1,194
31 – 60 days	62	1,057
61 – 90 days	<u>131</u>	<u>357</u>
	<u><u>3,210</u></u>	<u><u>10,730</u></u>

## 11. TRADE AND OTHER PAYABLES AND ACCRUALS

	<b>As at 30.6.2023 HK\$'000 (unaudited)</b>	<b>As at 31.12.2022 HK\$'000 (audited)</b>
Trade payables	<b>5,351</b>	2,487
Other payables and accruals	<b><u>28,180</u></b>	<u>49,428</u>
	<b><u>33,531</u></b>	<u>51,915</u>

The following is an aged analysis of the Group's trade payables presented based on the invoice date at the end of the reporting period:

	<b>As at 30.6.2023 HK\$'000 (unaudited)</b>	<b>As at 31.12.2022 HK\$'000 (audited)</b>
0 – 30 days	<b>4,901</b>	2,414
31 – 60 days	<b>433</b>	72
61 – 90 days	<b><u>17</u></b>	<u>1</u>
	<b><u>5,351</u></b>	<u>2,487</u>

## INTERIM DIVIDEND

In deciding whether to distribute the interim dividend and its amount, the Board has reviewed the Company's adopted dividend policy and does not recommend the payment of interim dividend for the six months ended 30th June, 2023 (six months ended 30th June, 2022: Nil) for the following reasons during the period:

- i) Significant reduction of hotel operating profit due to lower room rates and higher operating costs under slow recovery of tourism industry;
- ii) higher interest expenses;
- iii) repair and maintenance of Grand Bay View Hotel; and
- iv) cost of repair and maintenance of each of our quarantine hotels to become hotels of satisfactory standard.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

The net profit after tax attributable to owners of the Company before revaluation and depreciation of land, property and equipment for the six months ended 30<sup>th</sup> June, 2023 was HK\$18 million (six months ended 30<sup>th</sup> June, 2022: HK\$145 million), decreased by HK\$127 million.

	<b>Six months ended</b>		
	30.6.2022	30.6.2023	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	
	(unaudited)	(unaudited)	
Profit from operation of hotels	126,031	<b>16,471</b>	-87%
- Profit	<u>163,734</u>	<u><b>51,445</b></u>	
- Depreciation	<u>(37,703)</u>	<u><b>(34,974)</b></u>	
Profit from property investment	16,989	<b>12,629</b>	-26%
Income from securities investments	42	<b>45</b>	+7%
Other income and gain and losses	<u>3,554</u>	<u><b>3,618</b></u>	+2%
	146,616	<b>32,763</b>	-78%
Administrative expenses	(18,065)	<b>(51,110)</b>	+183%
Income tax (expense) credit	<u>(22,546)</u>	<u><b>486</b></u>	N/A
Profit (loss) after taxation	106,005	<b>(17,861)</b>	N/A
Non-controlling interests	<u>(47)</u>	<u><b>(59)</b></u>	+26%
Profit (loss) after taxation and non-controlling interests	105,958	<b>(17,920)</b>	N/A
Add: Revaluation	-	-	N/A
Add: Properties depreciation and release of prepaid lease payments for land	<u>38,666</u>	<u><b>35,820</b></u>	-7%
Net profit after tax attributable to owners of the Company before depreciation of land, property and equipment	<u>144,624</u>	<u><b>17,900</b></u>	-88%

The overall decrease in profit for the six months ended 30<sup>th</sup> June, 2023 was mainly due to decrease in hotel revenue and increase in hotel operating costs, repair and maintenance costs and finance costs.

## PERFORMANCE

For the six months ended 30th June, 2023, 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

	Six months ended		Change	Reason
	30.6.2022 <i>HK\$'000</i> (unaudited)	30.6.2023 <i>HK\$'000</i> (unaudited)		
Income from operation of hotels	256,622	<b>159,513</b>	-38%	Decrease in room rates
Income from investment properties	18,737	<b>18,395</b>	-2%	Rental income in Pound Sterling received from Royal Scot Hotel, London
Dividend income	42	<b>45</b>	+7%	Dividend received from stock investment
Other income	<u>3,554</u>	<u><b>3,618</b></u>	+2%	N/A
<b>Total</b>	<u><u>278,955</u></u>	<u><u><b>181,571</b></u></u>	-35%	

During the period, the total income for the Group decreased by 35% from HK\$279 million to HK\$182 million compared with last year. The decrease in hotel revenue was due to lower room rates as compared to those during quarantine hotel services for the six months ended 30th June, 2022.

## 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 38% to HK\$160 million (six months ended 30th June, 2022: HK\$257 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
2023 Jan to Jun Average room occupancy (%)	89	84	92	83	89

As at 30th June, 2023, an independent third-party valuation of Royal Scot Hotel, London was GBP88,500,000 (as at 31st December, 2022: GBP88,500,000). Future prospect of rental increase of the Royal Scot Hotel is encouraging because annual rent increase (once every 5 years) is linked with the United Kingdom Retail Price Index, which is currently maintained at 40-years high at 10.7% in June 2023. The rental income of Royal Scot Hotel, London for the period was GBP1,768,000 (six months ended 30th June, 2022: GBP1,768,000).

## COST

The **HOTELS' SERVICE COST** for the period was HK\$94.0 million (six months ended 30th June, 2022: HK\$76.3 million), representing HK\$ 87.8 million of hotel operating cost and HK\$6.2 million of repair and maintenance and idle staff cost of Magnificent Hotel International Hotel, Shanghai after quarantine hotel services. The increase in hotel operating cost is much attributable to increase of employees from 334 to 455 and salary increase during the period (including staffs for newly acquired Grand Bay View Hotel).

Cost of sale of HK\$0.4 million (six months ended 30th June, 2022: HK\$14 million) was from cost of food and beverage.

During the period, the **ADMINISTRATIVE EXPENSES** excluding depreciation was HK\$50.2 million (six months ended 30th June, 2022: HK\$17.1 million). The increase was mainly due to pre-operating expenses, repair and maintenance of Grand Bay View Hotel which amounted to HK\$29 million and operating expense of Wood Street Hotel Limited which amounted to HK\$4 million.

The accounting standards require hotel properties of the Group to provide **DEPRECIATION** which amounted to HK\$34.9 million (six months ended 30th June, 2022: HK\$37.7 million) for the period.

## DEPRECIATION OF HOTEL PROPERTIES

Name of Hotel	Six months ended		Change HK\$ million
	30.6.2022 HK\$ million	30.6.2023 HK\$ million	
Ramada Hong Kong Harbour View	3.0	<b>3.1</b>	+0.1
Ramada Hong Kong Grand	14.9	<b>14.8</b>	-0.1
Best Western Plus Hotel Kowloon	8.1	<b>7.8</b>	-0.3
Best Western Plus Hotel Hong Kong	2.1	<b>2.1</b>	-
Best Western Hotel Causeway Bay	5.9	<b>5.9</b>	-
Grand City Hotel	2.4	-	-2.4
Magnificent International Hotel, Shanghai	<u>1.3</u>	<u><b>1.2</b></u>	-0.1
<b>Total amount for the period</b>	37.7	<b>34.9</b>	-2.8

## FUNDING

As at 30th June, 2023, the **OVERALL DEBTS** of the Group were HK\$871 million (31st December, 2022: HK\$857 million), of which HK\$240 million (31st December, 2022: HK\$242 million) was assets secured bank borrowings and HK\$631 million was advances from shareholders (Shun Ho Property Investments Limited) (31st December, 2022: HK\$615 million).

As at 30th June, 2023, the debt ratio was 9% (31st December, 2022: 9%) in term of overall debt of HK\$871 million (31st December, 2022: HK\$857 million) against the fully revalued net assets value of the Group amounted to HK\$9,877 million (31st December, 2022: HK\$9,600 million).

As at 30th June, 2023, the gearing ratio was 20% (31st December, 2022: 20%) in terms of overall debts of HK\$871 million (31st December, 2022: HK\$857 million) against funds employed of HK\$4,277 million before revaluation of all hotel properties (31st December, 2022: HK\$4,233 million).

The overall debts were analysed as follows:

	As at 31st December, 2022 <i>HK\$ million</i>	<b>As at 30th June, 2023 <i>HK\$ million</i></b>	Change <i>HK\$ million</i>	<b>Interest Paid As at 30th June, 2023 <i>HK\$ million</i></b>
Bank loans	242	<b>240</b>	-2	<b>6.2</b>
Shareholder's loan	615	<b>631</b>	+16	<b>13.2</b>
Overall debts	857	<b>871</b>	+14	<b>19.4</b>

**FINANCE COST:** Of these loans, the total interest expenses amounted to HK\$19.4 million (30th June, 2022: HK\$4.3 million), the bank loans interest expenses amounted to HK\$6.2 million (30th June, 2022: HK\$2.7 million) and the shareholder's loan interest expenses amounted to HK\$13.2 million (30th June, 2022: HK\$1.6 million). The increase in finance cost was due to increase in shareholders' loan for the acquisition of Grand Bay View Hotel and increase in interest rate.

The Group's bank borrowings carry interest at floating rates and are mainly denominated in Hong Kong dollar and Pound Sterling. Accordingly, the Group exposes to exchange risk and the management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

As at 30th June, 2023, the Group had a total number of 455 employees (31st December, 2022: 334 employees). Remuneration and benefit were set with reference to the market.

## **BUSINESS HIGHLIGHTS**

A total of approximately 13 million tourists visited Hong Kong during the first half of 2023, of which about 10 million were from the PRC. Compared with 2019 and before the pandemic, 35 million visitors arrived Hong Kong in the same period. The pace of recovery of the tourism industry is affected by various challenges such as air transport capacity, the global economy and foreign currency exchange rates. Operating costs goes up significantly due to shortage of local labours and increase in number of hotel staffs.

In 2022, the Group acquired Grand Bay View Hotel, with 435 guest rooms, restaurants, 180 covered carparks, consisting 216,314 square feet gross area (excluding 180 covered carparks).

Grand Bay View Hotel and Magnificent International Hotel, Shanghai have commenced business on 1st August, 2023 after substantial repair and maintenance.

Future prospect of the Royal Scot Hotel, London rental increase is encouraging because annual rent increase (once every 5 years) is linked with the United Kingdom Retail Price Index, which is currently maintained at 40-years high at 10.7% in June 2023.

The Group acquired Wood Street Police Headquarter building in the centre of City of London for GBP40 million on 29th January, 2020 which has a gross internal area of 117,472 s.f. on a 20,000 s.f. island site and obtained planning consents approval to refurbish a deluxe hotel of about 216 guest rooms, restaurant, bar and facilities.

## **LOOKING AHEAD**

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

The newly acquired Grand Bay View Hotel commenced business on 1st August, 2023 and has been achieving high occupancies. Other hotels of the Group in Hong Kong will also continue to achieve high occupancies.

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

## **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 six months ended 30th June, 2023.

## **CORPORATE GOVERNANCE**

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

During the six months ended 30th June, 2023, 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 deviation:

*Code Provision C.2.1: chairman and chief executive should not be performed by the same individual*

The Company does not have separate appointments for the Chairman and the Chief Executive Officer. Mr. William Cheng Kai Man holds both positions. The Board believes that vesting the roles of both the Chairman and the Chief Executive Officer in the same person enables the Company to have a stable and consistent leadership. It also facilitates planning and execution of the Company's strategy and is hence, for the interests of the Company and its shareholders. It is also significantly cost-saving for Mr. Cheng, the Chairman to also serve as the Chief Executive Officer, which would have otherwise been recruited from the market at a heavy cost.

### **(b) Compliance with the Model Code**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by Directors. All Directors have confirmed, following specific enquiry by the Company, their compliance with the required standard set out in the Model Code throughout the 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, 2023.

By Order of the Board

**William CHENG Kai Man**  
*Chairman*

Hong Kong, 18th August, 2023

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