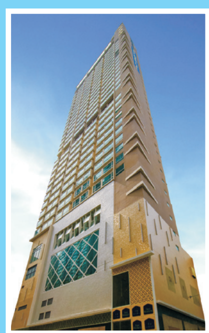
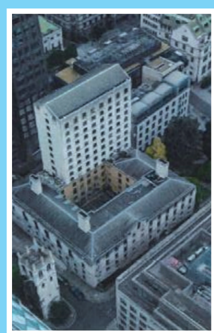
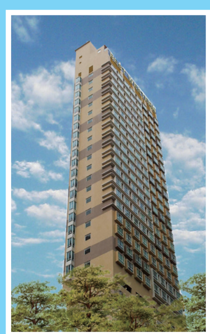
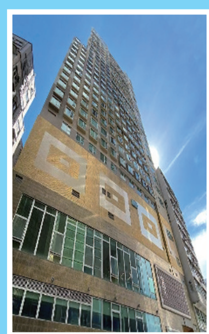
# MAGNIFICENT HOTEL INVESTMENTS LIMITED

# 華大酒店投資有限公司

(Stock Code 股份代號: 201)



**ANNUAL REPORT 2022**

**二零二二年年報**

# Contents

# Corporate Information

**Executive Directors**
Mr. William CHENG Kai Man *(Chairman)*
Mr. Albert HUI Wing Ho
Madam Kimmy LAU Kam May
Madam NG Yuet Ying
Madam Wendy CHENG Wai Kwan

**Non-executive Director**
Madam Mabel LUI FUNG Mei Yee

**Independent Non-executive Directors**
Mr. CHAN Kim Fai
Mr. LAM Kwai Cheung
Mr. Warren LIU Yuk Cho

**Company Secretary**
Madam KOO Ching Fan

**Auditor**
Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditor
35th Floor, One Pacific Place
88 Queensway
Hong Kong

**Solicitor**
Withers
30th Floor
United Centre
95 Queensway
Hong Kong

**Principal Bankers**
The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited

**Registered Office**
3rd Floor, Shun Ho Tower
24-30 Ice House Street
Central, Hong Kong

**Share Registrar**
Tricor Tengis Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong
Tel: 2980 1333

**Company's Website**
www.magnificenthotelinv.com

I present to the shareholders my report on the results and operations of Magnificent Hotel Investments Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31st December, 2022.

## RESULTS

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

## DIVIDEND

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

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

i) the prospect of local hotel business is not yet stable;

ii) higher interest expenses;

iii) renovation cost of Bay Bridge Hotel; and

iv) cost of renovation of each of our quarantine hotels to become hotels of satisfactory standard.

## BOOK CLOSURE

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

## PERFORMANCE

For the year ended 31st December, 2022, the **GROUP'S INCOME** was mostly derived from the aggregate of income from operation of hotels and investment properties, which was analysed as follows:

### Income

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

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

## HOTEL PERFORMANCES

The Group presently owns eight hotels, operates seven hotels and leases out one hotel in London. The income from operation of hotels increased by 42% to HK$403 million (2021: HK$284 million). Royal Scot Hotel in London was leased to a hotel management company, Travelodge.

| | **Ramada Hong Kong Harbour View** | **Ramada Hong Kong Grand** | **Best Western Plus Hotel Hong Kong** | **Best Western Hotel Causeway Bay** | **Best Western Plus Hotel Kowloon** | **Magnificent International Hotel, Shanghai** |
|---|---|---|---|---|---|---|
| 2022 | | | | | | |
| Average room occupancy (%) | 80 | 79 | 71 | 79 | 97 | 81 |

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

## COST

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

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

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

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

### DEPRECIATION OF HOTEL PROPERTIES

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

## FUNDING

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

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

  The overall debts were analysed as follows:

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

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

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

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

## BUSINESS HIGHLIGHTS

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

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

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

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

## LOOKING AHEAD

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

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

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

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

By Order of the Board

**William CHENG Kai Man**
*Chairman*

Hong Kong, 17th March, 2023

**Mr. William CHENG Kai Man**
*Chairman, Executive Director and Chief Executive Officer*
Mr. Cheng, aged 61, was appointed to the Board in 1987. He also serves as the chairman of the Nomination Committee of the Company and a member of the Remuneration Committee of the Company. He is also the chairman, executive director and chief executive officer of each of Shun Ho Holdings Limited, the Company's intermediate holding company ("Shun Ho Holdings") and Shun Ho Property Investments Limited, the Company's immediate holding company ("Shun Ho Property"), both of which are companies whose shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Cheng also holds directorships in various subsidiaries of the Company. He has over 30 years of experience in construction, property investment and development and has over 20 years of experience in hotel management. He graduated in the U.K. and holds a bachelor's degree in civil engineering and a master's degree in structural engineering. He is a brother of Madam Wendy CHENG Wai Kwan, an Executive Director of the Company. He is a director of Fastgrow Engineering & Construction Company Limited ("Fastgrow"), a substantial shareholder of the Company.

**Mr. Albert HUI Wing Ho**
*Executive Director*
Mr. Hui, aged 60, was appointed to the Board in 1990. He is also an executive director of Shun Ho Holdings and Shun Ho Property. He also holds directorships in various subsidiaries of the Company. He has over 30 years of experience in construction, property investment and development and has over 20 years of experience in hotel management. He graduated in the U.K. and holds a bachelor's degree in civil engineering.

**Madam Kimmy LAU Kam May**
*Executive Director and Chief Financial Officer*
Madam Lau, aged 55, FCCA, CPA, was appointed to the Board in 2017. She is also an executive director and the chief financial officer of each of Shun Ho Holdings and Shun Ho Property. She also holds directorship in various subsidiaries of the Company. She has extensive experience in accounting, auditing and financial management and over 10 years of experience in hotel management. She graduated from the City University of Hong Kong and holds a bachelor's degree in accountancy.

**Madam NG Yuet Ying**
*Executive Director*
Madam Ng, aged 40, was appointed to the Board in 2017. She is also an executive director of Shun Ho Holdings and Shun Ho Property. She is the head of operation and accounting of all local hotels of the Group with over 10 years of experience in accounting and financial management as well as hotel operation and management. She graduated from the University of South Australia with Bachelor of Accountancy.

**Madam Wendy CHENG Wai Kwan**
*Executive Director*
Madam Cheng, aged 58, was appointed to the Board in 2020. She is also an executive director of Shun Ho Holdings and Shun Ho Property. She also holds directorship in a subsidiary of the Company. She has extensive experience in provision of legal advices and family business management. Her academic knowledge and practical experience with legal matters make valuable contribution for the management and the Board. She graduated in the U.K. and holds a bachelor's degree in social science and a bachelor's degree in Laws from the University of London. She is a sister of Mr. William CHENG Kai Man, the Chairman, Executive Director and Chief Executive Officer of the Company.

**Madam Mabel LUI FUNG Mei Yee**
*Non-executive Director*
Madam Lui Fung, aged 71, a Solicitor and Notary Public, was appointed to the Board in 1999. She is also a non-executive director of Shun Ho Holdings and Shun Ho Property, and an independent non-executive director of China International Marine Containers (Group) Co., Ltd., a company whose shares are listed on the Stock Exchange. She is a senior executive consultant and head of Greater China Commercial Practice of Withers.

**Mr. CHAN Kim Fai**
*Independent Non-executive Director*
Mr. Chan, aged 64, FCCA, CPA (Practising), was appointed to the Board in 2004. He also serves as the chairman of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee of the Company. He is also an independent non-executive director of Shun Ho Holdings, Shun Ho Property and EGL Holdings Company Limited, companies whose shares are listed on the Stock Exchange. From 1st January, 2021 to 1st April, 2021, he was also an independent non-executive director of China Fortune Investments (Holdings) Limited, a company whose shares were listed on the Stock Exchange until it was delisted in September 2021. He holds a bachelor's degree in science from The Chinese University of Hong Kong. He has extensive experience in accounting, corporate finance and financial management. He is a partner of Ivan Chan & Co, CPA.

**Mr. LAM Kwai Cheung**
*Independent Non-executive Director*
Mr. Lam, aged 62, FCCA, CPA (Practising), was appointed to the Board in 2017. He also serves as a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. He is also an independent non-executive director of Shun Ho Holdings and Shun Ho Property. He has extensive experience in accounting, auditing and financial management. He is the practitioner of Terry Lam & Co., CPA.

**Mr. Warren LIU Yuk Cho**
*Independent Non-executive Director*
Mr. Liu, aged 62, was appointed to the Board in 2021. He also serves as a member of the Audit Committee of the Company. He is also an independent non-executive director of Shun Ho Holdings and Shun Ho Property. He has extensive experience in real estate and development consultancy and is a fellow member of the Hong Kong Institute of Surveyors and Royal Institution of Chartered Surveyors. He is a director of Cosmo Surveyors Limited.

**The Company is committed to maintaining good corporate governance practices and procedures. The corporate governance principles of the Company emphasise a quality board, sound internal control and transparency and accountability to all shareholders.**

## CORPORATE GOVERNANCE

The board of Directors (the "Board") of the Company has adopted the Corporate Governance Code (the "Corporate Governance Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as the corporate governance code of the Company.

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

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

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

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

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

### (b) Compliance with the Model Code

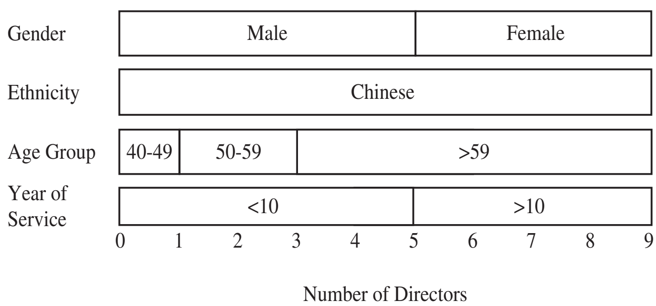
The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by Directors. All Directors have confirmed, following specific enquiry by the Company,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

## BOARD COMPOSITION AND BOARD PRACTICES

The Board is collectively responsible for the oversight of the management of the business and affairs of the Group with the objective of enhancing shareholders' value.

The Listing Rules require every listed issuer to have at least three independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. As at 31st December, 2022, the Board comprises a total of nine Directors, with five Executive Directors, one Non-executive Director and three Independent Non-executive Directors. Two Independent Non-executive Directors have appropriate professional qualifications, or accounting or related financial management expertise.

As at the date of this report, the Board's composition under major diversified perspectives was summarized as follows:




Mr. William Cheng Kai Man, the Chairman, Executive Director and Chief Executive Officer of the Company, is the brother of Madam Wendy Cheng Wai Kwan, the Executive Director of the Company. Save as disclosed herein, none of the Directors has any financial, business, family or other material/relevant relationship with any other Directors.

All Directors (including Executive or Non-executive Directors) are subject to retirement by rotation once every three years in accordance with the Company's Articles of Association. Review will be made regularly of the Board composition to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The Directors' biographical information is set out on page 7.

The positions of the Chairman and the Chief Executive Officer of the Company are both held by Mr. William Cheng due to reasons disclosed under the section headed "Corporate Governance" of this corporate governance report.

The Board is responsible for establishing the strategic direction of the Group, setting objectives and business development plans, monitoring the performance of the senior management and performing corporate governance duties.

The management, under the leadership of the Chief Executive Officer, is responsible for implementing strategies and plans established by the Board; and submitting reports on the Company's operations to the Board on a regular basis to ensure effective discharge of the Board's responsibilities.

The Board has adopted effective mechanisms to ensure independent views and input are available to the Board. Subject to approval of the Chairman of the Board, Directors may seek, at the Company's expense, independent legal, financial or other professional advices from advisors independent to those advising the Company as and when necessary in appropriate circumstances to enable them to discharge their responsibilities effectively. The Board reviews the effectiveness of such mechanisms on an annual basis.

All Directors have made full and active contribution to the affairs of the Board and the Board always acts in the best interests of the Group.

The Board is responsible for performing the corporate governance duties including:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

The Board meets regularly and held six meetings in 2022, the attendance of each director is set out below:

| | Number of meetings attended/Number of meetings held in 2022 | Attendance rate |
|---|---|---|
| **Executive Directors** | | |
| William Cheng Kai Man (Chairman) | 6/6 | 100% |
| Albert Hui Wing Ho | 6/6 | 100% |
| Kimmy Lau Kam May | 6/6 | 100% |
| Ng Yuet Ying | 6/6 | 100% |
| Wendy Cheng Wai Kwan | 6/6 | 100% |
| **Non-executive Director** | | |
| Mabel Lui Fung Mei Yee | 4/6 | 67% |
| **Independent Non-executive Directors** | | |
| Chan Kim Fai | 6/6 | 100% |
| Lam Kwai Cheung | 6/6 | 100% |
| Warren Liu Yuk Cho | 6/6 | 100% |

Regular Board meetings of the year are scheduled in advance to give all Directors an opportunity to attend. The Directors can attend meetings in persons or through other means of electronic communication in accordance with the Company's Articles of Association.

Each newly appointed Director is provided with a package of orientation materials setting out the duties and responsibilities of directors under the Listing Rules, related ordinances and relevant regulatory requirements of Hong Kong. Orientation meeting with every newly appointed Director will be held for briefing on business and operations of the Company. Updates are provided to Directors when necessary to ensure that Directors are aware of the latest changes in the commercial and regulatory environment in which the Group conducts its businesses.

## DIRECTORS' TRAINING

The management of the Company provides the Directors with monthly updates on the Group's performance and position to enable the Board as a whole and each Director to discharge their duties.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. A summary of training received by Directors in 2022 is set out below:

**Type of Continuous Professional Development**

| Name of Directors | Attending seminar on regulatory development and/or directors' duties | Reading regulatory updates or information relevant to the Company or its business |
|---|---|---|
| William Cheng Kai Man | √ | √ |
| Albert Hui Wing Ho | √ | √ |
| Kimmy Lau Kam May | √ | √ |
| Ng Yuet Ying | √ | √ |
| Wendy Cheng Wai Kwan | √ | √ |
| Mabel Lui Fung Mei Yee | √ | √ |
| Chan Kim Fai | √ | √ |
| Lam Kwai Cheung | √ | √ |
| Warren Liu Yuk Cho | √ | √ |

## ATTENDANCE AT GENERAL MEETING

| | Annual General Meeting (held on 20th May, 2022) | Extraordinary General Meeting (held on 16th August, 2022) | Extraordinary General Meeting (held on 29th September, 2022) |
|---|---|---|---|
| **Executive Directors** | | | |
| William Cheng Kai Man | √ | √ | √ |
| Albert Hui Wing Ho | √ | √ | √ |
| Kimmy Lau Kam May | √ | √ | √ |
| Ng Yuet Ying | √ | √ | – |
| Wendy Cheng Wai Kwan | √ | √ | – |
| **Non-executive Director** | | | |
| Mabel Lui Fung Mei Yee | √ | √ | – |
| **Independent Non-executive Directors** | | | |
| Chan Kim Fai | √ | √ | √ |
| Lam Kwai Cheung | √ | √ | √ |
| Warren Liu Yuk Cho | √ | √ | √ |

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group.

With assistance of the Accounts Department which is under the supervision of the Chief Financial Officer of the Company, the Directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the publication of the financial statements of the Group is in a timely manner.

The statement of the Auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 25 to 28.

During the year, the emoluments paid by the Group to the senior management, i.e. Executive Directors, of the Company fell within the following bands:

| Emolument band (HK$) | Number of individuals |
|---|---|
| 1 – 5,000,000 | 4 |
| 5,000,001 – 8,000,000 | 1 |
| | 5 |

## RISK MANAGEMENT AND INTERNAL CONTROL

During the year, the Board is responsible for evaluating and determining the nature and extent of the risks. The Board has overall responsibilities for maintaining sound and effective risk management and internal control system of the Group. The Board should oversee management in the design, implementation and monitoring of the risk management and internal control systems, and management should provide a confirmation to the Board on the effectiveness of these systems. This evaluation process will be carried out on an ongoing basis.

The Board has conducted a review of the effectiveness of the system of risk management and internal control of the Group and considered the adequacy of resources, qualifications and experience of staff of the Company's accounting, financial reporting and environmental, social and governance performance and reporting functions and their training programmes and budget on an annual basis. The Board is of the view that the risk management and internal control system of the Group in place for the year under review and up to the date of issuance of the annual report and financial statements are sound and sufficient to safeguard the Group's assets and the interests of shareholders, customers and employees.

The responsibilities of the Audit Committee include reviewing the risk management and internal control systems. The Audit Committee reports to the Board after due review of the management's confirmation on the effectiveness of the Group's risk management and internal control systems. The Board reviews the adequacy and effectiveness of the Group's risk management through the Audit Committee. The Board relies on the Audit Committee which in turn relies on Risk Management Committee and Internal Audit Team.

The Company established the Risk Management Committee in 2019 which comprises three executive directors, namely Mr. William Cheng Kai Man (Chairman of the Risk Management Committee), Madam Kimmy Lau Kam May and Mr. Albert Hui Wing Ho. Mr. Cheng is responsible for business risks, Madam Lau, also being the Chief Financial Officer, is responsible for financial risks and Mr. Hui is responsible for property assets management risks. They perform daily, weekly and monthly checks in their specific area.

The Company established the Internal Audit Team in 2019 which comprises three executive directors, namely Mr. William Cheng Kai Man (Chairman of the Internal Audit Team), Madam Kimmy Lau Kam May (financial member of the Internal Audit Team) and Madam Ng Yuet Ying (executive member of the Internal Audit Team). Mr. Cheng is responsible for final review and approval, while Madam Lau is responsible for financial area and Madam Ng is responsible for execution area. Monthly reports from the execution member of details of all expenditures and proposed acquisitions are submitted to the Internal Audit Team. The financial members carefully analyses and scrutinises the reports and then recommends the expenditures to the Chairman. After the Chairman's review and approval, the Chairman passes down to the executive member for execution. They perform daily, weekly and monthly checks in internal audit and internal control systems.

The Internal Audit Team conducts independent reviews of the adequacy and effectiveness of the Group's internal audit and internal control systems associated with the Group's principal operations and reports the review results to the Board through the Audit Committee. Proper controls are in place for the recording of complete, accurate and timely accounting and management information. Regular reviews and internal audits are carried out to ensure that the preparation of financial statements is carried out in accordance with generally accepted accounting principles, the Group's accounting policies and applicable laws and regulations.

The risk management and internal control systems of the Group are designed to assist the Group to achieve business objectives, safeguard assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant legislation and regulations. These systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

In order to identify, evaluate and manage the significant risks including operational (hotel operations, hotel management and property leasing) and functional (finance, human resources, IT, secretarial and corporate communications) risks, the risk management of the Group combines a top-down strategic view with a bottom-up operational process. The Board, by the top-down approach, has a particular focus on determining the nature and extent of significant risks it is willing to take in achieving the strategic objectives of the Group. On the other hand, the bottom up approach is embedded in the operations of the Group and complements the top-down strategic view by identifying the principal risks and ensuring all significant risks to be adequately considered by the Board. The Board assesses effectiveness of existing controls, provides treatment plans where required, and monitors risk mitigating activities. Risk management of the Group has to be proactive to ensure that significant risks are identified, assessed by considering the impacts and likelihoods of their occurrence, and effectively managed by identifying suitable controls and counter-measures, and assessing the cost effectiveness of the mitigating actions proposed.

The Board assesses the likely impact of any unexpected and significant event on the price of the Company's shares or their trading volume and decides whether the relevant information is considered inside information and needs to be disclosed as soon as reasonably practicable pursuant to Rules 13.09 and 13.10 of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO.

## AUDITOR'S REMUNERATION

For the year ended 31st December, 2022, the Auditor of the Group received approximately HK$1.4 million for audit service and HK$0.2 million for tax and consultancy services for the Company and its subsidiaries.

## AUDIT COMMITTEE

The Audit Committee was established in 1995 with specific terms of reference in accordance with the Corporate Governance Code. The Audit Committee of the Company currently comprises three Independent Non-executive Directors, namely, Mr. Chan Kim Fai (Chairman of the Audit Committee), Mr. Lam Kwai Cheung and Mr. Warren Liu Yuk Cho.

The principal duties of the Audit Committee are (i) to oversee the relationship with the Auditor of the Company; (ii) to review the annual and interim results before publication; and (iii) to oversee the Group's financial reporting system, risk management and internal control systems. The full version of the terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

The Audit Committee held two meetings in 2022, the attendance of each member is set out below:

| | Number of meetings attended/ Number of meetings held in 2022 | Attendance rate |
|---|---|---|
| Chan Kim Fai | 2/2 | 100% |
| Lam Kwai Cheung | 2/2 | 100% |
| Warren Liu Yuk Cho | 2/2 | 100% |

The scope of work done by the Audit Committee during the year under review includes the following:

- reviewed the accounting policies adopted by the Group;
- reviewed the interim report and the interim results announcement for the six months ended 30th June, 2022;
- reviewed the comprehensiveness, effectiveness and adequacy of the Company's risk management and internal control systems;
- reviewed the effectiveness of the internal audit system and the adequacy of resources available for its effective functioning;
- reviewed the audited accounts and final results announcement for the year ended 31st December, 2021; and
- recommended to the Board the re-appointment of the Auditor of the Company.

The Group's annual report for the year ended 31st December, 2022 has been reviewed by the Audit Committee.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

The Company established the Environmental, Social and Governance ("ESG") Committee (the "ESG Committee") in 2019 which comprises assigned management from relevant departments assisting in data collection and compilation of the ESG Report. The ESG Committee would periodically report to the Board in assessing, identifying and managing risks of the Group on ESG aspects, and reflect whether its internal control system is appropriate and effective. The assigned management reviews the ESG performance of the Group, including environmental, labour practices and other ESG aspects. The Board sets the tone at the top for the Group's ESG strategies, and is responsible for ensuring effective risk management and internal controls.

The Board assumes full responsibility for the Group's ESG strategies and reporting as well as for overseeing and managing the Group's ESG-related issue. In order to better manage the Group's ESG performance, related issues and potential risks, the Board discusses and reviews the Group's ESG risks and opportunities, performance, goals and targets regularly with the assistance of the ESG Committee. During the year, the Group confirmed that it has established appropriate and effective management policies and internal control systems for ESG issues.

## REMUNERATION COMMITTEE

The Remuneration Committee was established in 2005 with specific terms of reference in accordance with the Corporate Governance Code. The Remuneration Committee currently comprises two Independent Non-executive Directors, namely Mr. Chan Kim Fai (Chairman of the Remuneration Committee) and Mr. Lam Kwai Cheung, and one Executive Director, namely Mr. William Cheng Kai Man.

The principal duties of the Remuneration Committee are making recommendations to the Board on formulating directors' remuneration policy and determining directors' remunerations. The full version of the terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange.

The Remuneration Committee held one meeting in 2022, the attendance of each member is set out below:

| | Number of meetings attended/ Number of meetings held in 2022 | Attendance rate |
|---|---|---|
| Chan Kim Fai | 1/1 | 100% |
| William Cheng Kai Man | 1/1 | 100% |
| Lam Kwai Cheung | 1/1 | 100% |

During the year, the Remuneration Committee reviewed and recommended to the Board on the Directors' annual remunerations, which were considered as less than the comparable remunerations in the market.

## REMUNERATION POLICY

Directors are remunerated in accordance with the nature of their duties and comparable market conditions. Incentive bonus would be granted to reward and motivate well-performed Directors. The Company adopted a share option scheme on 14th November, 2013 as an incentive to the Directors and other eligible participants. The Company also arranges regular continuous professional development trainings to the Directors.

## NOMINATION COMMITTEE

The Nomination Committee was established in 2012 with specific terms of reference in accordance with the Corporate Governance Code. The Nomination Committee currently comprises one Executive Director, namely Mr. William Cheng Kai Man (Chairman of the Nomination Committee) and two Independent Non-executive Directors, namely Mr. Chan Kim Fai and Mr. Lam Kwai Cheung.

The principal duties of the Nomination Committee are to review the structure, size and composition of the Board; to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; to consider the suitability of a candidate to act as a Director based on the candidate's qualification, experience, integrity and potential contribution to the Company; and to assess the independence of Independent Non-executive Directors taking into account the independence requirements set out in Rule 3.13 of the Listing Rules. The full version of the terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The Nomination Committee held one meeting in 2022, the attendance of each member is set out below:

| | Number of meetings attended/ Number of meetings held in 2022 | Attendance rate |
|---|---|---|
| William Cheng Kai Man | 1/1 | 100% |
| Chan Kim Fai | 1/1 | 100% |
| Lam Kwai Cheung | 1/1 | 100% |

During the year, the Nomination Committee (i) reviewed the structure, size and composition of the Board; and (ii) assessed the independence of the Independent Non-executive Directors.

## BOARD DIVERSITY POLICY

The Company has adopted a policy concerning diversity of board members pursuant to which selection of candidates of board members will be based on a range of diversity perspectives, including but not limited to business experience, geography, age, gender, and ethnicity and aboriginal status. No single gender Board should be allowed. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee considered that the current Board composition has the appropriate skills, experience and diversity of perspectives that are required to support the execution of the business strategies of the Company and achieve the effective running of the Board.

The Nomination Committee will review the implementation and effectiveness of the Board Diversity Policy and assess the Board composition on an annual basis.

The current female representation are both about 44% at board level and at workforce level, which are considered to be achieving optimal degree of gender diversity in the Group. The Nomination Committee will review annually the need for achieving higher gender diversity and secession plans in the Board and the workforce where necessary.

## NOMINATION POLICY

### Objective

The Company has adopted a nomination policy pursuant to which the Nomination Committee shall consider the following criteria, procedures and process in evaluating and selecting candidates for directorship.

### Nomination Criteria

(a) Character and integrity;

(b) Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;

(c) Willingness to devote adequate time to discharge duties as a member of the Board;

(d) Board diversity policy and any measurable objectives adopted for achieving diversity on the Board; and

(e) Such other perspectives appropriate to the Company's business or as suggested by the Board.

### Nomination Procedures and Process

The Nomination Committee will recommend to the Board for the appointment of a Director in accordance with the following procedures and process:

(a) A meeting of the Nomination Committee shall be called to put forward the nominations of candidates from Board members, if any, for consideration by the Nomination Committee;

(b) The Nomination Committee may adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third party reference checks;

(c) The proposed candidates will be asked to submit the necessary personal information and biography for the Nomination Committee's consideration. The Nomination Committee may request the candidate(s) to provide additional information and documents, if considered necessary;

(d) Upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;

(e) The Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment;

(f) The Board may arrange for the selected candidate to be interviewed by the members of the Board and the Board will thereafter deliberate and decide the appointment as the case may be;

(g) The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting; and

(h) All appointment of Directors will be confirmed by the filing of the prescribed form with the Companies Registry of Hong Kong and updating (and, if necessary, filing) of the Register of Directors of the Company.

### Decision by the Board

After the Nomination Committee makes its recommendations to the Board, the Board will have the final authority on determining the selection of director candidates for nomination to the Board.

## ANTI-CORRUPTION AND WHISTLEBLOWING POLICIES

The Company has adopted an anti-corruption policy to govern acceptance of advantages by employees and a whistleblowing policy to provide guidance to employees and external stakeholders to report concerns about any suspected or actual improprieties relating to the Group.

## COMPANY SECRETARY

Madam Koo Ching Fan is an associate of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) and a fellow member of the Association of Chartered Certified Accountants. She is also a holder of the Practitioner's Endorsement issued by the Hong Kong Chartered Governance Institute. Although the Company Secretary is not a full time employee of the Company, she reports to the Board and is responsible for advising the Board on governance matters. The primary contact person of the Company with the Company Secretary is Mr. William Cheng Kai Man, the Chairman, Executive Director and Chief Executive Officer of the Company. During 2022, Madam Koo has confirmed that she has taken no less than 15 hours of relevant professional training.

## CONSTITUTIONAL DOCUMENTS

During the year, there is no significant change in the Company's constitutional documents.

## SHAREHOLDERS' RIGHTS

Set out below is a summary of certain rights of the shareholders of the Company as required to be disclosed pursuant to the mandatory disclosure requirements under Part K of the Corporate Governance Code.

### Convening of General Meeting on Request

Shareholder(s) may request the Directors to call a general meeting pursuant to Sections 566 to 568 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "CO").

In accordance with Section 566 of the CO, the Directors are required to call a general meeting if the Company has received requests to do so from members of the Company representing at least 5% of the total voting rights of all the members having a right to vote at general meeting. Such requests must state the general nature of the business to be dealt with at the meeting; and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. Such requests may be sent to the Company in hard copy form (by depositing at the registered office of the Company at 3rd Floor, Shun Ho Tower, 24-30 Ice House Street, Central, Hong Kong for the attention of the Board) or in electronic form (by email: shunho@netvigator.com); and must be authenticated by the person or persons making it. In accordance with Section 567 of the CO, the Directors must call a meeting within 21 days after the date on which they become subject to the requirement under Section 566 of the CO and such meeting must be held on a date not more than 28 days after the date of the notice convening the meeting.

### Putting Forward Proposals at Annual General Meeting

To put forward a resolution at an annual general meeting, shareholders are requested to follow the requirements and procedures set out in Sections 615 and 616 of the CO.

Section 615 of the CO provides that the Company must give notice of a resolution if it has received requests that it do so from (a) the members of the Company representing at least 2.5% of the total voting rights of all the members who have a right to vote on the resolution at the annual general meeting to which the requests relate; or (b) at least 50 members who have a right to vote on the resolution at the annual general meeting to which the requests relate. Such requests (a) may be sent to the Company in hard copy form (by depositing at the registered office of the Company at 3rd Floor, Shun Ho Tower, 24-30 Ice House Street, Central, Hong Kong for the attention of the Board) or in electronic form (by email: shunho@netvigator.com); (b) must identify the resolution of which notice is to be given; (c) must be authenticated by the person or persons making it; and (d) must be received by the Company not later than (i) 6 weeks before the annual general meeting to which the requests relate; or (ii) if later, the time at which notice is given of that meeting. Section 616 of the CO provides that the Company that is required under Section 615 of the CO to give notice of a resolution must send a copy of it at the Company's own expense to each member of the Company entitled to receive notice of the annual general meeting (a) in the same manner as the notice of the meeting; and (b) at the same time as, or as soon as reasonably practicable after, it gives notice of the meeting.

Pursuant to Article 120 of the Articles of Association of the Company, no person, other than a retiring Director, shall, unless recommended by the Directors for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been given to the Company provided that the minimum length of the period, during which such notices are given, shall be at least seven days. The period for lodgement of such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting. Detailed procedures for shareholders to propose a person for election as a Director can be found on the Company's website.

## INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Board has adopted a Shareholder's Communication Policy in 2022 which sets out the Group's commitment of maintaining an effective ongoing dialogue with shareholders. In summary, the Company establishes different communication channels with shareholders and stakeholders including: (i) provision of printed or electronic copies of corporate communications; (ii) provision of timely corporate information on the company website; (iii) holding of annual general meetings to provide platform for shareholders to raise comments and exchange views with the Board; and (iv) arrangement in serving the shareholders in respect of all share registration matters. The Board reviewed the validity of implementation of the Shareholder's Communication Policy during the year and considered that it remained effective in enhancing timely, transparent, accurate and open communication between the Company and the shareholders.

Shareholders may at any time send their enquiries and concerns to the Board by addressing them to the Company at its registered office.

## DIVIDEND PAYMENT POLICY

The Board has adopted a dividend payment policy (the "Dividend Payment Policy") pursuant to which the Company may declare and pay dividends to the shareholders of the Company (the "Shareholders").

According to the Dividend Payment Policy, the declaration, form, frequency and amount of any dividend payout of the Company must be in accordance with relevant laws, rules and regulations and subject to the Articles of Association of the Company. In accordance with the Articles of Association of the Company, the Company may by ordinary resolution declare dividends according to the respective rights of the Shareholders, but no dividend shall exceed the amount recommended by the Board and be payable out of the profits of the Company. Moreover, in addition to cash, the dividends may be paid up in the form of the Company's shares, by the distribution of specific assets of any kind or by distribution of any form.

The Dividend Payment Policy aims to provide stable and sustainable returns to Shareholders. In deciding whether to propose a dividend and in determining the dividend amount, the Company shall take into account, inter alia:

i. the Group's operating conditions and market environment;

ii. the Group's general financial position;

iii. the actual and future operating and liquidity capital of the Group;

iv. after-tax profit and distributable profits of the Company and the Group;

v. the Group's future acquisition capital requirement and expected working capital requirements;

vi. the continuity and sustainability of any dividend distribution; and

vii. any other factors that the Board deems appropriate.

The Board will review the Dividend Payment Policy from time to time and reserves its right in its sole and absolute discretion to update, amend, modify and/or cancel the Dividend Payment Policy. There can be no assurance that dividends will be paid in any particular amount for any given period.

The Board presents their report and the audited consolidated financial statements of the Company for the year ended 31st December, 2022.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company and provides management services to its subsidiaries. The principal activities of the Company's principal subsidiaries are set out in note 35 to the consolidated financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2022 are set out in the consolidated statement of profit or loss on page 29.

## BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's prospects are disclosed in the Chairman's Statement on page 3 to 6 of this Annual Report. Description of principal risks and uncertainties that the Group is facing is disclosed in the Report of the Directors on page 17 to 24 of this Annual Report while the financial risk management objectives and policies of the Group are disclosed in notes 36 and 37 to the consolidated financial statements. An analysis of the Group's performance during the year using key performance indicators is disclosed in the Chairman's Statement on page 3 to 6 of this Annual Report and Financial Summary on page 98 to 99 of this Annual Report. In addition, discussions on the Group's compliance with relevant laws and regulations which have a significant impact on the Group, relationships with its key stakeholders and environmental policies are disclosed on page 23 of this Annual Report.

## DIVIDEND

The Board does not recommend the payment of final dividend in respect of the year ended 31st December, 2022 (2021: Nil).

## SHARE CAPITAL

Details of the share capital of the Company are set out in note 24 to the consolidated financial statements. There were no movements in the share capital of the Company during the year.

Regarding the general mandate to issue shares, the Board will only consider to issue new shares pursuant to the general mandate of this financial year of 2023, if the Hong Kong authorities consider that the Company's share liquidity in the stock market is not sufficient.

## RESERVES

Movements during the year in the reserves of the Group are set out on page 33 and those of the Company are set out in note 34 to the consolidated financial statements.

The Company's reserves available for distribution to shareholders as at 31st December, 2022 represented its retained profits of HK$1,840,591,000 (2021: HK$1,807,880,000).

## PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

## INVESTMENT PROPERTIES

All the investment properties of the Group were revalued at 31st December, 2022. The decrease in revaluation of approximately HK$5 million has been dealt with in the consolidated statement of profit or loss.

Details of movements during the year in the investment properties of the Group are set out in note 16 to the consolidated financial statements.

## BORROWINGS

An analysis of the repayment schedule of bank loans is set out in note 23 to the consolidated financial statements.

## MAJOR PROPERTIES

Details of the major properties of the Group at 31st December, 2022 are set out on page 100 of the Annual Report.

## PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

**Executive Directors**
Mr. William Cheng Kai Man
Mr. Albert Hui Wing Ho
Madam Kimmy Lau Kam May
Madam Ng Yuet Ying
Madam Wendy Cheng Wai Kwan

**Non-executive Director**
Madam Mabel Lui Fung Mei Yee

**Independent Non-executive Directors**
Mr. Chan Kim Fai
Mr. Lam Kwai Cheung
Mr. Warren Liu Yuk Cho

According to Article 116 of the Company's Articles of Association, three Directors, Mr. Albert Hui Wing Ho, Madam Kimmy Lau Kam May and Madam Mabel Lui Fung Mei Yee, will retire from office by rotation at the forthcoming annual general meeting of the Company. All of them, being eligible, have offered themselves for re-election.

The term of office for each Executive Director and Non-executive Director is the period up to his or her retirement by rotation in accordance with the Company's Articles of Association.

There is a service contract between the Company and each Independent Non-executive Director for the term of one year and each of them is subject to rotational and re-election requirements at the annual general meeting of the Company pursuant to the Company's Articles of Association.

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence and considers that each of the Independent Non-executive Directors is independent to the Company.

## DIRECTORS OF SUBSIDIARIES

The persons who have served on the board of the subsidiaries of the Company during the year and up to the date of this report are Mr. William Cheng Kai Man, Mr. Albert Hui Wing Ho, Madam Kimmy Lau Kam May and Madam Wendy Cheng Wai Kwan.

## DIRECTORS' INTERESTS IN LISTED SECURITIES

As at 31st December, 2022, the interests or short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (a) to be entered in the register required to be kept by the Company under section 352 of the SFO; or (b) to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

### The Company

| Name of director | Capacity | Nature of interests | Number of Shares/ underlying Shares held | Approximate % of shareholding |
|---|---|---|---|---|
| William Cheng Kai Man | Interest of controlled corporations | Corporate | 6,360,585,437 *(Note)* | 71.09 |

*Note:*

Shun Ho Property beneficially owned 2,709,650,873 shares of the Company (the "Shares") (30.29%) and was taken to be interested in 395,656,000 Shares (4.42%) held by Good Taylor Limited, 273,579,983 Shares (3.06%) held by South Point Investments Limited, 3,500,000 Shares (0.04%) held by Shun Ho Technology Developments Limited and 2,978,198,581 Shares (33.29%) held by Fastgrow, representing a total of 6,360,585,437 Shares (71.09%). Mr. William Cheng Kai Man had controlling interest in the above-mentioned companies. All the above interests in the Shares are long position.

## Associated corporations

| Name of director | Name of associated corporation | Capacity | Nature of interests | Number of Shares/ underlying Shares held | Approximate % of shareholding |
|---|---|---|---|---|---|
| William Cheng Kai Man | Shun Ho Property *(Note 1)* | Beneficial owner and interest of controlled corporations | Personal and corporate | 385,395,999 | 66.48 |
| William Cheng Kai Man | Shun Ho Holdings *(Note 2)* | Beneficial owner and interest of controlled corporations | Personal and corporate | 226,454,825 | 74.40 |
| William Cheng Kai Man | Trillion Resources Limited ("Trillion Resources (BVI)") *(Note 3)* | Beneficial owner | Personal | 2 | 100.00 |

*Notes:*

1. Shun Ho Property, the Company's immediate holding company, is a public limited company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange.

2. Shun Ho Holdings, the Company's intermediate holding company, is a public limited company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange.

3. Trillion Resources (BVI), the Company's ultimate holding company, is a company incorporated in the British Virgin Islands.

4. All the above interests in the shares of the associated corporations are long position.

## Share option scheme

An employee share option scheme of the Company was adopted at the extraordinary general meeting held on 14th November, 2013 (the "Share Option Scheme") and was amended at the annual general meeting held on 18th June, 2014. Pursuant to the Share Option Scheme, the Board may, at its discretion, offer to grant options to subscribe for shares of the Company based on the terms and conditions set out therein to any director (including Executive, Non-executive Directors and Independent Non-executive Directors) and any employee of the Group whom the Board considers, in its sole discretion, have contributed or will contribute to the Group (the "Participant(s)"). The purpose of the Share Option Scheme is to reward hotel senior management according to their performance in relation to the growth of hotel revenue. **No share option has been granted since the adoption of the Share Option Scheme in 2013 and no new share options are anticipated to be granted in 2023.**

Summary of the Share Option Scheme is as below:

***(i) Purpose***

The Share Option Scheme is a share incentive scheme and is established to reward Participants who have contributed to the Group and to encourage Participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

***(ii) Maximum number of shares***

*(1) 5% limit*

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not exceed 5% of the shares in issue on the date of the passing of the ordinary resolution on 18th June, 2014, being 447,352,566 shares.

*(2) Individual limit*

The total number of shares issued and which may fall to be issued upon exercise of the share options granted under the Share Option Scheme and any other share option schemes of our Company (including options exercised and outstanding) to each Participant in any 12 month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant. Any further grant of share options in excess of this 1% limit shall be subject to shareholders' approval in a general meeting of the Company with such Participants and their associates (as defined in the Listing Rules) abstaining from voting, and/or other requirements prescribed under the Listing Rules from time to time.

Any grant of share options to a director, chief executive or substantial shareholder of the Company or any of their respective associates is required to be approved by the independent non-executive directors. If the Board proposes to grant share options to a substantial shareholder or any independent non-executive director or their respective associates which will result in the number of shares issued and to be issued upon exercise of share options granted and to be granted (including share options exercised, cancelled and outstanding) to such person in the 12 month period up to and including the date of grant: (i) representing in aggregate over 0.1%, or such other percentage as may be from time to time provided under the Listing Rules, of the shares in issue; and (ii) having an aggregate value in excess of HK$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of the shares at the date of each grant, such further grant of share options will be subject to shareholders' approval in general meeting of the Company at which all connected persons of the Company shall abstain from voting, and/or other requirements prescribed under the Listing Rules from time to time.

*(3) Maximum limit of 30%*

The shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Company at any time shall not exceed 30% of the shares in issue from time to time.

***(iii) Time of exercise of option***

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during the option period which may be determined and notified by the Board to the grantees at the time of making an offer which shall not expire later than 10 years from the grant date.

***(iv) Amount payable upon acceptance of option***

Upon acceptance of an option, the grantee shall pay HK$10.00 to the Company by way of consideration for the grant.

***(v) The exercise price***

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of: (i) the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant; and (ii) the average of the official closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant.

***(vi) The remaining life of the Share Option Scheme***

Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

***(vii) Shares to be issued under the Share Option Scheme***

As at the date of this report, the total number of shares to be issuable under the Share Option Scheme is 447,352,566 shares, representing 5% of the total number of shares in issue.

**No share option has been granted under the Share Option Scheme and no other share option scheme was adopted by the Company and its subsidiaries as at 31st December, 2022.**

Save as disclosed above and save for shares in subsidiaries held by a director in trust for their immediate holding companies, as at 31st December, 2022, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be entered in the register required to be kept by the Company under section 352 of the SFO; or (b) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers and none of the directors or their associates or their spouse or children under the age of 18, had any right to subscribe for the securities of the Company or associated corporations, or had exercised any such right during the year.

## EQUITY-LINKED AGREEMENTS

Details of the Share Option Scheme are set out in this report.

Save as disclosed above, no equity-linked agreements were entered into during the year or subsisted at the end of the year.

## ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed above, at no time during the year was the Company or any of its holding companies, fellow subsidiaries or subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE AND RELATED PARTY TRANSACTIONS

During the year, the Group had transactions with certain related parties, details of which are set out in notes 8 and 33 to the consolidated financial statements.

Save as disclosed herein:

(a) no transactions, arrangements or contracts of significance subsisted at any time during the year or at the end of the year to which the Company or any of its holding companies, fellow subsidiaries or subsidiaries was a party and in which a director of the Company or his/her connected entities had a material interest, whether directly or indirectly; and

(b) there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

Amongst the Directors who held office during the year, Mr. William Cheng Kai Man was directly and/or indirectly interested in the share capital of Shun Ho Holdings, Shun Ho Property and the Company.

In the opinion of the directors not having an interest in those transactions, those transactions were carried out in the ordinary course of the Group's business on normal commercial terms.

## MANAGEMENT CONTRACTS

No contracts of significance concerning the management and administration of the whole or any substantial part of the business of the Company or any of its subsidiaries were entered into during the year or subsisted at the end of the year.

## PERMITTED INDEMNITY PROVISION

The Articles of Association of the Company provides that every director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto, and no director shall be liable for any loss, damages or misfortune which may happen to or be incurred by the Company in the execution of the duties of his office or in relation thereto, provided that the Articles of Association of the Company shall only have effect in so far as its provisions are not avoided by the Companies Ordinance.

The Company has taken out insurance against the liabilities and costs associated with defending any proceedings which may be brought against the Directors of the Company and its subsidiaries.

## MAJOR CUSTOMERS AND SUPPLIERS

The aggregate amount of purchases and sales attributable to the five largest suppliers and customers of the Group accounted for less than 10% in aggregate of the Group's total purchases and sales respectively.

None of the Directors, their close associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's shares) has any interest in any of the Group's five largest customers or suppliers.

## SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2022, the following persons (not being directors or chief executive of the Company) had interests in the Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

| Name of shareholder | Capacity | Number of Shares/ underlying Shares held | Approximate % of shareholding |
|---|---|---|---|
| Shun Ho Property *(Note 1)* | Beneficial owner and interest of controlled corporations | 6,360,585,437 (L) | 71.09 |
| Omnico Company Inc. ("Omnico") *(Note 2)* | Interest of controlled corporations | 6,360,585,437 (L) | 71.09 |
| Shun Ho Holdings *(Note 2)* | Interest of controlled corporations | 6,360,585,437 (L) | 71.09 |
| Trillion Resources (BVI) *(Note 2)* | Interest of controlled corporations | 6,360,585,437 (L) | 71.09 |
| Liza Lee Pui Ling *(Note 3)* | Interest of spouse | 6,360,585,437 (L) | 71.09 |
| Fastgrow | Beneficial owner | 2,978,198,581 (L) | 33.29 |
| Alef United Holdings Limited *(Note 4)* | Beneficial owner and interest in persons acting in concert | 885,094,524 (L) | 9.89 |
| Credit Suisse Trust Limited *(Note 4)* | Interests of controlled corporations | 885,094,524 (L) | 9.89 |
| Hashim Majed Hashim A. *(Note 4)* | Interests of controlled corporations | 885,094,524 (L) | 9.89 |
| North Salomon Limited *(Note 4)* | Interests of controlled corporations | 885,094,524 (L) | 9.89 |
| Saray Capital Limited *(Note 4)* | Interests of controlled corporations | 885,094,524 (L) | 9.89 |
| Saray Value Fund SPC *(Note 4)* | Beneficial owner and interest in persons acting in concert | 885,094,524 (L) | 9.89 |
| Shobokshi Hussam Ali H. *(Note 4)* | Interests of controlled corporations | 885,094,524 (L) | 9.89 |
| FMR LLC *(Note 5)* | Interests of controlled corporation | 469,451,000 (L) | 5.25 |

*Notes:*

1. Shun Ho Property beneficially owned 2,709,650,873 Shares (30.29%) and was taken to be interested in 395,656,000 Shares (4.42%) held by Good Taylor Limited, 273,579,983 Shares (3.06%) held by South Point Investments Limited, 3,500,000 Shares (0.04%) held by Shun Ho Technology Developments Limited and 2,978,198,581 Shares (33.29%) held by Fastgrow, representing a total of 6,360,585,437 Shares (71.09%). The above-mentioned companies were wholly-owned subsidiaries of Shun Ho Property.

2. Shun Ho Property is directly and indirectly owned as to 60.38% by Omnico, which was in turn owned as to 100% by Shun Ho Holdings, which was in turn directly owned as to 50.60% by Trillion Resources (BVI), which was in turn wholly-owned by Mr. William Cheng Kai Man. Therefore, Omnico, Shun Ho Holdings and Trillion Resources (BVI) were taken to be interested in 6,360,585,437 Shares (71.09%) by virtue of their direct or indirect interests in Shun Ho Property.

3. Madam Liza Lee Pui Ling was deemed to be interested in 6,360,585,437 Shares (71.09%) by virtue of the interest in such Shares of her spouse, Mr. William Cheng Kai Man, a director of the Company.

4. According to the notices filed by Alef United Holding Limited ("Alef United") and Saray Value Fung SPC ("Saray Value Fund") on 6 April, 2022, Alef United beneficially held 2,396,000 Shares (0.03%) and Saray Value Fund, a wholly-owned subsidiary of Saray Capital Limited, beneficially held 882,698,524 Shares (9.87%). Since Alef United and Saray Value Fund are concert parties to an agreement to buy shares under section 317(1)(a) of SFO, they are deemed to have interest in the Shares held by the other concert parties. And according to the notice filed by Saray Value SPV Asia I on 14 April, 2022, Saray Value SPV Asia I disposed of 8,517,976 Shares and ceased to be a concert party on 14 April 2022. Saray Capital Limited was held by Shobokshi Hussam Ali H. as to 26.76% and Hashim Majed Hashim A. as to 50%. Alef United was wholly-owned by Shobokshi Hussam Ali H.. Therefore, the total number of Shares in which Saray Value Fund, Saray Capital Limited, Shobokshi Hussam Ali H. and Hashim Majed Hashim A. were interested under Sections 317 and 318 of SFO was 885,094,524 Shares (9.89%).

   Saray Value Fund was held by North Salomon Limited as to 67.40%. North Salomon Limited was held by Credit Suisse Trust Limited as to 100%. Therefore, the total number of Shares in which North Salomon Limited and Credit Suisse Trust Limited were interested under Sections 317 and 318 of SFO was 885,094,524 Shares (9.89%).

5. Fidelity Management & Research (Japan) Limited beneficially held 220,316,000 Shares (2.46%). Fidelity Management & Research (Hong Kong) Limited beneficially held 90,048,000 Shares (1.01%). FMR Investment Management (UK) Limited beneficially held 159,087,000 Shares (1.78%). Both Fidelity Management & Research (Japan) Limited and Fidelity Management & Research (Hong Kong) Limited were wholly-owned by Fidelity Management & Research Company. FMR Investment Management (UK) Limited was wholly-owned by Fidelity Management & Research Company, Fidelity Management & Research Company was wholly-owned by FMR LLC. Therefore, FMR LLC was deemed to have interest in 469,451,000 Shares (5.25%).

L: Long Position

Save as disclosed above, there was no person, other than a director or chief executive of the Company, who has an interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

## PUBLIC FLOAT

Based on the information that is publicly available to the Company and with the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

## ENVIRONMENTAL POLICIES

With regard to the environmental policies, the Group aims at minimising the Group's environmental impact. The Group has adopted various environmental protection measures for enhancing carbon reduction and energy and water usage efficiency. They are regularly reviewed and results are closely monitored.

Further details have been disclosed in the Company's ESG Report 2022 which has been published on the websites of the Stock Exchange and the Company.

## COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Company ensures that all applicable laws, rules and regulations are duly complied with. All the Group's hotels in Hong Kong obtained hotel licences from Home Affair Departments and the hotel in the PRC obtained the business licence to operate hotel business. For operating hotel business, all the relevant permits, licenses, certificates and other approvals were obtained.

## RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Company places significant emphasis on human capital. The remuneration and benefit were set with reference to the market so as to recruit and retain staff with particular skills required for the Company's strategies. The Company provides a health and safety management system, a fair workplace together with a range of opportunities for career advancement based on employees' merits and performance.

To enhance customer satisfaction and promote a customer-oriented culture within the Company, the Company takes 'Customer First' as one of our core values. The Company values the feedback from customers through daily communication, regular inspections and customer satisfaction surveys. The Company has also established the mechanism about customer service, support and complaints. The Company address customers' concern in a timely manner and in accordance with international standards.

The Company believes that the suppliers are equally important in driving quality delivery of its services. The business suppliers of the Company deliver quality sustainable products and services. The Company assures the performance of suppliers through supplier approval process and by spot checks on the delivered goods.

## THE PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY

The following is a list of principal risks and uncertainties that are considered to be of significance and have potential to affect the Group's businesses, results of operations and financial conditions. However, this is non-exhaustive as there may be other risks and uncertainties arise resulting from changes in economic and other conditions over time.

The Group owns eight hotels, six in Hong Kong, one in London and one in the PRC. The Group is operating seven hotels out of these eight hotels, the hotel in London is operated by a hotel management company. Hotel performance is usually subject to a high degree of fluctuations caused by both predictable and unpredictable factors including seasonality, social stability, epidemic diseases and changes in economic conditions. Because of the large operating expenses of hotel business, the market profit margin is only 35% to 40% of the hotel's total income. Therefore, any significant income downturn due to the above predictable or unpredictable factors may lead to substantial decrease of net profit.

In this respect, hotel segment closely assesses the impact of the geopolitical outlook and economic development of different countries for building its portfolios and exposures to match with the Group's risk appetite. It also takes continual reviews of competition, legal and political changes as well as market trends for setting its business strategies including marketing and pricing to protect and drive profitability.

## AUDITOR

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as the Auditor of the Company will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

**William CHENG Kai Man**
*Chairman*

Hong Kong, 17th March, 2023

Deloitte. 德勤

**TO THE MEMBERS OF MAGNIFICENT HOTEL INVESTMENTS LIMITED**
**華大酒店投資有限公司**
*(incorporated in Hong Kong with limited liability)*

## OPINION

We have audited the consolidated financial statements of Magnificent Hotel Investments Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 29 to 97, which comprise the consolidated statement of financial position as at 31st December, 2022, and the consolidated statement of profit or loss and the consolidated statement of total comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

WorldClass

## KEY AUDIT MATTER *(Continued)*

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| *Valuation of investment properties* | |
| We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the judgments associated with determining the fair value. As at 31st December, 2022, the Group's investment properties are located in Hong Kong and the United Kingdom, amounted to approximately HK$1,020 million. A net decrease in fair value of approximately HK$5 million was recognised in the consolidated statement of profit or loss for the year.<br><br>All of the Group's investment properties are stated at fair value based on valuations performed by independent professional valuers (the "Valuers"). Fair value of investment properties is derived by income approach. Details of the valuation techniques and key inputs used in the valuations are disclosed in note 16 to the consolidated financial statements. The valuations of investment properties are dependent on those key inputs that involve the management's and Valuer's judgements, including reversionary yield and market rent. A table showing the relationship of significant unobservable inputs to fair value is also disclosed in note 16. | Our procedures in relation to assessing the appropriateness of the carrying values of the investment properties included:<br><br>• Assessing the integrity of information provided by the management to the Valuers by comparing details of rental to the respective underlying existing lease agreements and the management's process for reviewing the work of the Valuers;<br><br>• Evaluating the competence, capability and objectivity of the Valuers;<br><br>• Obtaining an understanding of the valuation process and techniques adopted by the Valuers; and<br><br>• Evaluating the reasonableness of key inputs used in the valuations by (i) checking the reversionary yield and market rent; and (ii) comparing to relevant market information on selling prices, rents and yield rates of other similar properties in nearby location and with similar condition. |

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe the matter in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Chung Chin Cheung.

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*
Hong Kong
17th March, 2023

# Consolidated Statement of Profit or Loss

For the Year Ended 31st December, 2022

| | NOTES | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|---|
| Revenue | 5 | | |
| Contracts with customers | | **403,159** | 284,082 |
| Leases | | **36,281** | 42,316 |
| Dividend income | | **42** | – |
| Total revenue | | **439,482** | 326,398 |
| Cost of sales | | **(25,701)** | (36,482) |
| Other service costs | | **(166,960)** | (165,407) |
| Depreciation of property, plant and equipment | | **(73,153)** | (74,525) |
| Depreciation of right-of-use asset | | **(800)** | (880) |
| Gross profit | | **172,868** | 49,104 |
| Net (decrease) increase in fair value of investment properties | | **(5,000)** | 62,300 |
| Gain on disposal of a subsidiary | 27 | **521,857** | – |
| Other income and gains and losses | 7 | **(12,341)** | 2,892 |
| Administrative expenses | | **(37,977)** | (33,920) |
| – Depreciation | | **(1,858)** | (2,781) |
| – Others | | **(36,119)** | (31,139) |
| Finance costs | 8 | **(23,098)** | (6,508) |
| Profit before taxation | 9 | **616,309** | 73,868 |
| Income tax expense | 11 | **(24,146)** | (8,269) |
| Profit for the year | | **592,163** | 65,599 |
| Profit (loss) for the year attributable to: | | | |
| Owners of the Company | | **592,799** | 65,522 |
| Non-controlling interests | | **(636)** | 77 |
| | | **592,163** | 65,599 |
| | | ***HK cents*** | *HK cents* |
| Earnings per share | 13 | | |
| Basic | | **6.63** | 0.73 |

## Consolidated Statement of Total Comprehensive Income

For the Year Ended 31st December, 2022

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

# Consolidated Statement of Financial Position

At 31st December, 2022

| | *NOTES* | **2022** | 2021 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | *14* | **3,782,568** | 2,879,814 |
| Right-of-use asset | *15* | **24,374** | 27,657 |
| Investment properties | *16* | **1,020,440** | 1,121,905 |
| Equity instruments at FVTOCI | *20* | **144,403** | 146,232 |
| | | **4,971,785** | 4,175,608 |
| **CURRENT ASSETS** | | | |
| Inventories | | **1,133** | 1,037 |
| Trade and other receivables | *18* | **16,059** | 6,336 |
| Other deposits and prepayments | | **10,623** | 7,728 |
| Financial assets at fair value through profit or loss ("FVTPL") | *17* | **–** | 12,450 |
| Bank balances and cash | *19* | **265,908** | 247,842 |
| | | **293,723** | 275,393 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables and accruals | *21* | **51,915** | 34,448 |
| Rental and other deposits received | | **2,840** | 1,877 |
| Refund liabilities | *22* | **14,932** | – |
| Contract liabilities | *22* | **5,744** | 26,455 |
| Amount due to immediate holding company | *33* | **609,974** | 189,078 |
| Amount due to a shareholder | *33* | **5,088** | 5,088 |
| Tax liabilities | | **16,497** | 5,159 |
| Bank loans | *23* | **22,000** | 310,299 |
| | | **728,990** | 572,404 |
| **NET CURRENT LIABILITIES** | | **(435,267)** | (297,011) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **4,536,518** | 3,878,597 |

## Consolidated Statement of Financial Position *(Continued)*

At 31st December, 2022

| | *NOTES* | **2022** | 2021 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **CAPITAL AND RESERVES** | | | |
| Share capital | *24* | **841,926** | 841,926 |
| Reserves | | **3,383,435** | 2,937,274 |
| Equity attributable to owners of the Company | | **4,225,361** | 3,779,200 |
| Non-controlling interests | | **7,403** | 8,039 |
| **TOTAL EQUITY** | | **4,232,764** | 3,787,239 |
| **NON-CURRENT LIABILITIES** | | | |
| Bank loans | *23* | **219,715** | – |
| Rental deposits received | | **–** | 1,262 |
| Deferred tax liabilities | *25* | **84,039** | 90,096 |
| | | **303,754** | 91,358 |
| | | **4,536,518** | 3,878,597 |

The consolidated financial statements on pages 29 to 97 were approved and authorised for issue by the Board of Directors on 17th March, 2023 and are signed on its behalf by:

**William CHENG Kai Man**
*DIRECTOR*

**Kimmy LAU Kam May**
*DIRECTOR*

# Consolidated Statement of Changes in Equity

For the Year Ended 31st December, 2022

| | Attributable to owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Special capital reserve | Property revaluation reserve | Securities revaluation reserve | Foreign currency translation reserve | Other reserve | Retained profits | Sub-total | Non-controlling interests | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | | *(Note a)* | *(Note b)* | | | *(Note c)* | | | | |
| At 1st January, 2021 | 841,926 | 612,477 | 1,089 | 91,406 | 12,966 | 3,561 | 2,175,551 | 3,738,976 | – | 3,738,976 |
| Profit for the year | – | – | – | – | – | – | 65,522 | 65,522 | 77 | 65,599 |
| Exchange differences arising on translation of foreign operations | – | – | – | – | (3,767) | – | – | (3,767) | – | (3,767) |
| Fair value loss on investment in equity instruments at FVTOCI | – | – | – | (21,531) | – | – | – | (21,531) | – | (21,531) |
| Total comprehensive (expense) income for the year | – | – | – | (21,531) | (3,767) | – | 65,522 | 40,224 | 77 | 40,301 |
| Disposal of partial interest in a subsidiary | – | – | – | – | – | – | – | – | 7,962 | 7,962 |
| At 31st December, 2021 | 841,926 | 612,477 | 1,089 | 69,875 | 9,199 | 3,561 | 2,241,073 | 3,779,200 | 8,039 | 3,787,239 |
| Profit (loss) for the year | – | – | – | – | – | – | 592,799 | 592,799 | (636) | 592,163 |
| Exchange differences arising on translation of foreign operations | – | – | – | – | (144,809) | – | – | (144,809) | – | (144,809) |
| Fair value loss on investment in equity instruments at FVTOCI | – | – | – | (1,829) | – | – | – | (1,829) | – | (1,829) |
| Total comprehensive (expense) income for the year | – | – | – | (1,829) | (144,809) | – | 592,799 | 446,161 | (636) | 445,525 |
| **At 31st December, 2022** | **841,926** | **612,477** | **1,089** | **68,046** | **(135,610)** | **3,561** | **2,833,872** | **4,225,361** | **7,403** | **4,232,764** |

*Notes:*

(a) The special capital reserve represents the difference arising from the reduction of the nominal value of the Company's share in 1999. Details are set out in note 34 to the consolidated financial statements.

(b) The property revaluation reserve is arisen from the transfer of properties from property, plant and equipment to investment properties and will be transferred to retained profits when the relevant properties are disposed of.

(c) The other reserve represents the difference between the sales proceeds from the disposal of partial interest in a subsidiary and the reduction of interest in the carrying amounts of assets and liabilities of the subsidiary in previous years.

## Consolidated Statement of Cash Flows

For the Year Ended 31st December, 2022

| | *NOTES* | **2022** | 2021 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **OPERATING ACTIVITIES** | | | |
| Profit before taxation | | **616,309** | 73,868 |
| Adjustments for: | | | |
| Interest income from bank deposits | | **(10,588)** | (560) |
| Finance costs | | **23,098** | 6,508 |
| Net decrease (increase) in fair value of investment properties | | **5,000** | (62,300) |
| Loss (gain) on disposal of property, plant and equipment | | **461** | (707) |
| Gain on disposal of a subsidiary | | **(521,857)** | – |
| Gain on disposal of financial assets at FVTPL | | **(128)** | – |
| Impairment loss on property, plant and equipment | | **27,000** | – |
| Loss on fair value changes of financial assets at FVTPL | | **–** | 66 |
| Depreciation of property, plant and equipment | | **75,011** | 77,306 |
| Depreciation of right-of-use asset | | **800** | 880 |
| Operating cash flows before movements in working capital | | **215,106** | 95,061 |
| Increase in inventories | | **(96)** | (20) |
| Increase in trade and other receivables | | **(8,686)** | (196) |
| (Increase) decrease in other deposits and prepayments | | **(1,260)** | 5,109 |
| Increase in trade and other payables and accruals | | **13,391** | 4,063 |
| Decrease in rental and other deposits received | | **(299)** | (227) |
| (Decrease) increase in contract liabilities | | **(20,711)** | 8,428 |
| Cash generated from operations | | **197,445** | 112,218 |
| Hong Kong Profits Tax (paid) refunded | | **(1,971)** | 531 |
| Income tax paid in other jurisdictions | | **(6,500)** | (11,744) |
| **NET CASH FROM OPERATING ACTIVITIES** | | **188,974** | 101,005 |
| **INVESTING ACTIVITIES** | | | |
| Net proceeds from disposal of a subsidiary | *27* | **893,607** | – |
| Acquisition of a subsidiary | *26* | **(1,414,054)** | – |
| Purchases of financial assets at FVTPL | | **–** | (13,552) |
| Proceeds from disposal of financial assets at FVTPL | | **12,578** | 1,036 |
| Acquisition of property, plant and equipment | | **(7,824)** | (10,030) |
| Proceeds from disposal of property, plant and equipment | | **139** | 2,050 |
| Interest received | | **10,142** | 560 |
| **NET CASH USED IN INVESTING ACTIVITIES** | | **(505,412)** | (19,936) |

## Consolidated Statement of Cash Flows *(Continued)*

For the Year Ended 31st December, 2022

| | NOTE | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|---|
| **FINANCING ACTIVITIES** | | | |
| New bank loans raised | | **1,226,331** | 25,000 |
| Advance from immediate holding company | | **406,024** | 51,768 |
| Repayments of bank loans | | **(1,268,954)** | (61,245) |
| Interest paid | | **(8,072)** | (3,095) |
| Proceed from disposal of partial interest in a subsidiary | *35* | **–** | 13,050 |
| **NET CASH FROM FINANCING ACTIVITIES** | | **355,329** | 25,478 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **38,891** | 106,547 |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR** | | **247,842** | 143,317 |
| Effect of foreign exchange rate changes | | **(20,825)** | (2,022) |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR,** represented by bank balances and cash | | **265,908** | 247,842 |

## 1. GENERAL INFORMATION

Magnificent Hotel Investments Limited (the "Company") is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The Company's immediate and intermediate holding company are Shun Ho Property Investments Limited ("Shun Ho Property") and Shun Ho Holdings Limited ("Shun Ho Holdings"), respectively, both are public limited companies incorporated in Hong Kong whose shares are listed on the Hong Kong Stock Exchange. The directors of the Company consider the Company's ultimate holding company to be Trillion Resources Limited, an international business company incorporated in the British Virgin Islands (the "BVI").

The address of the registered office and principal place of business of the Company is 3rd Floor, Shun Ho Tower, 24 – 30 Ice House Street, Central, Hong Kong.

The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are investment and operation of hotels, property investment and securities investment.

## 2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual periods beginning on or after 1st January, 2022 for the preparation of the consolidated financial statements:

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

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

## 2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

**New and amendments to HKFRSs in issue but not yet effective**

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

| | |
|---|---|
| HKFRS 17 | Insurance Contracts[1] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2] |
| Amendments to HKFRS 16 | Lease Liability in a Sale and Leaseback[3] |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3] |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants[3] |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies[1] |
| Amendments to HKAS 8 | Definition of Accounting Estimates[1] |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1] |

1 Effective for annual periods beginning on or after 1st January, 2023
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1st January, 2024

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

***Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)***

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 "Financial Instruments: Presentation".

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31st December, 2022, the application of the amendments will not result in reclassification of the Group's liabilities.

## 2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

**New and amendments to HKFRSs in issue but not yet effective** *(Continued)*

***Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies***

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 "Making Materiality Judgements" (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies.

***Amendments to HKAS 8 Definition of Accounting Estimates***

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the 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 ("Listing Rules") and by the Hong Kong Companies Ordinance.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.1 Basis of preparation of consolidated financial statements *(Continued)*

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by HK$435,267,000 as at 31st December, 2022 (2021: HK$297,011,000). In the opinion of the directors of the Company, the Group has a number of sources of finance available to fund its operations, including internal resources and available unutilised banking facilities. The immediate holding company has also agreed not to demand for repayment until the Group has the financial ability to do so. Accordingly, the consolidated financial statements have been prepared in conformity with principles applicable to a going concern basis because:

- Management prepared the cash flow forecasts and covenant calculations for the going concern period to 31st March, 2024. The Group has modelled a base case which is consistent with the assumptions used in the Group's impairment assessments; downside scenarios which assumes a 10% decrease on room rate and how many additional downside percentage of revenue in hospitality segment could be absorbed before the unutilised bank facilities would need to be drawn;

- The Group is having a positive operating cash inflow at HK$188,974,000 (2021: HK$101,005,000) during the year and net increase in cash and cash equivalents of HK$38,891,000 (2021: HK$106,547,000). Moreover, Shun Ho Property, which is the immediate holding company agreed not to demand repayment on the amount due to immediate holding company before the Group has the financial ability to do so; and

- The Group has unutilised banking facilities with aggregate amount of HK$912,000,000 as at 31st December, 2022 (2021: HK$910,500,000).

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, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.1 Basis of preparation of consolidated financial statements *(Continued)*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

### 3.2 Significant accounting policies

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

**Basis of consolidation** *(Continued)*

*Changes in the Group's interests in existing subsidiaries*

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets, and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

**Business combinations or asset acquisition**

*Optional concentration test*

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

**Asset acquisitions**

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

**Business combinations**

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

For business combinations in which the acquisition date is on or after 1st January, 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the "Conceptual Framework for Financial Reporting 2018" issued in June 2018 (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 or HK(IFRIC)-Int 21, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date;

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

**Revenue from contracts with customers**

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. The Group recognises a refund liability if the Group expects to refund some or all of the consideration received from customers.

***Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation***

*Output method*

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

**Leases**

***Definition of a lease***

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

***The Group as a lessee***

*Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to leases for offices that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

*Right-of-use assets*

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

**Leases** *(Continued)*

***The Group as a lessor***

*Classification and measurement of leases*

Leases for which the Group is a lessor are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Rental income which are derived from the Group's ordinary course of business are presented as revenue.

*Refundable rental deposits*

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

*Lease modification*

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

For rent concession under which the Group legally releases the lessee from its obligation to make specifically identified lease payment, of which some of these lease payments are contractually due but not paid and some of them are not yet contractually due, the Group accounts for the portions which have been recognised as operating lease receivables (i.e. the lease payments which are contractually due but not paid) by applying the expected credit loss ("ECL") and derecognition requirements under HKFRS 9 and applies lease modification requirements for the forgiven lease payments that the Group has not recognised (i.e. the lease payments which are not yet contractually due) as at the effective date of modification.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

**Investment properties**

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

If a property becomes an owner-occupied property because its use has been changed as evidenced by commencement of owner-occupation, the fair value of the property at the date of change in use is considered as the deemed cost for subsequent accounting.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

**Property, plant and equipment**

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as “right-of-use assets” in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

**Inventories**

Inventories, representing inventories of food and beverages, are stated at the lower of cost and net realisable value. Costs of inventories are determined on first-in, first-out method. Net realisable value represents the estimated selling price for inventories less the estimated costs of completion and costs necessary to make the sale.

**Impairment on property, plant and equipment and right-of-use assets**

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount if any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less cost of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

**Cash and cash equivalents**

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

**Financial instruments**

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15"). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributed to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Dividend income which is derived from the Group's ordinary course of business are presented as revenue.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

**Financial instruments** *(Continued)*

***Financial assets***

*Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

**Financial instruments** *(Continued)*

***Financial assets*** *(Continued)*

*Classification and subsequent measurement of financial assets (Continued)*

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the security revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the security revaluation reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "revenue" line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other income and gains and losses" line item.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

**Financial instruments** *(Continued)*

***Financial assets*** *(Continued)*

*Impairment of financial assets subject to impairment assessment under HKFRS 9*

The Group performs impairment assessment under ECL model on financial assets (including trade and other receivables, other deposits and bank balances) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed collectively for debtors based on the Group's internal credit rating with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

**Financial instruments** *(Continued)*

***Financial assets*** *(Continued)*

*Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)*

(i) Significant increase in credit risk *(Continued)*

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

**Financial instruments** *(Continued)*

***Financial assets*** *(Continued)*

*Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)*

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;

- Nature, size and industry of debtors; and

- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

**Financial instruments** *(Continued)*

***Financial assets*** *(Continued)*

*Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the security revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

***Financial liabilities and equity***

*Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

*Financial liabilities at amortised cost*

Financial liabilities (including trade and other payables, refund liabilities, rental and other deposits received, amount due to immediate holding company, amount due to a shareholder and bank loans) are subsequently measured at amortised cost, using the effective interest method.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

**Financial instruments** *(Continued)*

***Financial liabilities and equity*** *(Continued)*

*Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve.

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

**Taxation** *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred taxes for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale, except for freehold land, which is always presumed to be recovered entirely through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same tax authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly to equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**Government grants**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under “other income and gains and losses”.

**Retirement benefit costs**

Payments to the Group’s Mandatory Provident Fund Scheme and other defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

**Short-term and other long-term employee benefits**

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities’ carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

## 4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Critical judgment in applying accounting policies

The following is the critical judgment, apart from those involving estimations (see below), that the directors of the company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

#### *Deferred taxation on investment properties*

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. The Group has not recognised any deferred taxes on changes in fair value of investment properties located in Hong Kong as the Group is not subject to any income taxes on fair value changes of the investment properties on disposal.

### Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### *Fair value of investment properties*

Investment properties are stated at fair value based on the valuation performed by independent professional valuer. Fair value of investment properties is derived by income approach. Details of the valuation techniques and key inputs used in the valuations are disclosed in note 16 to the consolidated financial statements. The valuation of investment properties are dependent on those key inputs that involve the management's and Valuer's judgements, including reversionary yield and market rent. A table showing (i) inputs that are not based on observable market data to estimate the fair value of investment properties; and (ii) the relationship of significant unobservable inputs to fair value is disclosed in note 16.

In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

As at 31st December, 2022, the carrying amount of the Group's investment properties is HK$1,020,440,000 (2021: HK$1,121,905,000).

## 5. REVENUE

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

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Income from operation of hotels | **403,159** | 284,082 |
| Income from property rental | **36,281** | 42,316 |
| Dividend income | **42** | – |
| | **439,482** | 326,398 |

(i) Disaggregation of revenue for operation of hotels with the amounts disclosed in the hospitality services segment

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Types of goods or services (time of revenue recognition): | | |
| Room revenue and other ancillary services (recognised over time) | **371,978** | 244,316 |
| Food and beverage (recognised at a point in time) | **31,181** | 39,766 |
| | **403,159** | 284,082 |
| Geographical markets: | | |
| Hong Kong | **383,982** | 265,455 |
| The People's Republic of China ("PRC") | **19,177** | 18,627 |
| | **403,159** | 284,082 |

Based on the hotel operation pattern, the directors of the Company are of the opinion that the services income from operation of hotels are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to the unsatisfied contracts is not disclosed.

Revenue from room revenue and other ancillary service is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation, as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

Revenue from hotel food and beverage sales is recognised at a point in time when the food and beverage are served.

(ii) Leases

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| For operating leases: | | |
| Fixed lease payments | **36,281** | 42,316 |

## 6. SEGMENT INFORMATION

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

The Group's operating and reportable segments under HKFRS 8 are therefore as follows:

1. Hospitality services - Best Western Plus Hotel Kowloon
2. Hospitality services - Best Western Plus Hotel Hong Kong
3. Hospitality services - Magnificent International Hotel, Shanghai
4. Hospitality services - Best Western Hotel Causeway Bay
5. Hospitality services - Ramada Hong Kong Harbour View
6. Hospitality services - Ramada Hong Kong Grand
7. Hospitality services - Grand City Hotel
8. Hospitality services - Wood Street Hotel
9. Hospitality services - Grand Bay View Hotel
10. Property investment - Shops, hotel and residential properties
11. Securities investment

Information regarding the above segments is reported below.

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

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment profit/loss represents the profit earned by/loss from each segment without allocation of central administration costs, other income and gains and losses and finance costs. This is the measure reported to the CODM, for the purposes of resources allocation and performance assessment.

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales for both years.

## 6. SEGMENT INFORMATION *(Continued)*

### Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segments:

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| **Segment assets** | | |
| Hospitality services | **3,760,420** | 2,844,425 |
| – Best Western Plus Hotel Kowloon | **227,457** | 243,169 |
| – Best Western Plus Hotel Hong Kong | **309,121** | 310,097 |
| – Magnificent International Hotel, Shanghai | **62,544** | 69,000 |
| – Best Western Hotel Causeway Bay | **282,792** | 292,194 |
| – Ramada Hong Kong Harbour View | **483,726** | 485,694 |
| – Ramada Hong Kong Grand | **606,620** | 634,196 |
| – Grand City Hotel | **–** | 377,110 |
| – Wood Street Hotel | **364,921** | 432,965 |
| – Grand Bay View Hotel | **1,423,239** | – |
| Property investment | **1,020,440** | 1,121,905 |
| Securities investment | **144,403** | 159,719 |
| Total segment assets | **4,925,263** | 4,126,049 |
| Unallocated assets | **340,245** | 324,952 |
| **Consolidated assets** | **5,265,508** | 4,451,001 |
| **Segment liabilities** | | |
| Hospitality services | **44,599** | 49,050 |
| – Best Western Plus Hotel Kowloon | **4,959** | 4,540 |
| – Best Western Plus Hotel Hong Kong | **7,702** | 11,255 |
| – Magnificent International Hotel, Shanghai | **851** | 1,630 |
| – Best Western Hotel Causeway Bay | **9,115** | 5,500 |
| – Ramada Hong Kong Harbour View | **12,451** | 10,817 |
| – Ramada Hong Kong Grand | **8,966** | 7,830 |
| – Grand City Hotel | **–** | 7,478 |
| – Grand Bay View Hotel | **555** | – |
| Property investment | **10,878** | 11,921 |
| Securities investment | **1** | 1 |
| Total segment liabilities | **55,478** | 60,972 |
| Unallocated liabilities | **977,266** | 602,790 |
| **Consolidated liabilities** | **1,032,744** | 663,762 |

## 6. SEGMENT INFORMATION *(Continued)*

### Segment assets and liabilities *(Continued)*

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating and reportable segments other than the Group's head office corporate assets (including certain property, plant and equipment), all bank balances and cash and certain other receivables and deposits; and

- all liabilities are allocated to operating and reportable segments other than the Group's head office corporate liabilities, amount due to immediate holding company, amount due to a shareholder, bank loans, tax liabilities and deferred tax liabilities.

### Other segment information

| | **Depreciation of property, plant and equipment and depreciation of right-of-use asset** | | **Additions to non-current assets** | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Amounts included in the measure of segment profit or loss or segment assets: | | | | |
| Hospitality services | **73,953** | 75,405 | **1,428,454** | 8,471 |
| – Best Western Plus Hotel Kowloon | **16,132** | 16,176 | **76** | 767 |
| – Best Western Plus Hotel Hong Kong | **4,176** | 4,200 | **996** | 266 |
| – Magnificent International Hotel, Shanghai | **2,488** | 2,850 | **13** | 59 |
| – Best Western Hotel Causeway Bay | **11,730** | 11,655 | **1,019** | 203 |
| – Ramada Hong Kong Harbour View | **6,164** | 6,082 | **1,017** | 208 |
| – Ramada Hong Kong Grand | **29,689** | 29,582 | **511** | 309 |
| – Grand City Hotel | **3,574** | 4,860 | **241** | 147 |
| – Wood Street Hotel | **–** | – | **3,886** | 6,512 |
| – Grand Bay View Hotel | **–** | – | **1,420,695** | – |
| Property investments | **–** | – | **14** | – |
| | **73,953** | 75,405 | **1,428,468** | 8,471 |

## 6. SEGMENT INFORMATION *(Continued)*

### Revenue from major services

The following is an analysis of the Group's revenue from its major services:

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Room revenue *(note)* | **369,004** | 243,253 |
| Food and beverage | **31,181** | 39,766 |
| Property rental income | **36,281** | 42,316 |
| Dividend income | **42** | – |
| Other hotel ancillary income | **2,974** | 1,063 |
| | **439,482** | 326,398 |

*Note:* The above revenue included proceeds from the Government of the Hong Kong Special Administrative Region (the "Hong Kong Government") for providing several hotel facilities as Quarantine Centres (the "QCs") and Community Isolation Facilities (the "CIFs") to the Department of Health to deal with the fifth wave of Covid-19, amounting to HK$150,419,000 (2021: Nil).

### Geographical information

The Group's operations are located in Hong Kong, the PRC and the UK.

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

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Hong Kong (place of domicile) | **385,840** | 266,685 |
| The PRC | **19,177** | 18,627 |
| The UK | **34,465** | 41,086 |
| | **439,482** | 326,398 |

The following is an analysis of the Group's non-current assets by geographical location of the assets:

| | **Non-current assets** *(Note)* | |
|---|---|---|
| | **2022** | 2021 |
| | ***HK$'000*** | *HK$'000* |
| Hong Kong *(note)* | **3,537,895** | 2,564,579 |
| The PRC | **59,637** | 67,770 |
| The UK | **1,229,850** | 1,397,027 |
| | **4,827,382** | 4,029,376 |

*Note:* Non-current assets excluded equity instruments at FVTOCI.

## 6. SEGMENT INFORMATION *(Continued)*

### Information about major customers

Save for the revenue from the Hong Kong Government for providing several hotel facilities as Quarantine Centres and Community Isolation Facilities to the Department of Health to deal with the fifth wave of Covid-19 which contributed over 10% of the total sales of the Group during the year ended 31st December, 2022, there were no customers individually contributing over 10% of the total revenue for both years.

## 7. OTHER INCOME AND GAINS AND LOSSES

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Other income and gains and losses comprise: | | |
| Interest income from bank deposits | **10,588** | 560 |
| Exchange (loss) gain | **(9)** | 7 |
| Management fee income | **716** | 524 |
| (Loss) gain on disposal of property, plant and equipment | **(461)** | 707 |
| Impairment loss on property, plant and equipment | **(27,000)** | – |
| Government grants | **3,650** | 1,100 |
| Loss from changes in fair value of financial assets at FVTPL | **–** | (66) |
| Gain on disposal of financial assets at FVTPL | **128** | – |
| Others | **47** | 60 |
| | **(12,341)** | 2,892 |

## 8. FINANCE COSTS

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interests on: | | |
| Bank loans | **8,226** | 3,071 |
| Amount due to immediate holding company *(note 33)* | **14,872** | 3,437 |
| | **23,098** | 6,508 |

## 9. PROFIT BEFORE TAXATION

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

## 10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

### (a) Directors' and Chief Executive's emoluments

The emoluments paid or payable to the Company's directors are as follows:

| | Year ended 31st December, 2022 | | | | |
|---|---|---|---|---|---|
| | Directors' fees *HK$'000* | Basic salaries, allowances and benefits-in-kind *HK$'000* | Performance related bonus payments *HK$'000* | Contributions to retirement benefits schemes *HK$'000* | Total *HK$'000* |
| **Executive Directors** | | | | | |
| Mr. William Cheng Kai Man | – | 6,306 | 1,878 | 18 | 8,202 |
| Mr. Albert Hui Wing Ho | – | 1,324 | 358 | 18 | 1,700 |
| Madam Kimmy Lau Kam May | – | 1,198 | 86 | 18 | 1,302 |
| Madam Ng Yuet Ying | – | 1,342 | 260 | 18 | 1,620 |
| Madam Wendy Cheng Wai Kwan | – | 210 | – | – | 210 |
| **Non-executive Director** | | | | | |
| Madam Mabel Lui Fung Mei Yee | 67 | – | – | – | 67 |
| **Independent Non-executive Directors** | | | | | |
| Mr. Chan Kim Fai | 67 | – | – | – | 67 |
| Mr. Lam Kwai Cheung | 67 | – | – | – | 67 |
| Mr. Warren Liu Yuk Cho | 67 | – | – | – | 67 |
| | 268 | 10,380 | 2,582 | 72 | 13,302 |

## 10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

### (a) Directors' and Chief Executive's emoluments *(Continued)*

| | Year ended 31st December, 2021 | | | | |
|---|---|---|---|---|---|
| | Directors' fees *HK$'000* | Basic salaries, allowances and benefits-in-kind *HK$'000* | Performance related bonus payments *HK$'000* | Contributions to retirement benefits schemes *HK$'000* | Total *HK$'000* |
| **Executive Directors** | | | | | |
| Mr. William Cheng Kai Man | – | 6,347 | 1,223 | 18 | 7,588 |
| Mr. Albert Hui Wing Ho | – | 1,251 | 349 | 18 | 1,618 |
| Madam Kimmy Lau Kam May | – | 1,161 | 83 | 18 | 1,262 |
| Madam Ng Yuet Ying | – | 1,302 | 110 | 18 | 1,430 |
| Madam Wendy Cheng Wai Kwan | – | 210 | – | – | 210 |
| **Non-executive Director** | | | | | |
| Madam Mabel Lui Fung Mei Yee | 17 | – | – | – | 17 |
| **Independent Non-executive Directors** | | | | | |
| Mr. Chan Kim Fai | 59 | – | – | – | 59 |
| Mr. Lam Kwai Cheung | 59 | – | – | – | 59 |
| Mr. Warren Liu Yuk Cho (appointed on 20th July, 2021) | 30 | – | – | – | 30 |
| Mr. Vincent Kwok Chi Sun (resigned on 8th July, 2021) | 29 | – | – | – | 29 |
| | 194 | 10,271 | 1,765 | 72 | 12,302 |

Mr. William Cheng Kai Man is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

No directors waived any emoluments in the years ended 31st December, 2022 and 2021.

The performance related bonus payments payable to the executive directors are determined based on the performance of the individual directors.

During the years ended 31st December, 2022 and 2021, no emolument was paid to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

## 10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

### (b) Employees' emoluments

The five highest paid employees of the Group during the year included four (2021: four) directors whose emoluments are included above. The emoluments of the remaining one highest paid employee who is neither a director nor chief executive of the Company (2021: one individual) is as follows:

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Basic salaries, allowances and benefits-in-kind | **1,091** | 1,122 |
| Performance related bonus payments | **185** | 95 |
| Contributions to retirement benefit scheme | **18** | 18 |
| | **1,294** | 1,235 |

The emoluments were within the following band:

| | **Number of individual** | |
|---|---|---|
| | **2022** | 2021 |
| HK$1,000,001 to HK$1,500,000 | **1** | 1 |

## 11. INCOME TAX EXPENSE

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| The taxation expense comprises: | | |
| Current tax | | |
| Hong Kong | **14,419** | 176 |
| PRC Enterprise Income Tax | **598** | – |
| The UK | **5,477** | 7,245 |
| | **20,494** | 7,421 |
| (Over) under provision in prior years | | |
| Hong Kong | **(60)** | (84) |
| The UK | **(93)** | 271 |
| | **20,341** | 7,608 |
| Deferred tax *(note 25)* | **3,805** | 661 |
| | **24,146** | 8,269 |

## 11. INCOME TAX EXPENSE *(Continued)*

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for both years.

Under the UK Tax Law, the tax rate of the subsidiary operating in the UK is 19%.

According to a joint circular of the Ministry of Finance and State Administration of Taxation – Cai Shui 2008 No. 1, starting from 1st January, 2008, 10% withholding income tax will be imposed on dividends related to profits earned by the companies established in the PRC in the calendar year 2008 onwards, being declared to their foreign shareholders pursuant to Articles 3 and 6 of the EIT Law, and Article 17 of the Implementation Rules of the EIT Law. Deferred tax liability on the temporary differences attributable to the undistributed profit earned by the Company's PRC subsidiary amounted to HK$328,000 (2021: HK$312,000) were charged to profit or loss.

Income tax expense for the year can be reconciled to profit before taxation as follows:

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit before taxation | **616,309** | 73,868 |
| Tax at the Hong Kong Profits Tax rate of 16.5% (2021: 16.5%) | **101,691** | 12,188 |
| Tax effect of expenses not deductible for tax purpose | **12,839** | 6,489 |
| Tax effect of income not taxable for tax purpose | **(90,865)** | (11,482) |
| (Over)underprovision in respect of prior years | **(153)** | 187 |
| Tax effect of tax losses not recognised | **369** | 24 |
| Utilisation of tax losses previously not recognised | **(113)** | (44) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | **958** | 1,526 |
| Others | **(580)** | (619) |
| Income tax expense of the year | **24,146** | 8,269 |

## 12. DIVIDEND

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

## 13. EARNINGS PER SHARE

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

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

## 14. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold land and buildings HK$'000 | Hotel properties HK$'000 | Renovation/ Construction in progress HK$'000 | Furniture, fixtures and equipment HK$'000 | Others HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **COST** | | | | | | |
| At 1st January, 2021 | 94,405 | 3,089,460 | – | 127,043 | 30,857 | 3,341,765 |
| Exchange realignment | (121) | 2,079 | (8,922) | 116 | 6 | (6,842) |
| Additions | – | – | 6,512 | 3,512 | 6 | 10,030 |
| Transfer from investment properties *(note 16)* | – | – | 435,375 | – | – | 435,375 |
| Disposals | (1,338) | – | – | (137) | – | (1,475) |
| At 31st December, 2021 | 92,946 | 3,091,539 | 432,965 | 130,534 | 30,869 | 3,778,853 |
| Exchange realignment | (3,304) | (6,237) | (44,930) | (481) | (17) | (54,969) |
| Additions | – | – | 3,886 | 3,936 | 2 | 7,824 |
| Acquisition of a subsidiary *(note 26)* | – | – | 1,420,695 | – | – | 1,420,695 |
| Disposal of a subsidiary *(note 27)* | – | (397,228) | – | (11,525) | – | (408,753) |
| Disposals | – | – | – | (3,374) | – | (3,374) |
| **At 31st December, 2022** | **89,642** | **2,688,074** | **1,812,616** | **119,090** | **30,854** | **4,740,276** |
| **DEPRECIATION AND IMPAIRMENT** | | | | | | |
| At 1st January, 2021 | 18,501 | 682,317 | – | 91,040 | 28,960 | 820,818 |
| Exchange realignment | (3) | 955 | – | 90 | 5 | 1,047 |
| Provided for the year | 2,210 | 67,963 | – | 6,415 | 718 | 77,306 |
| Eliminated on disposals | – | – | – | (132) | – | (132) |
| At 31st December, 2021 | 20,708 | 751,235 | – | 97,413 | 29,683 | 899,039 |
| Exchange realignment | (659) | (3,104) | – | (452) | (16) | (4,231) |
| Provided for the year | 1,601 | 66,669 | – | 6,229 | 512 | 75,011 |
| Impairment loss recognised in profit or loss | – | – | 27,000 | – | – | 27,000 |
| Eliminated on disposal of a subsidiary *(note 27)* | – | (31,045) | – | (5,292) | – | (36,337) |
| Eliminated on disposals | – | – | – | (2,774) | – | (2,774) |
| **At 31st December, 2022** | **21,650** | **783,755** | **27,000** | **95,124** | **30,179** | **957,708** |
| **CARRYING AMOUNTS** | | | | | | |
| **At 31st December, 2022** | **67,992** | **1,904,319** | **1,785,616** | **23,966** | **675** | **3,782,568** |
| At 31st December, 2021 | 72,238 | 2,340,304 | 432,965 | 33,121 | 1,186 | 2,879,814 |

*Note:* Leasehold land and buildings are situated on land in Hong Kong.

## 14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment (except renovation/construction in progress) are depreciated on a straight-line basis at the following rates per annum:

| | |
|---|---|
| Leasehold land | Over the remaining term of land lease |
| Hotel properties and buildings | 50 years or over the remaining term of land lease, whichever is shorter |
| Furniture, fixtures and equipment | 4% – 20% |
| Others | 20% |

**Impairment assessment**

Due to the inflationary environment and interest rates hike, the management of the Group concluded there was indication for impairment and conducted impairment assessment on certain construction in progress in the UK with carrying amounts of HK$391,920,000. The recoverable amounts of the construction in progress have been determined based on their value in use. The relevant assets were impaired to their recoverable amount of HK$364,920,000, which is their carrying values at year end and the impairment of HK$27,000,000 has been recognised in profit or loss to which these assets relate during the year.

## 15. RIGHT-OF-USE ASSET

| | **Leasehold land**<br>*HK$'000* |
|---|---|
| **As at 31st December, 2022** | |
| Carrying amount | **24,374** |
| **As at 31st December, 2021** | |
| Carrying amount | 27,657 |
| **For the year ended 31st December, 2022** | |
| Depreciation charge | **(800)** |
| Exchange realignment | **(2,483)** |
| | **(3,283)** |
| **For the year ended 31st December, 2021** | |
| Depreciation charge | (880) |
| Exchange realignment | 908 |
| | 28 |

## 15. RIGHT-OF-USE ASSET *(Continued)*

The right-of-use asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Expense relating to short-term leases | **1,040** | 1,040 |
| Expense relating to leases of low-value assets, excluding short-term leases of low-value assets | **1,066** | 1,306 |
| Total cash outflow for leases | **2,106** | 2,346 |

For both years, the Group leases land and rented equipment for its operation. Lease contracts are entered into for fixed terms from 1 to 50 years.

## 16. INVESTMENT PROPERTIES

The Group leases out two shops, two residential properties in Hong Kong and one investment property located in United Kingdom under operating leases with rentals payable monthly and quarterly. The leases typically run for an initial period of 3 to 22 years, with unilateral rights to extend the lease beyond initial period held by lessees only. Majority of the lease contracts contain market review clauses in the event the lessee exercises the option to extend.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| FAIR VALUE | | |
| At the beginning of the year | **1,121,905** | 1,491,110 |
| Exchange realignment | **(96,465)** | 3,870 |
| Net (decrease) increase in fair value recognised in profit or loss | **(5,000)** | 62,300 |
| Transfer to property, plant and equipment *(note 14)* | **–** | (435,375) |
| At the end of the year | **1,020,440** | 1,121,905 |

## 16. INVESTMENT PROPERTIES *(Continued)*

The fair values of the Group's investment properties as at 31st December, 2022 and 31st December, 2021 have been arrived at on the basis of valuations carried out on that date by both Cushman & Wakefield Limited and Allsop LLP, the Valuer which are not connected with the Group. The valuation reports on these properties are signed by a director of Cushman & Wakefield Limited who is a member of The Hong Kong Institute of Surveyors and a partner of Allsop LLP who is a member of the Royal Institution of Chartered Surveyors, and were arrived at by adopting the income approach as available in the market to assess the market value of the investment properties. During the assessment of the fair values of investment properties, the Valuer and the Directors of the Company have exercised their judgement and are satisfied that the method of valuation and the key inputs, including term yield, reversionary yield and market rent, are reflective of the current market conditions. If there are changes in the assumptions used for the valuations, the fair value of the investment properties will change in the future.

The investment properties of the Group with an aggregate carrying amount of approximately HK$989,440,000 (2021: HK$1,090,905,000) were rented out under operating leases at the end of the reporting period. The resulting loss on fair value changes of investment properties HK$5,000,000 has been recognised directly in profit or loss for the year (gain for 2021: HK$62,300,000).

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The income approach estimates the values of the properties on an open market basis by capitalising rental income on a fully leased basis having regard to the current passing rental income from existing tenancies and potential future reversionary income at the market level. The term value involves the capitalisation of the current passing rental income over the existing lease term. The reversionary value is taken to be current market rental income upon the expiry of the lease and is capitalised on a fully leased basis. In this approach, the Valuer has considered the term yield and reversionary yield. The term yield is used for capitalisation of the current passing rental income as at the date of valuation whilst the reversionary yield is used to convert reversionary rental income.

During the year ended 31st December, 2021, an investment property (37 Wood Street, London) originally held for rental purpose was transferred to property, plant and equipment upon the commencement of the development with a view to property, plant and equipment at fair value of HK$435,375,000 at the date of transfer.

## 16. INVESTMENT PROPERTIES *(Continued)*

| Investment properties held by the Group | Fair value at 31st December 2022 HK$'000 | Fair value at 31st December 2021 HK$'000 | Valuation techniques and key inputs | Significant unobservable inputs | Sensitivity |
|---|---|---|---|---|---|
| Commercial units and residential units in Hong Kong | **185,000** | 190,000 | Income approach based on term yield, reversionary yield and market rent on similar properties | Term yield, taking into account of yield generated by market lease over market value on comparables, which ranging from 1.88% to 2.75% (2021: 1.75% to 2.75%) | A slight increase in term yield used would result in a slight decrease in fair value, and vice versa. |
| | | | | Reversionary yield, taking into account of yield generated by market lease over market value on comparables, which ranging from 1.88% to 2.75% (2021: 1.75% to 2.75%) | A slight increase in revisionary yield used would result in a significant decrease in fair value, and vice versa. |
| | | | | Market rent, taking into account on the market lease comparables, which ranging from HK$33.06 and HK$88.94 (2021: HK$33.06 and HK$88.94) per square feet | A slight increase in the market rent used would result in a significant increase in fair value, and vice versa. |
| Commercial units in the UK | **835,440** | 931,905 | Income approach based on term yield, reversionary yield and market rent on similar properties | Term yield, taking into account of yield generated by market lease over market value on comparables, which is 4.58% (2021: 3.75%) | A slight increase in term yield used would result in a significant decrease in fair value, and vice versa. |
| | | | | Reversionary yield, taking into account of yield generated by market lease over market value on comparables, which is 4.58% (2021: 4.12%) | A slight increase in revisionary yield used would result in a significant decrease in fair value, and vice versa. |
| | | | | Market rent, taking into account on the market lease comparables, which is Pound Sterling ("GBP") 2.74 (2021: GBP2.43) per square feet | A slight increase in the market rent used would result in a significant increase in fair value, and vice versa. |
| | **1,020,440** | 1,121,905 | | | |

There were no transfers into or out of Level 3 during both years.

As at 31st December, 2022, the Group's investment properties amounted to HK$937,440,000 (2021: HK$1,033,905,000) have been pledged to secure banking facilities granted to the Group.

## 17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2022 | 2021 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Listed securities held for trading: | | |
| Equity securities listed in Hong Kong Stock Exchange | – | 12,450 |

## 18. TRADE AND OTHER RECEIVABLES

| | 2022 | 2021 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Trade receivables from contracts with customers | **10,730** | 3,402 |
| Other receivables | **5,329** | 2,934 |
| | **16,059** | 6,336 |

As at 1st January, 2021, trade receivables from contracts with customers amounted to HK$2,692,000.

Except for a credit period of 30 to 60 days granted to travel agencies and certain customers of the hotels, the Group does not allow any credit period to customers. The following is an aged analysis of the Group's trade receivables from contracts with customers presented based on the invoice date at the end of the reporting period:

| | 2022 | 2021 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Not yet due | **8,122** | 3,391 |
| Overdue: | | |
| 0 – 30 days | **1,194** | – |
| 31 – 60 days | **1,057** | – |
| 61 – 90 days | **357** | 11 |
| | **10,730** | 3,402 |

As at 31st December, 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$2,608,000 (2021: HK$11,000) which are past due as at the reporting date.

Details of impairment assessment of trade receivables from contracts with customers, other receivables and other deposits are set out in note 37.

No credit loss allowance has been recognised on the trade and other receivables as the directors of the Company consider that the amount is immaterial.

## 19. BANK BALANCES AND CASH

Bank balances carry interest at prevailing deposit interest rates ranging from 0.01% to 1.35% (2021: 0.01% to 1.35%) per annum.

Details of impairment assessment of bank balances are set out in note 37.

## 20. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | 2022 | 2021 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Listed: | | |
| Equity securities listed in Hong Kong Stock Exchange | **144,403** | 146,232 |

The fair value of listed equity securities is determined by reference to quoted market bid price from the Hong Kong Stock Exchange.

The Group's non-current equity securities listed in Hong Kong include approximately 11.75% (2021: 11.75%) interest in Shun Ho Property, approximately 20.57% (2021: 20.57%) interest in Shun Ho Holdings and some ordinary shares of another entity. All of them are public companies incorporated and listed on Hong Kong Stock Exchange.

The Company is a subsidiary of Shun Ho Property and Shun Ho Holdings. Under the Hong Kong Companies Ordinance, companies within the Group who are shareholders of Shun Ho Property and Shun Ho Holdings have no right to vote at meetings of Shun Ho Property and Shun Ho Holdings. The directors are of the opinion that the Group is not in a position to exercise significant influence over Shun Ho Property and Shun Ho Holdings, accordingly, the results of Shun Ho Property and Shun Ho Holdings have not been accounted for on an equity basis.

These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

## 21. TRADE AND OTHER PAYABLES AND ACCRUALS

| | 2022 | 2021 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Trade payables | **2,487** | 5,229 |
| Interest payables | **182** | 28 |
| Other payables | **7,116** | 1,053 |
| Legal and professional fee payables | **10,908** | – |
| Receipt in advance | **7,717** | 8,638 |
| Accrued staff costs | **10,513** | 8,707 |
| Other accruals | **12,992** | 10,793 |
| | **51,915** | 34,448 |

## 21. TRADE AND OTHER PAYABLES AND ACCRUALS *(Continued)*

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:

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 – 30 days | **2,414** | 5,198 |
| 31 – 60 days | **72** | 4 |
| 61 – 90 days | **1** | 27 |
| | **2,487** | 5,229 |

The credit period on purchase of goods is up to 30 days. The Group has financial risk management policies in place to ensure that all payables are within credit timeframe.

## 22. CONTRACT LIABILITIES/REFUND LIABILITIES

### Contract liabilities

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Receipt in advance | **5,744** | 26,455 |

As at 1st January, 2021, contract liabilities amounted to HK$18,027,000.

Contract liabilities of the Group, which are expected to be settled within the Group's normal operating cycle, are classified as current.

Revenue from hospitality services recognised during the year ended 31st December, 2022 that was included in the contract liabilities at the beginning of the year was HK$14,265,000 (2021: HK$18,027,000).

The Group recognises hospitality services revenue when related performance obligation is satisfied. Contract liabilities represents receipt in advance from hotel guests.

### Refund liabilities

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Refund liabilities | **14,932** | – |

The refund liabilities relate to customers' right to return hotel bookings after the announcement of lifting of compulsory quarantine requirement for inbound persons from overseas places starting from late September 2022.

## 23. BANK LOANS

| | 2022 | 2021 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Secured bank loans | **241,715** | 310,299 |
| The carrying amounts of bank loans are repayable (based on scheduled repayment dates set out in the loan agreements): | | |
| Within one year | **–** | 252,768 |
| Within a period of more than two years but not exceeding five years | **219,715** | – |
| | **219,715** | 252,768 |
| The carrying amounts of bank loans that contain a repayment on demand clause (shown under current liabilities) but repayable: | | |
| Within one year | **22,000** | 55,729 |
| Within a period of more than one year but not exceeding two years | **–** | 709 |
| Within a period of more than two years but not exceeding five years | **–** | 1,093 |
| | **22,000** | 57,531 |
| | **241,715** | 310,299 |
| Amounts shown under current liabilities | **22,000** | 310,299 |
| Amounts shown under non-current liabilities | **219,715** | – |
| | **241,715** | 310,299 |

All the Group's bank loans are floating rate borrowings. The bank loans are secured over certain of the Group's assets as disclosed in note 31. Effective interest rate is 4.69% (2021: 1.03%) per annum.

## 24. SHARE CAPITAL

| | **Number of shares** | **Amount** |
|---|---|---|
| | *'000* | *HK$'000* |
| Ordinary shares | | |
| Issued and fully paid: | | |
| At 1st January, 2021, 31st December, 2021 and 2022 | 8,947,051 | 841,926 |

## 25. DEFERRED TAX LIABILITIES/ASSET

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax liabilities and asset have been offset. The following are the deferred tax liabilities (asset) recognised and movements thereon during the current and prior reporting periods:

| | Business combination | Accelerated tax depreciation | Withholding tax | Tax losses | Total |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1st January, 2021 | 21,931 | 80,540 | 2,902 | (15,938) | 89,435 |
| (Credit) charge to profit or loss | (761) | 827 | 312 | 283 | 661 |
| At 31st December, 2021 | 21,170 | 81,367 | 3,214 | (15,655) | 90,096 |
| Acquisition of a subsidiary *(note 26)* | – | – | – | (8,664) | (8,664) |
| Disposal of a subsidiary *(note 27)* | – | (8,908) | – | 7,710 | (1,198) |
| (Credit) charge to profit or loss | (761) | 371 | 328 | 3,867 | 3,805 |
| At 31st December, 2022 | 20,409 | 72,830 | 3,542 | (12,742) | 84,039 |

At the end of the reporting period, the Group has unused tax losses of HK$99,936,000 (2021: HK$124,152,000) available to offset against future profits. A deferred tax asset has been recognised in respect of such losses to the extent of HK$77,223,000 (2021: HK$94,878,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK$22,713,000 (2021: HK$29,274,000) due to the unpredictability of future profit streams. All the unrecognised tax losses may be carried forward indefinitely.

## 26. ACQUISITION OF A SUBSIDIARY

On 11th May, 2022, Shun Ho Construction (Holdings) Limited ("Shun Ho Construction"), a direct wholly owned subsidiary of the Group has entered into a sale and purchase agreement with Crest Incorporated, an independent third party to the Group to acquire the entire equity interest in Ocean Time Investments Limited ("Ocean Time") and accept the assignment of the loan owing by Ocean Time, at a consideration of HK$1,430,864,000, subject to adjustment (the "Acquisition"), Ocean Time holds a hotel property which is located in Hong Kong. In December 2022, the Acquisition was completed pursuant to the fulfilment of all conditions as set out in Sale and Purchase Agreement signed.

Consideration transferred:

| | *HK$'000* |
|---|---|
| Consideration paid in cash | 1,416,011 |
| Deferred cash consideration | 14,853 |
| | 1,430,864 |

## 26. ACQUISITION OF A SUBSIDIARY *(Continued)*

Assets acquired and liabilities recognised at the date of acquisition:

| | *HK$'000* |
|---|---|
| Property, plant and equipment | 1,420,695 |
| Trade and other receivable | 1,042 |
| Deposit and prepayment | 1,392 |
| Bank balance and cash | 1,957 |
| Other payable and accruals | (2,886) |
| Deferred tax assets | 8,664 |
| | 1,430,864 |

Net cash outflows arising on acquisition of Ocean Time:

| | *HK$'000* |
|---|---|
| Consideration paid in cash | 1,416,011 |
| Less: bank balances and cash acquired | (1,957) |
| | 1,414,054 |

## 27. DISPOSAL OF A SUBSIDIARY

On 11th May, 2022, Babenna Limited ("Babenna"), a direct wholly-owned subsidiary of the Group entered into a sale and purchase agreement with SYP Investment Limited ("SYP Investment"), an independent third party to dispose the entire equity interest of Sino Money Investments Limited ("Sino Money"), which holds a hotel namely Grand City Hotel in Hong Kong, and assign to SYP Investment the loan owing by Sino Money to Babenna Limited as at completion at a consideration of HK$900,532,000. The net assets of Sino Money at the date of disposal were as follows:

Consideration received:

| | *HK$'000* |
|---|---|
| Cash received | 900,532 |
| Total consideration received | 900,532 |

## 27. DISPOSAL OF A SUBSIDIARY *(Continued)*

Analysis of assets and liabilities over which control was lost:

| | **At 27th September, 2022** |
|---|---|
| | *HK$'000* |
| Property, plant and equipment | 372,416 |
| Deposits and prepayments | 651 |
| Trade and other payables | (119) |
| Deferred tax liabilities | (1,198) |
| Net assets disposed of | 371,750 |

Gain on disposal of a subsidiary:

| | |
|---|---|
| Consideration received | 900,532 |
| Net assets disposed of | (371,750) |
| Legal and professional fees for directly attributable to the disposal | (6,925) |
| Gain on disposal | 521,857 |

Net cash inflow arising on disposal:

| | |
|---|---|
| Cash consideration | 900,532 |
| Less: Legal and professional fee paid during the year ended 31st December, 2022 | (6,925) |
| | 893,607 |

## 28. SHARE OPTION SCHEME

An employee share option scheme of the Company was adopted at the extraordinary general meeting held on 14th November, 2013 (the "Share Option Scheme") and was amended at the annual general meeting held on 18th June, 2014. Pursuant to the Share Option Scheme, the Board of Directors may, at its discretion, offer to grant options to subscribe for shares of the Company based on the terms and conditions set out therein to any director (including executive, non-executive directors and independent non-executive directors) and any employee of the Group whom the Board of Directors considers, in its sole discretion, have contributed or will contribute to the Group.

The purpose of the Share Option Scheme is to reward hotel senior management according to their performance in relation to the growth of hotel revenue.

## 28. SHARE OPTION SCHEME *(Continued)*

Summary of the Share Option Scheme is as below:

(i) The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not exceed 5% of the shares in issue on the date of the adoption of Share Option Scheme.

(ii) The maximum number of shares issuable upon exercise of the share options granted under the Share Option Scheme to each eligible participant of in any 12 month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant. Any further grant of share options in excess of this 1% limit shall be subject to shareholders' approval in a general meeting of the Company with such participants and their associates (as defined in the Listing Rules) abstaining from voting, and/or other requirements prescribed under the Listing Rules from time to time.

Any grant of share options to a director, chief executive or substantial shareholder of the Company or any of their respective associates is required to be approved by the independent non-executive directors. If the Board of Directors proposes to grant share options to a substantial shareholder or any independent non-executive director or their respective associates which will result in the number of shares issued and to be issued upon exercise of share options granted and to be granted (including share options exercised, cancelled and outstanding) to such person in the 12 month period up to and including the date of grant: (i) representing in aggregate over 0.1%, or such other percentage as may be from time to time provided under the Listing Rules, of the shares in issue; and (ii) having an aggregate value in excess of HK$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of the shares at the date of each grant, such further grant of share options will be subject to shareholders' approval in general meeting of the Company at which all connected persons of the Company shall abstain from voting, and/or other requirements prescribed under the Listing Rules from time to time.

(iii) The shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Company at any time shall not exceed 30% of the shares in issue from time to time.

(iv) An option may be exercised in accordance with the terms of the Share Option Scheme at any time during the option period which may be determined and notified by the Board of Directors to the grantees at the time of making an offer which shall not expire later than 10 years from the grant date.

(v) Upon acceptance of an option, the grantee shall pay HK$10.00 to the Company by way of consideration for the grant.

(vi) The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board of Directors in its absolute discretion shall determine, save that such price will not be less than the highest of: (i) the official closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotation sheets on the date of grant; and (ii) the average of the official closing prices of the shares as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant.

No share option has been granted under the Share Option Scheme and no other share option scheme was adopted by the Company and its subsidiaries as at 31st December, 2022.

## 29. CAPITAL COMMITMENTS

As at 31st December, 2022, the Group had commitments contracted for but not provided in the consolidated financial statements in respect of expenditure on property, plant and equipment amounting to HK$11,140,000.

As at 31st December, 2021, the Group had no outstanding commitments contracted for but not provided in the consolidated financial statements.

## 30. OPERATING LEASES ARRANGEMENTS

**The Group as lessor**

All of the properties held for rental purposes have committed lessees for three months to eighteen years from the end of the reporting period without termination options granted to tenants.

Undiscounted lease payments receivable on leases are as follows:

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within one year | **37,126** | 39,373 |
| In the second year | **34,465** | 37,727 |
| In the third year | **34,465** | 37,337 |
| In the fourth year | **34,465** | 37,337 |
| In the fifth year | **34,465** | 37,337 |
| After five years | **429,949** | 465,778 |
| | **604,935** | 654,889 |

## 31. PLEDGE OF ASSETS

At the end of the reporting period, the bank loan facilities of the Group were secured by the followings:

(a) investment properties and hotel properties of the Group with carrying amounts as at 31st December, 2022 of approximately HK$937 million (2021: HK$1,034 million) and HK$1,596 million (2021: HK$2,301 million), respectively;

(b) pledge of shares in certain subsidiaries of the Company with an aggregate net asset value as at 31st December, 2022 of approximately HK$574 million (2021: HK$643 million);

(c) assignment of property rental of certain subsidiaries of the Company; and

(d) assignment of insurance on an investment property.

## 32. RETIREMENT BENEFIT PLANS

The Group participates the Mandatory Provident Fund Scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in funds under the control of trustees. The Group contributes 5% of relevant payroll costs capped at HK$1,500 (2021: HK$1,500) per month of each individual employee to the scheme, which contribution is matched by employees.

The employees of the Company's subsidiary in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiary is required to contribute certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefit scheme is to make the specified contributions.

The contributions paid and payable to the Mandatory Provident Fund Scheme and the state-managed retirement benefit scheme operated by the PRC government by the Group in respect of the year which were charged to profit or loss amounting to HK$4,187,000 (2021: HK$4,267,000).

## 32. RETIREMENT BENEFIT PLANS *(Continued)*

The Group's contribution to the retirement benefit schemes for its employees in Hong Kong and the PRC are fully and immediately vested in the employees once the contributions are made. Accordingly, there are no forfeited contributions under the retirement benefit schemes that may be used by the Group to reduce the existing level of contributions as described in paragraph 26(2) of Appendix 16 of the Listing Rules.

## 33. RELATED PARTY TRANSACTIONS/BALANCES

Other than those disclosed in respective notes to the consolidated financial statements, the Group had the following transactions with related parties during the year and balances with related parties at the end of the reporting period:

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Transactions during the year: | | |
| Shun Ho Property and its subsidiaries ("Shun Ho Property Group")* | | |
| Rental income | **–** | 60 |
| Expenses related to short-term leases | **1,040** | 1,040 |
| Interest expenses on amount due to Shun Ho Property Group *(Note a)* | **14,872** | 3,437 |
| Corporate management fee income for administrative facilities provided | **4,363** | 3,476 |
| Corporate management fee income for hotel operation services provided | **716** | 524 |
| Shun Ho Holdings | | |
| Corporate management fee income for administrative facilities provided | **150** | 150 |
| Compensation of key management personnel *(Note c)* | **13,302** | 12,302 |
| Rental income from Mr. William Cheng Kai Man | **840** | – |
| Balance as at year end: | | |
| Shun Ho Property Group* | | |
| Amount due to Shun Ho Property Group at the end of the reporting period *(Note a)* | **609,974** | 189,078 |
| Amount due to Mr. William Cheng Kai Man *(Note b)* | **5,088** | 5,088 |

* exclude the Company and its subsidiaries

*Notes:*

(a) The amount due to immediate holding company which carried interest at 2% per annum was unsecured and repayable on demand.

(b) The amount due to a shareholder which is non-trade related, unsecured, interest free and repayable on demand.

(c) The compensation of key management personnel comprised short-term and post-employment benefits attributable to such personnel.

The remuneration of directors which are also the key management personnel of the Group during the year was as follows:

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Short-term benefits | **13,230** | 12,230 |
| Post-employment benefits | **72** | 72 |
| | **13,302** | 12,302 |

## 34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

| | 2022 | 2021 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **NON-CURRENT ASSETS** | | |
| Property, plant and equipment | **309** | 469 |
| Investments in subsidiaries *(Note)* | **513,989** | 465,304 |
| Amounts due from subsidiaries | **3,862,225** | 3,005,140 |
| Deferred tax asset | **221** | 308 |
| | **4,376,744** | 3,471,221 |
| **CURRENT ASSETS** | | |
| Other receivables | **1,248** | 1,223 |
| Other deposits and prepayments | **1,809** | 1,001 |
| Bank balances and cash | **23,045** | 5,052 |
| | **26,102** | 7,276 |
| **CURRENT LIABILITIES** | | |
| Other payables and accruals | **3,973** | 3,466 |
| Amount due to immediate holding company | **609,974** | 189,078 |
| Amounts due to subsidiaries | **493,905** | 23,670 |
| | **1,107,852** | 216,214 |
| **NET CURRENT LIABILITIES** | **(1,081,750)** | (208,938) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | **3,294,994** | 3,262,283 |
| **CAPITAL AND RESERVES** | | |
| Share capital | **841,926** | 841,926 |
| Reserves | **2,453,068** | 2,420,357 |
| **TOTAL EQUITY** | **3,294,994** | 3,262,283 |

*Note:* Investments in subsidiaries are included in the Company's statement of financial position at cost (including deemed capital contribution) less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 17th March, 2023 and is signed on its behalf by:

**William CHENG Kai Man**
*DIRECTOR*

**Kimmy LAU Kam May**
*DIRECTOR*

## 34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

**Movement in the Company's reserves**

| | **Special capital reserve** *HK$'000* *(Note)* | **Retained profits** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|
| At 1st January, 2021 | 612,477 | 1,772,277 | 2,384,754 |
| Profit and total comprehensive income for the year | – | 35,603 | 35,603 |
| At 31st December, 2021 | 612,477 | 1,807,880 | 2,420,357 |
| Profit and total comprehensive income for the year | – | 32,711 | 32,711 |
| **At 31st December, 2022** | 612,477 | 1,840,591 | 2,453,068 |

*Note:* When sanctioning the reduction in the nominal value of the Company's shares in 1999, the High Court of the Hong Kong Special Administrative Region stipulated that the credit arising on the reduction be transferred to a special capital reserve, and that the reserve, which may be reduced by any increase in the issued share capital and share premium of the Company resulting from an issue of shares for cash or other new consideration or upon a capitalisation of distributable reserves, is not regarded as realised profit and distributable until all of the liabilities of the Company as at 22nd September, 1999, the date on which the reduction of share capital took effect, are settled. The liabilities of the Company at that date have not yet been fully settled as at 31st December, 2022, accordingly the special capital reserve is not considered distributable.

## 35. PARTICULARS OF PRINCIPAL SUBSIDIARIES

All the principal subsidiaries are incorporated and operating principally in Hong Kong except otherwise indicated. None of the subsidiaries had any debt securities outstanding as at 31st December, 2022 or at any time during the year.

| Name of subsidiaries | Paid up issued ordinary share/registered capital Number of shares | Amount | Proportion of ownership interest held by the Company 2022 Directly % | 2022 Indirectly % | 2021 Directly % | 2021 Indirectly % | Principal activities |
|---|---|---|---|---|---|---|---|
| Babenna Limited | 2 | HK$20 | **100** | **–** | 100 | – | Investment holding |
| Beautiful Sky Investment Limited | 2 | HK$2 | **100** | **–** | 100 | – | Hotel investment and operation and investment holding |
| Boutique Hotel Limited | 2 | HK$2 | **100** | **–** | 100 | – | Hotel investment and operation |
| Grand View Hotel Limited | 2,500,000 | HK$2,500,000 | **–** | **100** | – | 100 | Hotel management |
| Harbour Rich Industrial Limited | 10,000 | HK$10,000 | **–** | **100** | – | 100 | Property investment |
| Himson Enterprises Limited | 2 | HK$2 | **100** | **–** | 100 | – | Hotel investment and operation |
| Houston Venture Limited | 2 | HK$2 | **100** | **–** | 100 | – | Property investment |
| King Express Development Limited (ii) | 1 | HK$1 | **100** | **–** | 100 | – | Property investment |
| Longham Investment Limited | 2 | HK$2 | **–** | **100** | – | 100 | Property investment |
| Magnificent International Hotel Limited | 2 | HK$2 | **100** | **–** | 100 | – | Hotel investment and operation |
| Mercury Fast Limited | 2 | HK$2 | **100** | **–** | 100 | – | Securities dealings and investment holding |
| Ocean Time | 100,000 | HK$100,000 | **–** | **100 (v)** | – | – | Hotel investment and operation |
| Pacific Rich International Limited | 8 | HK$8 | **–** | **100** | – | 100 | Property investment |
| Postal Power Company Limited ("Postal Power") | 1,000 | HK$1,000 | **–** | **75** | – | 75 | Property investment |
| Shanghai Shun Ho (Lands Development) Limited (iii) | 1 | US$1 | **100** | **–** | 100 | – | Investment holding |
| 上海順豪房地產發展有限公司 Shanghai Shun Ho Property Development Co., Ltd. (i) | Registered capital | US$4,950,000 | **–** | **100** | – | 100 | Hotel investment and operation |
| Shun Ho Capital Properties Limited (iii) | 1 | US$1 | **100** | **–** | 100 | – | Investment holding |
| Sino Money Investments Limited | 10,000 | HK$10,000 | **–** | **– (vi)** | – | 100 | Hotel investment and operation |
| United Assets Company Limited | 2,000,000 | HK$2,000,000 | **–** | **100** | – | 100 | Hotel investment and operation and investment holding |
| Wood Street Hotel Limited (iv) | 1 | GBP1 | **–** | **100** | – | 100 | Property investment |

(i) Sino foreign co-operative company established and operating principally in the PRC.

(ii) Incorporated in Hong Kong and operating in the UK.

(iii) Incorporated in the BVI.

(iv) Incorporated and operated in the UK.

(v) The entity was acquired during the year ended 31st December, 2022, as detailed in note 26.

(vi) The entity was disposed of during the year ended 31st December, 2022, as detailed in note 27.

During the year ended 31st December, 2021, the Group has entered into a sale and purchase agreement with Mr. William Cheng Kai Man, a shareholder of the Group, to dispose 250 shares of HK$1 each in Postal Power, representing 25% of issued share capital in Postal Power, which carried out property investment business. Pursuant to the sale and purchase agreement, 25% of existing shareholders' loan payable by Postal Power is also transferred to Mr. William Cheng Kai Man, as amount due to a shareholder. The disposal was completed on 27th May, 2021 with consideration of HK$13,050,000.

## 35. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

The directors are of the opinion that a complete list of the subsidiaries of the Company will be of excessive length and therefore the above list contains only the particulars of subsidiaries which principally affects the results or assets of the Group.

## 36. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that group entities will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts, which include amount due to immediate holding company and amount due to a shareholder disclosed in note 33, bank loans disclosed in note 23 (net of bank balances and cash), and equity attributable to owners of the Company, comprising issued capital, retained profits and other reserves as disclosed in the consolidated statement of changes in equity.

The management of the Group reviews the capital structure periodically. As a part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, as well as the issue of new debt or the redemption of existing debts.

There are no significant changes on the Group's approach to capital risk management during the year.

## 37. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Financial assets** | | |
| Amortised cost | **289,114** | 258,756 |
| Financial assets at FVTPL | **–** | 12,450 |
| Equity instruments at FVTOCI | **144,403** | 146,232 |
| | **433,517** | 417,438 |
| Financial liability | | |
| Amortised cost | **895,240** | 513,915 |

## 37. FINANCIAL INSTRUMENTS *(Continued)*

### (b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, equity instruments at FVTOCI, trade and other receivables, other deposits, bank balances and cash, trade and other payables, refund liabilities, rental and other deposits received, amount due to immediate holding company, amount due to a shareholder and bank loans. Details of these financial instruments are disclosed in respective notes. The risk associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

#### *(i) Foreign currency risk management*

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

| | **GBP Assets** | | **GBP Liabilities** | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Bank balance | **399** | 921 | **–** | – |
| Intra-group loans to foreign operations that form part of a net investment | **960,511** | 1,014,811 | **–** | – |
| Intra-group balances | **–** | – | **(19,860)** | (22,164) |

*Sensitivity analysis*

The following table details the Group's sensitivity to a 10% (2021: 10%) increase and decrease in HK$ against GBP. 10% (2021: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 10% (2021: 10%) change in foreign currency rate. It excludes items denominated in US$ held by Group entities with HK$ as functional currency as the directors consider that the Group exposure to US$ for such entities is insignificant on the ground that HK$ is pegged to US$. A positive number below indicates an increase in post-tax profit for the year where HK$ weaken 10% (2021: 10%) against GBP. For a 10% (2021: 10%) strengthening of HK$ against GBP, there will be a decrease in post-tax loss for the year as below indicated number.

| | **GBP** | GBP |
|---|---|---|
| | **2022** | 2021 |
| | ***HK$'000*** | *HK$'000* |
| Profit or loss | **40** | 92 |
| Other comprehensive income (expense) | **(94,065)** | (99,265) |

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the relevant years.

## 37. FINANCIAL INSTRUMENTS *(Continued)*

### (b) Financial risk management objectives and policies *(Continued)*

#### *(ii) Interest rate risk management*

The Group is exposed to cash flow interest rate risk in relation to bank balances and bank loans which are subject to variable-rate interest rate. The interest rates and terms of repayment of the bank loans of the Group are disclosed in note 23. The Group has not used any derivative contracts to hedge its exposure to such interest rate risk, however, the management monitors interest rate exposures and will consider other necessary action when significant interest rate exposure is anticipated. The Group's interest rate risk is mainly concentrated on the fluctuation of market interest rate on bank loans.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates. Details of the impacts on the Group's risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out under "interest rate benchmark reform" in this note.

*Interest rate sensitivity*

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments including variable-rate bank loans at the end of the reporting period. For variable-rate financial instruments, the analysis is prepared assuming the amount of financial instruments are outstanding for the whole year. A 50 basis points (2021: 50 basis points) increase or decrease is used which represents management's assessment of the reasonably possible change in interest rate.

If interest rates had been 50 basis points (2021: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31st December, 2022 would decrease/increase by HK$1,009,000 (2021: HK$1,295,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank loans.

The bank balances are excluded from the sensitivity analysis as the management of the Group considers that the interest rate fluctuation is not significant.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

#### *(iii) Other price risk*

The Group is exposed to equity price risk arising from financial assets at FVTPL and equity instruments at FVTOCI.

*Equity price sensitivity*

The sensitivity analysis below have been determined based on the exposure to equity price risk at the reporting date. If the market prices of the respective equity instruments had been 10% (2021: 10%) higher/lower, the post-tax profit for the year ended 31st December, 2022 would increase/decrease by HK$Nil (2021: HK$1,245,000) as a result of the changes in fair value of financial assets at FVTPL and the other comprehensive income would increase/decrease by HK$14,440,000 (2021: increase/decrease by HK$14,623,000) as a result of the changes in fair value of equity instruments at FVTOCI.

## 37. FINANCIAL INSTRUMENTS *(Continued)*

### (b) Financial risk management objectives and policies *(Continued)*

#### *(iv) Credit risk and impairment assessment*

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivables, other deposits and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets except that the credit risks associated with trade receivables is mitigated because they are secured over deposits.

The Group's internal credit risk grading assessment comprises the following categories:

| Internal credit rating | Description | Trade receivables | Other financial assets |
|---|---|---|---|
| Low risk | The counterparty has a low risk of default and does not have any past-due amounts | Lifetime ECL – not credit-impaired | 12m ECL |
| Watch list | Debtor frequently repays after due dates but usually settle in full | Lifetime ECL – not credit-impaired | 12m ECL |
| Doubtful | There have been significant increases in credit risk since initial recognition through information developed internally or external resources | Lifetime ECL – not credit-impaired | Lifetime ECL – not credit-impaired |
| Loss | There is evidence indicating the asset is credit-impaired | Lifetime ECL – credit-impaired | Lifetime ECL – credit-impaired |
| Write-off | There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner | Amount is written off | Amount is written off |

## 37. FINANCIAL INSTRUMENTS *(Continued)*

### (b) Financial risk management objectives and policies *(Continued)*

#### *(iv) Credit risk and impairment assessment* *(Continued)*

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

| | *Notes* | **External credit rating** | **Internal credit rating** | **12m or lifetime ECL** | **Gross carrying amount 2022** | **Gross carrying amount 2021** |
|---|---|---|---|---|---|---|
| | | | | | ***HK\$'000*** | *HK\$'000* |
| **Financial assets at amortised cost** | | | | | | |
| Trade receivables from contracts with customers | *18* | N/A | Low risk | Lifetime ECL | **10,730** | 3,402 |
| Other receivables | *18* | N/A | Low risk | 12m ECL | **5,038** | 2,501 |
| Other deposits | *N/A* | N/A | Low risk | 12m ECL | **7,438** | 5,011 |
| Bank balances | *19* | Baa1 to A1 | N/A | 12m ECL | **265,908** | 247,842 |

*Trade receivables from contracts with customers*

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit rating limits. The Group has no significant concentration of credit risk on trade receivables from contracts with customers, with exposure spread over a number of counterparties and customers.

The Group performs impairment assessment under ECL model on trade balances. The trade receivables from contracts with customers are grouped, based on shared credit risk characteristics by reference to repayment histories for recurring customers and current past due exposure for new customers.

As part of the Group's credit risk management, the Group used an internal credit rating by assigning loss rates to its debtors. The estimated loss rates are based on aging of trade debtors as well as historical observed default rates over the expected life of the debtors and forward-looking information that is available without undue cost or effort.

For the years ended 31st December, 2022 and 2021, the Group assessed the balance of ECL for trade receivables were insignificant and thus no loss allowance was recognised.

## 37. FINANCIAL INSTRUMENTS *(Continued)*

### (b) Financial risk management objectives and policies *(Continued)*

#### *(iv)* ***Credit risk and impairment assessment*** *(Continued)*

*Other receivables and other deposits*

For other receivables and other deposits, the directors of the Company make periodic assessment on the recoverability of other receivables and other deposits based on past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL.

For the years ended 31st December, 2022 and 2021, the Group assessed the ECL for other receivables and other deposits were insignificant and thus no loss allowance was recognised.

*Bank balances*

Credit risk on bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12m ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. The 12m ECL on bank balances is considered to be insignificant.

#### *(v)* ***Liquidity risk management***

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

As at 31st December, 2022, the Group has available unutilised banking facilities of approximately HK$912,000,000 (2021: HK$910,500,000).

As at 31st December, 2022, the Group had net current liabilities of HK$435,267,000 (2021: HK$297,011,000) which is exposed to liquidity risk. In order to mitigate the liquidity risk, the directors of the Company consider that the Group is able to utilise the unused banking facilities and have a sufficient operating cash inflows in a timely manner to meet in full its financial obligations as they fall due for the foreseeable future.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

## 37. FINANCIAL INSTRUMENTS *(Continued)*

### (b) Financial risk management objectives and policies *(Continued)*

#### *(v)* ***Liquidity risk management*** *(Continued)*

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflows based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank loans is prepared based on the scheduled repayment dates.

| | **Weighted average effective interest rate** | **On demand or less than 1 month** | **1 – 3 months** | **3 months to 1 year** | **1 – 5 years** | **Total undiscounted cash flows** | **Carrying amount** |
|---|---|---|---|---|---|---|---|
| | *%* | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| **2022** | | | | | | | |
| Non-interest bearing liabilities | **–** | **38,463** | **–** | **–** | **–** | **38,463** | **38,463** |
| Amount due to immediate holding company | **2.00** | **609,974** | **–** | **–** | **–** | **609,974** | **609,974** |
| Amount due to a shareholder | **–** | **5,088** | **–** | **–** | **–** | **5,088** | **5,088** |
| Bank loans – variable interest rate | **4.69** | **22,890** | **1,780** | **8,007** | **238,098** | **270,775** | **241,715** |
| | | **676,415** | **1,780** | **8,007** | **238,098** | **924,300** | **895,240** |

| | Weighted average effective interest rate | On demand or less than 1 month | 1 – 3 months | 3 months to 1 year | 1 – 5 years | Total undiscounted cash flows | Carrying amount |
|---|---|---|---|---|---|---|---|
| | *%* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| 2021 | | | | | | | |
| Non-interest bearing liabilities | – | 8,188 | – | – | 1,262 | 9,450 | 9,450 |
| Amount due to immediate holding company | 2.00 | 189,078 | – | – | – | 189,078 | 189,078 |
| Amount due to a shareholder | – | 5,088 | – | – | – | 5,088 | 5,088 |
| Bank loans – variable interest rate | 1.03 | 59,508 | 3,957 | 247,979 | – | 311,444 | 310,299 |
| | | 261,862 | 3,957 | 247,979 | 1,262 | 515,060 | 513,915 |

## 37. FINANCIAL INSTRUMENTS *(Continued)*

### (b) Financial risk management objectives and policies *(Continued)*

#### *(v) Liquidity risk management* (Continued)

The table below summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand or less than 1 month" time band in the maturity analysis contained in the table above. Taking into account the Group's financial position, the directors of the Company do not consider that it is probable that the banks will exercise its discretion to demand immediate repayment. The directors of the Company believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

**Maturity Analysis – Term loans subject to a repayment on demand clause based on scheduled repayments**

| | Less than 1 month | 1 – 3 months | 3 months to 1 year | 1 – 5 years | Over 5 years | Total undiscounted cash flows | Carrying amount |
|---|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **2022** | **108** | **217** | **22,325** | **–** | **–** | **22,650** | **22,000** |
| 2021 | 126 | 23,767 | 32,184 | 1,853 | – | 57,930 | 57,531 |

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

#### *(vi) Interest rate benchmark reform*

As listed in note 23, the Group's LIBOR bank loans has subjected to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

*LIBOR*

As at 31st December, 2022, all LIBOR settings have been either ceased to be provided by any administrator or no longer be representative, except for US dollar setting (other than 1-week and 2-month settings) which will be ceased immediately after 30th June 2023.

## 37. FINANCIAL INSTRUMENTS *(Continued)*

### (b) Financial risk management objectives and policies *(Continued)*

#### *(vi) Interest rate benchmark reform* (Continued)

*HIBOR*

While the Hong Kong Dollar Overnight Index Average ("HONIA") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist.

(i) Risks arising from the interest rate benchmark reform

The following are the key risks for the Group arising from the transition:

Interest rate related risks

There are fundamental differences between IBORs and the various alternative benchmark rates. IBORs are forward looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments.

Liquidity risk

The additional uncertainty on various alternative rates which are typically published on overnight basis will require additional liquidity management. The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to accommodate unexpected increases in overnight rates.

(ii) Progress towards implementation of alternative benchmark interest rates

As part of the Group's risk management for transition, new contracts entered into by the Group are linked to the relevant alternative benchmark rates or interest rates which are not subject to reform to the extent feasible.

The following table shows the total amounts of outstanding contracts and the progress in completing the transition to alternative benchmark rates as at 31st December, 2022. The amounts of financial liabilities are shown at their carrying amounts.

| **Financial instruments prior to transition** | **Maturing in** | **HK$'000** | **Transition progress for financial instruments** |
|---|---|---|---|
| **Non-derivative financial liabilities** | | | |
| Bank loans linked to HIBOR | 2023 | 22,000 | HIBOR will continue till maturity |

## 37. FINANCIAL INSTRUMENTS *(Continued)*

### (c) Fair values of financial instruments

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and key inputs used).

| Financial assets | 2022<br>*HK$'000* | 2021<br>*HK$'000* | Fair value hierarchy | Valuation technique(s) and key input(s) |
|---|---|---|---|---|
| Financial assets at FVTPL | **–** | 12,450 | Level 1 | Quoted bid prices in an active market |
| Equity instruments at FVTOCI | **144,403** | 146,232 | Level 1 | Quoted bid prices in an active market |

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

## 38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

| | Interest payable (included in other payables)<br>*HK$'000* | Bank loans<br>*HK$'000* | Amount due to immediate holding company<br>*HK$'000* | Amount due to a shareholder<br>*HK$'000* | Total<br>*HK$'000* |
|---|---|---|---|---|---|
| At 1st January, 2021 | 52 | 347,545 | 133,873 | – | 481,470 |
| Financing cash inflows | – | 25,000 | 51,768 | 13,050 | 89,818 |
| Financing cash outflows | (3,095) | (61,245) | – | – | (64,340) |
| Interest expenses | 3,071 | – | 3,437 | – | 6,508 |
| Exchange realignment | – | (1,001) | – | – | (1,001) |
| Disposal of partial interest in a subsidiary | – | – | – | (7,962) | (7,962) |
| At 31st December, 2021 | 28 | 310,299 | 189,078 | 5,088 | 504,493 |
| Financing cash inflows | – | 1,226,331 | 406,024 | – | 1,632,355 |
| Financing cash outflows | (8,072) | (1,268,954) | – | – | (1,277,026) |
| Interest expenses | 8,226 | – | 14,872 | – | 23,098 |
| Exchange realignment | – | (25,961) | – | – | (25,961) |
| **At 31st December, 2022** | **182** | **241,715** | **609,974** | **5,088** | **856,959** |

## CONSOLIDATED RESULTS

| | For the year ended 31st December, | | | | |
|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 | **2022** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | ***HK$'000*** |
| Revenue | 579,673 | 427,593 | 223,410 | 326,398 | **439,482** |
| Operating profit (loss) and profit (loss) before taxation | 297,812 | 46,133 | (203,925) | 73,868 | **616,309** |
| Income tax (expense) credit | (37,463) | (14,302) | 2,215 | (8,269) | **(24,146)** |
| Profit (loss) before non-controlling interests | 260,349 | 31,831 | (201,710) | 65,599 | **592,163** |
| Non-controlling interests | – | – | – | (77) | **636** |
| Profit (loss) for the year attributable to owners of the Company | 260,349 | 31,831 | (201,710) | 65,522 | **592,799** |

## CONSOLIDATED NET ASSETS

| | As 31st December, | | | | |
|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 | **2022** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | ***HK$'000*** |
| Property, plant and equipment | 2,690,769 | 2,655,849 | 2,520,947 | 2,879,814 | **3,782,568** |
| Right-of-use asset | 27,105 | 26,481 | 27,629 | 27,657 | **24,374** |
| Investment properties | 1,099,300 | 1,097,900 | 1,491,110 | 1,121,905 | **1,020,440** |
| Other non-current assets | 320,711 | 696,013 | 167,763 | 146,232 | **144,403** |
| Net current assets (liabilities) | 301,762 | (119,623) | (124,074) | (297,011) | **(435,267)** |
| Non-current bank loans | (278,866) | (266,024) | (253,728) | – | **(219,715)** |
| Non-current rental deposits received | (1,552) | (1,552) | (1,236) | (1,262) | **–** |
| Deferred tax liabilities | (97,568) | (97,834) | (89,435) | (90,096) | **(84,039)** |
| Non-controlling interests | – | – | – | (8,039) | **(7,403)** |
| Net assets attributable to owners of the Company | 4,061,661 | 3,991,210 | 3,738,976 | 3,779,200 | **4,225,361** |

# Major Properties

## A. HOTEL PROPERTIES (HELD FOR INVESTMENT)

| Location | Type of use | Lease term |
|---|---|---|
| Best Western Plus Hotel Hong Kong<br>No. 308 Des Voeux Road West<br>Hong Kong | Hotel | Long lease |
| Best Western Plus Hotel Kowloon<br>Nos. 73-75 Chatham Road South<br>Tsimshatsui<br>Kowloon, Hong Kong | Hotel | Medium-term lease |
| Ramada Hong Kong Grand<br>No. 23 Austin Avenue<br>Tsimshatsui<br>Kowloon, Hong Kong | Hotel | Medium-term lease |
| Best Western Hotel Causeway Bay<br>No. 38 Bowrington Road<br>Causeway Bay<br>Hong Kong | Hotel | Medium-term lease |
| Ramada Hong Kong Harbour View<br>No. 239 Queen's Road West<br>Hong Kong | Hotel | Long lease |
| Magnificent International Hotel<br>No. 381 Xizang Road South<br>Shanghai, The PRC | Hotel | Medium-term lease |
| Bay Bridge Hotel<br>123 Castle Peak Road,<br>Yau Kom Tau, Tsuen Wan,<br>New Territories, Hong Kong | Hotel | Medium-term lease |
| Royal Scot Hotel<br>100 King's Cross Road<br>London, WC1X 9DT<br>England | Hotel | Freehold |
| No. 37 Wood Street<br>London EC2<br>England | Hotel | Long lease |