

MAGNIFICENT HOTEL INVESTMENTS LIMITED

華大酒店投資有限公司

(Stock Code: 201)



INTERIM REPORT 2022

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

Solicitors

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 Registrars

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

Company's Website

www.magnificenthotelinv.com

INTERIM RESULTS

The board (the “Board”) of directors (the “Director(s)”) of Magnificent Hotel Investments Limited (the “Company”) announces that the profit attributable to owners of the Company for the six months ended 30th June, 2022 was HK\$106 million (six months ended 30th June, 2021: HK\$9 million), increased by HK\$97 million.

INTERIM DIVIDEND

In deciding whether to distribute the interim dividend and its amount, the Board has reviewed the Company’s adopted dividend policy, the Board considers that reserving capital can secure the Group under the current COVID-19 crisis that may continue to affect future hotel income base, as well as to assist funding the potential hotel acquisition project (as disclosed under the section headed “Material Acquisitions and Disposals and Significant Investments” in this report), the Board does not recommend the payment of interim dividend for the six months ended 30th June, 2022 (six months ended 30th June, 2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

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

Profit for the period attributable to owners of the Company for the six months ended 30th June, 2022 was HK\$106 million (six months ended 30th June, 2021: HK\$9 million), increased by HK\$97 million.

| | Six months ended | | Change |
|---|---|--|----------|
| | 30.6.2021 <i>HK\$’000</i> (unaudited) | 30.6.2022 <i>HK\$’000</i> (unaudited) | |
| Profit from operation of hotels | 373 | 126,031 | +33,688% |
| – Profit | 38,045 | 163,734 | |
| – Depreciation | (37,672) | (37,703) | |
| Profit from property investment | 26,245 | 16,989 | -35% |
| Income from securities investments | – | 42 | N/A |
| Other income and gain and losses | 2,229 | 3,554 | +59% |
| | 28,847 | 146,616 | +408% |
| Administrative expenses | (15,829) | (18,065) | +14% |
| Income tax expense | (4,255) | (22,546) | +430% |
| Profit after taxation | 8,763 | 106,005 | +1,110% |
| Non-controlling interests | (9) | (47) | +422% |
| Profit after taxation and non-controlling interests | 8,754 | 105,958 | +1,110% |

The overall increase in profit for the six months ended 30th June, 2022 was mainly due to increase in hotel revenue.

PERFORMANCE

For the six months ended 30th June, 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

| | Six months ended | | Change | Reason |
|-----------------------------------|--------------------------------------|--------------------------------------|--------|--|
| | 30.6.2021 HK\$'000 (unaudited) | 30.6.2022 HK\$'000 (unaudited) | | |
| Income from operation of hotels | 119,493 | 256,622 | +115% | Increase in room rates, occupancies and increase in food and beverage income |
| Income from investment properties | 22,983 | 18,737 | -18% | Wood Street, London and apartments leasing |
| Dividend income | – | 42 | N/A | Dividend received from stock investment |
| Other income | 2,229 | 3,554 | +59% | Increase in government subsidies received |
| | | | | |
| Total | <u>144,705</u> | <u>278,955</u> | +93% | |

Since five out of six local hotels of the Group have taken up the role of designated quarantine hotels under the government's regulation since January 2021, the total income for the Group increased by 93% from HK\$145 million to HK\$279 million compared with last year. The significant increase in hotel revenue was due to four out of five of the quarantine hotels becoming "Community Isolation Facility" hotels from February to May 2022.

HOTELS PERFORMANCES

The Group presently owns eight hotels, operates seven hotels and leases out one hotel in London. The income from operation of hotels increased by 115% to HK\$257 million (six months ended 30th June, 2021: HK\$119 million). Royal Scot Hotel in London was leased to a hotel management company, Travelodge.

| | Ramada Hong Kong Harbour View | Ramada Hong Kong Grand | Best Western Plus Hotel Hong Kong | Best Western Hotel Causeway Bay | Best Western Plus Hotel Kowloon | Grand City Hotel | Magnificent International Hotel, Shanghai |
|-------------------------------|--|------------------------------|--|---|--|------------------------|--|
| 2022 | | | | | | | |
| Jan to Jun | | | | | | | |
| Average room occupancy (%) | 85 | 86 | 67 | 85 | 99 | 83 | 88 |

As at 30th June, 2022, an independent third party valuation of Royal Scot Hotel, London was GBP88,500,000 (as at 31st December, 2021: GBP88,500,000). Future prospect of rental increase of the Royal Scot Hotel is encouraging because annual rent increase is linked with the United Kingdom Retail Price Index, which currently hits 40-years high at 12.3% in July 2022. The rental income of Royal Scot Hotel, London for the period was GBP1,768,000 (six months ended 30th June, 2021: GBP1,768,000).

COST

- The **SERVICE COST** for the period was HK\$76.3 million (six months ended 30th June, 2021: HK\$79.2 million), representing hotel operation cost, decreased by HK\$2.9 million.

Cost of sale of HK\$14 million (six months ended 30th June, 2021: HK\$0.2 million) was from cost of food and beverage. Such increase was due to provision of special meals to designated quarantine hotels' guest.

- During the period, the **ADMINISTRATIVE EXPENSES** excluding depreciation was HK\$17.1 million (six months ended 30th June, 2021: HK\$14.5 million).

The accounting standards require hotel properties of the Group to provide **DEPRECIATION** which amounted to HK\$37.7 million (six months ended 30th June, 2021: HK\$37.7 million) for the period.

DEPRECIATION OF HOTEL PROPERTIES

| Name of Hotel | Six months ended | | Change HK\$ million |
|---|---------------------------|---------------------------|------------------------|
| | 30.6.2021 HK\$ million | 30.6.2022 HK\$ million | |
| Ramada Hong Kong Harbour View | 3.0 | 3.0 | – |
| Ramada Hong Kong Grand | 14.8 | 14.9 | +0.1 |
| Best Western Plus Hotel Kowloon | 8.1 | 8.1 | – |
| Best Western Plus Hotel Hong Kong | 2.1 | 2.1 | – |
| Best Western Hotel Causeway Bay | 5.8 | 5.9 | +0.1 |
| Grand City Hotel | 2.5 | 2.4 | -0.1 |
| Magnificent International Hotel, Shanghai | 1.4 | 1.3 | -0.1 |
| Total amount for the period | <u>37.7</u> | <u>37.7</u> | – |

FUNDING

- As at 30th June, 2022, the **OVERALL DEBTS** of the Group were HK\$492 million (31st December, 2021: HK\$504 million), of which HK\$394 million (31st December, 2021: HK\$310 million) was assets secured bank borrowings and HK\$99 million was advances from shareholders (31st December, 2021: HK\$194 million).

The gearing ratio was 13% (31st December, 2021: 13%) in terms of overall debts of HK\$493 million (31st December, 2021: HK\$504 million) against funds employed of HK\$3,755 million before revaluation of all hotel properties (31st December, 2021: HK\$3,779 million).

The overall debts were analysed as follows:

| | As at 31st December, 2021 HK\$ million | As at 30th June, 2022 HK\$ million | Change HK\$ million | Interest Paid |
|---------------------|---|---|------------------------|---|
| | | | | As at 30th June, 2022 HK\$ million |
| Bank loans | 310 | 394 | +84 | 2.7 |
| Shareholder's loans | 194 | 98 | -96 | 1.6 |
| Overall debts | 504 | 492 | -12 | 4.3 |

- **FINANCE COST:** Of these loans, the total interest expenses amounted to HK\$4.3 million (30th June, 2021: HK\$3.0 million), the bank loans interest expenses amounted to HK\$2.7 million (30th June, 2021: HK\$1.5 million) and the shareholder's loan interest expenses amounted to HK\$1.6 million (30th June, 2021: HK\$1.5 million).

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

As at 30th June, 2022, the Group had a total number of 412 employees (31st December, 2021: 424 employees). Remuneration and benefit were set with reference to the market.

BUSINESS HIGHLIGHTS

During the period, the tourism market in Hong Kong was most devastated by the COVID-19. The number of Overseas/PRC visitors was just 76,000 (dropped by 99%) which substantially affected hotel businesses.

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 12.3% in July 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. The management is making further application to increase number of guest rooms while making preparations for the commencement of refurbishment works. The management is pleased to have this opportunity to renovate this landmark heritage building in the centre of City of London.

LOOKING AHEAD

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

Hong Kong has been suffering from US-Sino trade war and COVID-19 which have stopped international/PRC tourism visiting. Such unforeseeable circumstances have adversely affected the local economy, hospitality, retail and hotel market of Hong Kong with most establishments either closed or operating on low occupancies with significant losses.

It is the management's view that in the remaining 2022, due to the continuous COVID-19 effect, it is quite unlikely that significant overseas/PRC visitors will return to Hong Kong. Hotels in Hong Kong and retail stores will continue to suffer from low occupancies and high operating costs. The management will continue to try to control hotel operating costs.

Six of the Group's hotels in Hong Kong and Shanghai are operating as quarantine hotels under short term contracts with the Government. It is expected that the Government may shorten quarantine hotel stays from inbound travellers, therefore the Group's hotels may resume competitions with other local hotels.

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

MATERIAL ACQUISITIONS AND DISPOSALS AND SIGNIFICANT INVESTMENTS

On 11 May 2022, Babenna Limited (a subsidiary of the Company) ("Babenna") and SYP Investment Limited (an independent third party to the Group) ("SYP") entered into a sale and purchase agreement pursuant to which Babenna agreed to sell Grand City Hotel by disposal of the entire issued share capital of Sino Money Investments Limited (a wholly-owned subsidiary of the Company) ("Sino Money") and assign to SYP the loan owing by Sino Money to Babenna as at completion at a consideration of HK\$900,000,000, subject to adjustments. The disposal was approved by the shareholders at the extraordinary general meeting of the Company held on 16 August 2022. As at the date of this report, the disposal has not been completed. Further details of the disposal were disclosed in the Company's announcement dated 11 May 2022 and circular dated 27 July 2022.

On 11 May 2022, Shun Ho Construction (Holdings) Limited (a subsidiary of the Company) ("Shun Ho Construction") and Crest Incorporated (an independent third party to the Group) ("Crest") entered into a sale and purchase agreement pursuant to which Shun Ho Construction agreed to acquire the Bay Bridge Hotel by acquisition of the entire issued share capital of Ocean Time Investments Limited (a wholly-owned subsidiary of Crest) ("Ocean Time") and accept the assignment of the loan owing by Ocean Time to Crest as at completion at a consideration of HK\$1,420,695,000, subject to adjustments. The acquisition is subject to the approval of the shareholders of the Company. As at the date of this report, the acquisition has not been completed. Further details of the acquisition were disclosed in the Company's announcement dated 11 May 2022 and circular dated 8 September 2022.

The proceed of the disposal of Grand City Hotel will assist the Group in acquiring the waterfront 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.

Save as disclosed above, there were no material acquisitions or disposals of subsidiaries, associates or joint ventures or significant investments during the period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June, 2022.

DIRECTORS' INTERESTS IN LISTED SECURITIES

As at 30th June, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (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 Investments Limited ("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 Engineering & Construction Company Limited ("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 (<i>Note 1</i>) | Beneficial owner and interest of controlled corporations | Personal and corporate | 385,395,999 | 66.48 |
| William Cheng Kai Man | Shun Ho Holdings Limited ("Shun Ho Holdings") (<i>Note 2</i>) | 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)") (<i>Note 3</i>) | 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.

An employee share option scheme of the Company was adopted at the extraordinary general meeting held on 14th November, 2013 ("Share Option Scheme") and was amended at the annual general meeting held on 18th June, 2014. Since the adoption of the Share Option Scheme and up to the date of this report, 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.

Save as disclosed above and save for shares in subsidiaries held by a director in trust for their immediate holding companies, as at 30th June, 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 period.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 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 (<i>Note 1</i>) | Beneficial owner and interest of controlled corporations | 6,360,585,437 (L) | 71.09 |
| Omnico Company Inc. (“Omnico”) (<i>Note 2</i>) | Interest of controlled corporations | 6,360,585,437 (L) | 71.09 |
| Shun Ho Holdings (<i>Note 2</i>) | Interest of controlled corporations | 6,360,585,437 (L) | 71.09 |
| Trillion Resources (BVI) (<i>Note 2</i>) | Interest of controlled corporations | 6,360,585,437 (L) | 71.09 |
| Liza Lee Pui Ling (<i>Note 3</i>) | Interest of spouse | 6,360,585,437 (L) | 71.09 |
| Fastgrow | Beneficial owner | 2,978,198,581 (L) | 33.29 |
| Alef United Holdings Limited (<i>Note 4</i>) | Beneficial owner and interest in persons acting in concert | 885,094,524 (L) | 9.89 |
| Credit Suisse Trust Limited (<i>Note 4</i>) | Interest of controlled corporations | 885,094,524 (L) | 9.89 |
| Hashim Majed Hashim A. (<i>Note 4</i>) | Interest of controlled corporations | 885,094,524 (L) | 9.89 |
| North Salomon Limited (<i>Note 4</i>) | Interest of controlled corporations | 885,094,524 (L) | 9.89 |
| Saray Capital Limited (<i>Note 4</i>) | Interest of controlled corporations | 885,094,524 (L) | 9.89 |
| Saray Value Fund SPC (<i>Note 4</i>) | Beneficial owner and interest in persons acting in concert | 885,094,524 (L) | 9.89 |

| Name of shareholder | Capacity | Number of shares/ underlying shares held | Approximate % of shareholding |
|-------------------------------------|-------------------------------------|---|----------------------------------|
| Shobokshi Hussam Ali H. (Note 4) | Interest of controlled corporations | 885,094,524 (L) | 9.89 |
| FMR LLC (Note 5) | Interest 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 Fund 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.

INDEPENDENT REVIEW

The interim results for the six months ended 30th June, 2022 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, by Deloitte Touche Tohmatsu, whose independent review report is included on page 14 of this interim report. The interim results and the interim report 2022 have also been reviewed by the Group’s Audit Committee.

CORPORATE GOVERNANCE

(a) Compliance with the Corporate Governance Code

From 1 January 2022, certain amendments to the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited came into effect and the requirements under the CG Code applied to all listed issuers for financial year commencing on or after 1 January 2022. The Board will continue to review and enhance the corporate governance practice of the Company to ensure compliance with the CG Code and align with the latest developments.

During the six months ended 30th June, 2022, the Company has complied with all the code provisions of the CG Code with the exception of the following deviations:

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

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

(b) Compliance with the Model Code

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

By Order of the Board

William CHENG Kai Man
Chairman

Hong Kong, 29th August, 2022

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF MAGNIFICENT HOTEL INVESTMENTS LIMITED

華大酒店投資有限公司

(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Magnificent Hotel Investments Limited (the “Company”) and its subsidiaries set out on pages 15 to 42, which comprise the condensed consolidated statement of financial position as of 30th June, 2022 and the related condensed consolidated statement of profit or loss, statement of total comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29th August, 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2022

| | <i>NOTES</i> | Six months ended 30th June, 2022 <i>HK\$'000</i> (Unaudited) | 2021 <i>HK\$'000</i> (Unaudited) |
|--|--------------|--|--|
| Revenue | 3 | | |
| Contracts with customers | | 256,622 | 119,493 |
| Leases | | 18,737 | 22,983 |
| Dividend income | | 42 | – |
| | | <hr/> | <hr/> |
| Total revenue | | 275,401 | 142,476 |
| Cost of sales | | (14,008) | (269) |
| Other service costs | | (76,279) | (79,204) |
| Depreciation of property, plant and equipment | | (37,284) | (37,245) |
| Depreciation of right-of-use asset | | (419) | (427) |
| | | <hr/> | <hr/> |
| Gross profit | | 147,411 | 25,331 |
| Net increase in fair value of investment properties | | – | 4,330 |
| Other income and gains and losses | | 3,554 | 2,229 |
| Administrative expenses | | (18,065) | (15,829) |
| – Depreciation | | (963) | (1,334) |
| – Others | | (17,102) | (14,495) |
| Finance costs | 5 | (4,349) | (3,043) |
| Profit before taxation | | 128,551 | 13,018 |
| Income tax expense | 6 | (22,546) | (4,255) |
| Profit for the period | 7 | <u>106,005</u> | <u>8,763</u> |
| Profit for the period attributable to: | | | |
| Owners of the Company | | 105,958 | 8,754 |
| Non-controlling interests | | 47 | 9 |
| | | <hr/> | <hr/> |
| | | <u>106,005</u> | <u>8,763</u> |
| | | <hr/> | <hr/> |
| | | <i>HK cents</i> | <i>HK cents</i> |
| Earnings per share | 9 | | |
| Basic | | <u>1.18</u> | <u>0.10</u> |

**CONDENSED CONSOLIDATED STATEMENT OF TOTAL
COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30TH JUNE, 2022

| | Six months ended 30th June, | |
|---|--|----------------|
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Profit for the period | <u>106,005</u> | <u>8,763</u> |
| Other comprehensive (expense) income | | |
| Item that will not be reclassified to profit or loss | | |
| Fair value loss on equity instruments at fair value through other comprehensive income | (7,198) | (25,291) |
| Item that may be reclassified subsequently to profit or loss | | |
| Exchange differences on translation of foreign operations | <u>(131,077)</u> | <u>20,034</u> |
| Other comprehensive expense for the period | <u>(138,275)</u> | <u>(5,257)</u> |
| Total comprehensive (expense) income for the period | <u>(32,270)</u> | <u>3,506</u> |
| Total comprehensive (expense) income attributable to: | | |
| Owners of the Company | (32,317) | 3,497 |
| Non-controlling interests | <u>47</u> | <u>9</u> |
| | <u>(32,270)</u> | <u>3,506</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2022

| | <i>NOTES</i> | As at 30th June, 2022 <i>HK\$'000</i> (Unaudited) | As at 31st December, 2021 <i>HK\$'000</i> (Audited) |
|--|--------------|--|--|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | <i>10</i> | 2,426,981 | 2,879,814 |
| Right-of-use asset | | 25,926 | 27,657 |
| Investment properties | <i>11</i> | 1,032,520 | 1,121,905 |
| Equity instruments at fair value through other comprehensive income | <i>20</i> | 139,034 | 146,232 |
| Deposit paid for acquisition of a subsidiary | <i>13</i> | 142,070 | – |
| | | <u>3,766,531</u> | <u>4,175,608</u> |
| CURRENT ASSETS | | | |
| Inventories | | 1,046 | 1,037 |
| Trade and other receivables | <i>12</i> | 51,894 | 6,336 |
| Other deposits and prepayments | | 9,507 | 7,728 |
| Financial assets at fair value through profit or loss (“FVTPL”) | <i>20</i> | – | 12,450 |
| Bank balances and cash | | 242,885 | 247,842 |
| | | 305,332 | 275,393 |
| Assets classified as held for sale | <i>14</i> | 380,526 | – |
| | | <u>685,858</u> | <u>275,393</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AT 30TH JUNE, 2022

| | NOTES | As at 30th June, 2022 HK\$'000 (Unaudited) | As at 31st December, 2021 HK\$'000 (Audited) |
|--|-------|--|--|
| CURRENT LIABILITIES | | | |
| Trade and other payables and accruals | 15 | 32,177 | 34,448 |
| Rental and other deposits received | | 1,794 | 1,877 |
| Contract liabilities | | 49,085 | 26,455 |
| Amount due to immediate holding company | 18(a) | 93,302 | 189,078 |
| Amount due to a shareholder | 18(b) | 5,088 | 5,088 |
| Tax liabilities | | 20,999 | 5,159 |
| Bank loans | 16 | 393,863 | 310,299 |
| | | <u>596,308</u> | <u>572,404</u> |
| Liabilities associated with assets classified as held for sale | 14 | 8,371 | – |
| | | <u>604,679</u> | <u>572,404</u> |
| NET CURRENT ASSETS (LIABILITIES) | | | |
| | | <u>81,179</u> | <u>(297,011)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | |
| | | <u>3,847,710</u> | <u>3,878,597</u> |
| CAPITAL AND RESERVES | | | |
| Share capital | 17 | 841,926 | 841,926 |
| Reserves | | 2,904,957 | 2,937,274 |
| | | <u>3,746,883</u> | <u>3,779,200</u> |
| Equity attributable to owners of the Company | | 8,086 | 8,039 |
| Non-controlling interests | | <u>8,086</u> | <u>8,039</u> |
| TOTAL EQUITY | | | |
| | | <u>3,754,969</u> | <u>3,787,239</u> |
| NON-CURRENT LIABILITIES | | | |
| Rental deposits received | | 1,006 | 1,262 |
| Deferred tax liabilities | | 91,735 | 90,096 |
| | | <u>92,741</u> | <u>91,358</u> |
| | | <u>3,847,710</u> | <u>3,878,597</u> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30TH JUNE, 2022

| | Attributable to owners of the Company | | | | | | | | Non-controlling interest HK\$ '000 | Total HK\$ '000 |
|--|---------------------------------------|--|---|---|---|--|-------------------------------|------------------------|---------------------------------------|--------------------|
| | Share capital HK\$ '000 | Special capital reserve HK\$ '000 (Note a) | Property revaluation reserve HK\$ '000 (Note b) | Securities revaluation reserve HK\$ '000 | Foreign currency translation reserve HK\$ '000 | Other reserve HK\$ '000 (Note c) | Retained profits HK\$ '000 | Sub-total HK\$ '000 | | |
| At 1st January, 2021 (audited) | 841,926 | 612,477 | 1,089 | 91,406 | 12,966 | 3,561 | 2,175,551 | 3,738,976 | – | 3,738,976 |
| Profit for the period | – | – | – | – | – | – | 8,754 | 8,754 | 9 | 8,763 |
| Fair value loss on equity instruments at fair value through other comprehensive income | – | – | – | (25,291) | – | – | – | (25,291) | – | (25,291) |
| Exchange differences arising on translation of foreign operations | – | – | – | – | 20,034 | – | – | 20,034 | – | 20,034 |
| Total comprehensive (expense) income for the period | – | – | – | (25,291) | 20,034 | – | 8,754 | 3,497 | 9 | 3,506 |
| Disposal of partial interest in a subsidiary | – | – | – | – | – | – | – | – | 7,962 | 7,962 |
| At 30th June, 2021 (unaudited) | 841,926 | 612,477 | 1,089 | 66,115 | 33,000 | 3,561 | 2,184,305 | 3,742,473 | 7,971 | 3,750,444 |
| At 1st January, 2022 (audited) | 841,926 | 612,477 | 1,089 | 69,875 | 9,199 | 3,561 | 2,241,073 | 3,779,200 | 8,039 | 3,787,239 |
| Profit for the period | – | – | – | – | – | – | 105,958 | 105,958 | 47 | 106,005 |
| Fair value loss on equity instruments at fair value through other comprehensive income | – | – | – | (7,198) | – | – | – | (7,198) | – | (7,198) |
| Exchange differences arising on translation of foreign operations | – | – | – | – | (131,077) | – | – | (131,077) | – | (131,077) |
| Total comprehensive (expense) income for the period | – | – | – | (7,198) | (131,077) | – | 105,958 | (32,317) | 47 | (32,270) |
| At 30th June, 2022 (unaudited) | 841,926 | 612,477 | 1,089 | 62,677 | (121,878) | 3,561 | 2,347,031 | 3,746,883 | 8,086 | 3,754,969 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Continued)
FOR THE SIX MONTHS ENDED 30TH JUNE, 2022

Notes:

- (a) The special capital reserve represents the difference arising from the reduction of the nominal value of the Company's shares in year 1999.
- (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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2022

| | Six months ended 30th June, | |
|--|--------------------------------|-----------------|
| | 2022 | 2021 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Operating activities | | |
| Profit before taxation | 128,551 | 13,018 |
| Adjustments for: | | |
| Net increase in fair value of investment properties | – | (4,330) |
| Loss (gain) on disposal of property, plant and equipment | 449 | (709) |
| Depreciation of property, plant and equipment | 38,247 | 38,579 |
| Depreciation of right-of-use asset | 419 | 427 |
| Other non-cash items | 4,017 | 3,036 |
| | <hr/> | <hr/> |
| Operating cash flows before movements in working capital | 171,683 | 50,021 |
| Increase in trade and other receivables | (46,497) | (596) |
| Decrease in rental and other deposits received | (294) | (220) |
| Increase in contract liabilities | 27,777 | 4,055 |
| Other changes in working capital | (3,536) | 1,837 |
| | <hr/> | <hr/> |
| Cash generated from operations | 149,133 | 55,097 |
| Hong Kong Profits Tax paid | – | (87) |
| Income tax paid in other jurisdictions | (3,174) | (6,383) |
| | <hr/> | <hr/> |
| Net cash from operating activities | 145,959 | 48,627 |
| | <hr/> | <hr/> |
| Investing activities | | |
| Deposit paid for acquisition of a subsidiary | (142,070) | – |
| Addition of property, plant and equipment | (5,359) | (2,493) |
| Proceeds from disposal of property, plant and equipment | 140 | 2,050 |
| Proceeds from disposal of financial assets at FVTPL | 12,578 | – |
| Interest received | 204 | – |
| | <hr/> | <hr/> |
| Net cash used in investing activities | (134,507) | (443) |
| | <hr/> | <hr/> |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Continued)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2022

| | Six months ended 30th June, 2022 <i>HK\$'000</i> (Unaudited) | 2021 <i>HK\$'000</i> (Unaudited) |
|---|--|--|
| Financing activities | | |
| Interest paid | (2,562) | (1,550) |
| Bank loans raised | 999,500 | – |
| Repayment of bank loans | (892,105) | (12,592) |
| (Repayment to) advance from immediate holding company | (97,397) | 50,611 |
| Proceeds from disposal of partial interest in a subsidiary | – | 13,050 |
| Net cash from financing activities | <u>7,436</u> | <u>49,519</u> |
| Net increase in cash and cash equivalents | 18,888 | 97,703 |
| Cash and cash equivalents at the beginning of the period | 247,842 | 143,317 |
| Effect of foreign exchange rate changes | <u>(18,654)</u> | <u>1,463</u> |
| Cash and cash equivalents at the end of the period | <u>248,076</u> | <u>242,483</u> |
| Represented by: | | |
| Bank balances and cash | 242,885 | 242,483 |
| Bank balances and cash classified as held for sale | <u>5,191</u> | – |
| | <u>248,076</u> | <u>242,483</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2022

1. BASIS OF PREPARATION

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 and Shun Ho Holdings Limited, 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 condensed 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 the investment and operation of hotels, property investment and securities investment.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

The financial information relating to the year ended 31st December, 2021 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 31st December, 2021 to the Register of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

1. BASIS OF PREPARATION *(Continued)*

1A. SIGNIFICANT EVENTS IN THE CURRENT INTERIM PERIOD

The outbreak of COVID-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment, directly and indirectly affect the operations of the Group. The financial positions and performance of the Group may be affected in different aspects, including fluctuation in revenue and fair value of investment properties.

In the current interim period, five hotels of the Group participated in the Designated Quarantine Hotel Scheme (the “Scheme”). In particular, three hotels of the Group have also participated in Community Isolation Facility Hotel Scheme. The management considers that the participation of the schemes would have positive impact to the revenue of the Group and the five hotels are still participating in the Scheme up to the date of issuance of this condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31st December, 2021.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the Group's annual period beginning on 1st January, 2022 for the preparation of the Group's condensed 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 interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE

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

| | Six months ended 30th June, | |
|---------------------------------|--------------------------------|-----------------|
| | 2022 | 2021 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Income from operation of hotels | 256,622 | 119,493 |
| Income from property rental | 18,737 | 22,983 |
| Dividend income | 42 | – |
| | <u>275,401</u> | <u>142,476</u> |

3. REVENUE (*Continued*)

Disaggregation of revenue for operation of hotels:

| | Six months ended 30th June, 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
|---|--|--|
| Types of goods or services (time of revenue recognition): | | |
| Room revenue and other ancillary services (recognised over time) | 238,852 | 118,575 |
| Food and beverage (recognised at a point in time) | 17,770 | 918 |
| | <u>256,622</u> | <u>119,493</u> |
| | | |
| | Six months ended 30th June, 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| Geographical markets: | | |
| Hong Kong | 246,752 | 111,916 |
| The People's Republic of China (the "PRC") | 9,870 | 7,577 |
| | <u>256,622</u> | <u>119,493</u> |

4. SEGMENT INFORMATION

The Group's operating and reportable segments, based on information reported to the chief operating decision maker (the "CODM"), being the Chairman of the Company, for the purpose of resources allocation and performance assessment are as follows:

1. Hospitality services – Best Western Plus Hotel Kowloon
2. Hospitality services – Best Western Plus Hotel Hong Kong
3. Hospitality services – Magnificent International Hotel, Shanghai
4. Hospitality services – Best Western Hotel Causeway Bay
5. Hospitality services – 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. Property investment – Shops, hotel and residential properties
10. Securities investment

Information regarding the above segments reported below.

4. SEGMENT INFORMATION (*Continued*)

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

| | Segment revenue | | Segment result | |
|---|------------------|----------------|------------------|---------------|
| | Six months | | Six months | |
| | ended 30th June, | | ended 30th June, | |
| | 2022 | 2021 | 2022 | 2021 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Hospitality services | 256,622 | 119,493 | 127,506 | 2,348 |
| – Best Western Plus Hotel Kowloon | 12,090 | 9,277 | (4,297) | (8,561) |
| – Best Western Plus Hotel Hong Kong | 26,526 | 24,070 | 7,438 | 7,598 |
| – Magnificent International Hotel, Shanghai | 9,870 | 7,577 | 2,452 | 405 |
| – Best Western Hotel Causeway Bay | 43,947 | 17,020 | 26,387 | (42) |
| – Ramada Hong Kong Harbour View | 75,535 | 26,727 | 53,215 | 8,384 |
| – Ramada Hong Kong Grand | 69,439 | 21,613 | 36,995 | (6,453) |
| – Grand City Hotel | 19,215 | 13,209 | 6,442 | 1,017 |
| – Wood Street Hotel | – | – | (1,126) | – |
| Property investment – shops, hotel and residential properties | 18,737 | 22,983 | 18,737 | 27,313 |
| Securities investment | 42 | – | 42 | – |
| | <u>275,401</u> | <u>142,476</u> | <u>146,285</u> | 29,661 |
| Other income and gains and losses | | | 3,554 | 2,229 |
| Administrative expenses | | | (16,939) | (15,829) |
| Finance costs | | | (4,349) | (3,043) |
| Profit before taxation | | | <u>128,551</u> | <u>13,018</u> |

Segment results represents the result of each segment without allocation of administration expenses, 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 periods.

4. SEGMENT INFORMATION *(Continued)*

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

| | As at 30th June, 2021 HK\$'000 (Unaudited) | As at 31st December, 2020 HK\$'000 (Audited) |
|---|---|--|
| Segment assets | | |
| Hospitality services | 2,955,966 | 2,844,425 |
| – Best Western Plus Hotel Kowloon | 235,408 | 243,169 |
| – Best Western Plus Hotel Hong Kong | 310,785 | 310,097 |
| – Magnificent International Hotel, Shanghai | 66,577 | 69,000 |
| – Best Western Hotel Causeway Bay | 294,908 | 292,194 |
| – Ramada Hong Kong Harbour View | 500,815 | 485,694 |
| – Ramada Hong Kong Grand | 635,843 | 634,196 |
| – Grand City Hotel | 375,335 | 377,110 |
| – Wood Street Hotel | 394,225 | 432,965 |
| – Deposit paid for acquisition of a subsidiary | 142,070 | – |
| Property investment – shops, hotel and residential properties | 1,032,520 | 1,121,905 |
| Securities investment | 139,075 | 159,719 |
| Total segment assets | 4,127,561 | 4,126,049 |
| Unallocated assets | 324,828 | 324,952 |
| Consolidated assets | 4,452,389 | 4,451,001 |

4. SEGMENT INFORMATION (*Continued*)

The following is an analysis of the Group's assets and liabilities by operating and reportable segment: (*Continued*)

| | As at 30th June, 2021 HK\$'000 (Unaudited) | As at 31st December, 2020 HK\$'000 (Audited) |
|---|---|--|
| Segment liabilities | | |
| Hospitality services | 77,746 | 49,050 |
| – Best Western Plus Hotel Kowloon | 4,253 | 4,540 |
| – Best Western Plus Hotel Hong Kong | 16,151 | 11,255 |
| – Magnificent International Hotel, Shanghai | 1,286 | 1,630 |
| – Best Western Hotel Causeway Bay | 11,077 | 5,500 |
| – Ramada Hong Kong Harbour View | 22,512 | 10,817 |
| – Ramada Hong Kong Grand | 15,751 | 7,830 |
| – Grand City Hotel | 6,716 | 7,478 |
| Property investment – shops, hotel and residential properties | 11,146 | 11,921 |
| Securities investment | 4 | 1 |
| Total segment liabilities | 88,896 | 60,972 |
| Unallocated liabilities | 608,524 | 602,790 |
| Consolidated liabilities | 697,420 | 663,762 |

The respective segment assets and liabilities of Grand City Hotel are included in the assets classified as held for sale which are presented in the condensed consolidated financial statements of financial position, respectively.

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.

5. FINANCE COSTS

| | Six months ended 30th June, | |
|--|--------------------------------|---------------------|
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Interests on: | | |
| Bank loans | 2,728 | 1,522 |
| Amount due to immediate holding company (<i>note 18(a)</i>) | <u>1,621</u> | <u>1,521</u> |
| | <u>4,349</u> | <u>3,043</u> |

6. INCOME TAX EXPENSE

| | Six months ended 30th June, | |
|--------------------------------------|--------------------------------|---------------------|
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| The taxation expense comprises: | | |
| Current tax: | | |
| Hong Kong | 15,975 | 97 |
| The PRC | 209 | – |
| The United Kingdom (the “UK”) | <u>3,108</u> | <u>4,029</u> |
| | 19,292 | 4,126 |
| (Over)under provision in prior years | | |
| Hong Kong | (40) | (20) |
| The UK | <u>–</u> | <u>298</u> |
| | 19,252 | 4,404 |
| Deferred tax | <u>3,294</u> | <u>(149)</u> |
| | <u>22,546</u> | <u>4,255</u> |

6. INCOME TAX EXPENSE *(Continued)*

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The annual tax rate used is 16.5% for the six months ended 30th June, 2022 (six months ended 30th June, 2021: 16.5%).

Taxation arising in the PRC and the UK are recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year prevailing in the relevant jurisdictions.

Deferred tax liabilities on the temporary differences attributable to the undistributed retained profit earned by the Company's PRC subsidiary amounted to HK\$212,000 (six months ended 30th June, 2021: HK\$26,000) were charged to profit or loss for the six months ended 30th June, 2022.

7. PROFIT FOR THE PERIOD

| | Six months ended 30th June, | |
|---|--------------------------------|---------------------|
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Profit for the period has been arrived at after charging (crediting) the following items: | | |
| Depreciation of right-of-use asset | 419 | 427 |
| Depreciation of property, plant and equipment | 38,247 | 38,579 |
| Interest on bank deposits <i>(Note)</i> | (204) | (136) |
| Loss (gain) on disposal of property, plant and equipment <i>(Note)</i> | 449 | (709) |
| | <u>449</u> | <u>(709)</u> |

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

8. DIVIDEND

During the six months ended 30th June, 2022 and 30th June, 2021, no dividend was declared and paid to shareholders for the year ended 31st December, 2021 and 31st December, 2020.

The directors have resolved not to declare or propose an interim dividend for the six months ended 30th June, 2022 and 30th June, 2021.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the period attributable to owners of the Company of HK\$105,958,000 (six months ended 30th June, 2021: HK\$8,754,000) and on 8,947,051,000 shares (six months ended 30th June, 2021: 8,947,051,000 shares) in issue during the period.

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

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30th June, 2022, the Group acquired property, plant and equipment of HK\$5,359,000 (six months ended 30th June, 2021: HK\$7,266,000).

The Group has disposed of property, plant and equipment with carrying amount of HK\$589,000 (six months ended 30th June, 2021: HK\$1,341,000) during the period.

11. INVESTMENT PROPERTIES

Investment properties are stated at fair value based on the valuations performed by independent professional valuers which are not connected with the Group and the Directors of the Company. The fair value is derived by using income approach to assess the market value of the investment properties. During the assessment of the fair values of investment properties, the valuers 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\$1,001,520,000 (31st December, 2021: HK\$1,090,905,000) were rented out under operating leases at the end of the reporting period. Outgoing expenses for investment properties that are not generating income during the period are insignificant. There is no fair value change of investment properties for the six months ended 30th June, 2022 (six months ended 30th June, 2021: net fair value change of HK\$4,330,000 recognised in profit or loss).

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 valuers have 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 six months ended 30th June, 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.

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

12. TRADE AND OTHER RECEIVABLES

| | As at 30th June, 2022 <i>HK\$'000</i> (Unaudited) | As at 31st December, 2021 <i>HK\$'000</i> (Audited) |
|---|--|---|
| Trade receivables from contracts with customers | 46,843 | 3,402 |
| Other receivables | <u>5,051</u> | <u>2,934</u> |
| | <u>51,894</u> | <u>6,336</u> |

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

| | As at 30th June, 2022 <i>HK\$'000</i> (Unaudited) | As at 31st December, 2021 <i>HK\$'000</i> (Audited) |
|--------------|--|---|
| Not yet due | 37,143 | 3,391 |
| Overdue: | | |
| 0 – 30 days | 9,641 | – |
| 31 – 60 days | – | – |
| 61 – 90 days | <u>59</u> | <u>11</u> |
| | <u>46,843</u> | <u>3,402</u> |

13. DEPOSIT PAID FOR ACQUISITION OF A SUBSIDIARY

On 11th May, 2022, a direct wholly owned subsidiary of the Group has entered into the sale and purchase agreement with an independent third party to the Group to acquire the entire issued share capital of Ocean Time Investments Limited (“Ocean Time”) and accept the assignment of the sale loan, the aggregate amount then outstanding and owing by Ocean Time, at a consideration of HK\$1,420,695,000, subject to certain working capital adjustments. As at 30 June, 2022, an aggregate sum of HK\$142,070,000 as initial deposits had been paid and such deposit was recorded as “deposits paid for acquisition of a subsidiary” in the condensed consolidated statement of financial position.

14. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

On 11th May, 2022, the directors of the Company resolved to dispose of one of the Group’s subsidiary, Sino Money Investments Limited (“Sino Money”), which holds a hotel namely Grand City Hotel. The assets and liabilities attributable to the subsidiary, which are expected to be sold within twelve months, have been classified as a disposal company held for sale and are presented separately in the condensed consolidated statement of financial position. The hotel operation is included in the Group’s hospitality services for segment reporting purposes (see Note 4).

The major classes of assets and liabilities of the disposing subsidiary classified as held for sale are as follows:

| | As at 30th June, 2022 HK\$’000 (Unaudited) |
|--|---|
| Property, plant and equipment | 373,561 |
| Inventories | 47 |
| Trade and other receivables | 939 |
| Other deposits and prepayments | 788 |
| Bank balances and cash | <u>5,191</u> |
| Total assets classified as held for sale | <u><u>380,526</u></u> |
| Trade and other payables and accruals | 1,524 |
| Other deposits received | 45 |
| Contract liabilities | 5,147 |
| Deferred tax liabilities | <u>1,655</u> |
| Total liabilities associated with assets classified as held for sale | <u><u>8,371</u></u> |

15. TRADE AND OTHER PAYABLES AND ACCRUALS

| | As at 30th June, 2022 HK\$'000 (Unaudited) | As at 31st December, 2021 HK\$'000 (Audited) |
|-----------------------------|---|--|
| Trade payables | 4,539 | 5,229 |
| Other payables and accruals | <u>27,638</u> | <u>29,219</u> |
| | <u><u>32,177</u></u> | <u><u>34,448</u></u> |

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

| | As at 30th June, 2022 HK\$'000 (Unaudited) | As at 31st December, 2021 HK\$'000 (Audited) |
|--------------|---|--|
| 0 – 30 days | 4,481 | 5,198 |
| 31 – 60 days | 57 | 4 |
| 61 – 90 days | <u>1</u> | <u>27</u> |
| | <u><u>4,539</u></u> | <u><u>5,229</u></u> |

16. BANK LOANS

| | As at 30th June, 2022 HK\$'000 (Unaudited) | As at 31st December, 2021 HK\$'000 (Audited) |
|---|--|--|
| Secured bank loans | <u>393,863</u> | <u>310,299</u> |
| The carrying amounts of bank loans are repayable (based on scheduled repayment dates set out in the loan agreements): | | |
| Within one year | <u>222,163</u> | <u>252,768</u> |
| The carrying amounts of bank loans that contain a repayable on demand clause (shown under current liabilities) and/but repayable: | | |
| Within one year | 171,700 | 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 | <u>–</u> | <u>1,093</u> |
| | <u>171,700</u> | <u>57,531</u> |
| | <u>393,863</u> | <u>310,299</u> |
| Amounts shown under current liabilities | <u>393,863</u> | <u>310,299</u> |

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 19. Effective interest rate is 1.55% per annum (31st December, 2021: 1.48% per annum).

17. SHARE CAPITAL

| | Number of shares '000 | Amount HK\$'000 |
|---|-----------------------------|--------------------|
| Ordinary shares | | |
| Issued and fully paid: | | |
| At 1st January, 2021 (audited), 30th June, 2021 (unaudited), 31st December, 2021 (audited) and 30th June, 2022 (unaudited) | <u>8,947,051</u> | <u>841,926</u> |

18. RELATED PARTY TRANSACTIONS

Other than those disclosed in the condensed consolidated financial statements, the Group had the following transactions and balance with related parties during the period:

| | Six months ended 30th June, 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
|---|---|---------------------------------|
| Shun Ho Property Investments Limited (the Company's immediate holding company) and its subsidiaries* | | |
| Expense related to short term leases | 520 | 550 |
| Interest expenses | 1,621 | 1,521 |
| Corporate management fee income for administrative facilities provided | 2,257 | 1,406 |
| Corporate management fee income for hotel operations services provided | 250 | 247 |
| Amount due to the immediate holding company at the end of the reporting period (<i>note a</i>) | 93,302 | 186,005 |
| Shun Ho Holdings Limited (the Company's intermediate holding company) | | |
| Corporate management fee income for administrative facilities provided | 75 | 75 |
| Rental income from Mr. William Cheng Kai Man | 420 | – |
| Amount due to Mr. William Cheng Kai Man (<i>note b</i>) | 5,088 | – |
| Compensation of key management personnel (<i>note c</i>) | <u>6,650</u> | <u>4,780</u> |

* exclude the Company and its subsidiaries

18. RELATED PARTY TRANSACTIONS *(Continued)*

Notes:

- (a) The amount due to immediate holding company was unsecured, carried interest at fixed rate 2% per annum and repayable on demand.
- (b) The amount due to a shareholder which is non-traded 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.

19. 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 30th June, 2022 of approximately HK\$945 million (31st December, 2021: HK\$1,034 million), and HK\$1,621 million (31st December, 2021: HK\$2,301 million), respectively;
- (b) pledge of shares in certain subsidiaries of the Company with an aggregate net asset value as at 30th June, 2022 of approximately HK\$581 million (31st December, 2021: HK\$643 million);
- (c) assignment of property rental of certain subsidiaries of the Company; and
- (d) assignment of insurance on a hotel property.

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

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 inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| Financial asset | Fair value as at | | Fair value hierarchy | Valuation technique(s) and key input(s) |
|--|---|---|----------------------|---|
| | 30th June, 2022 <i>HK\$'000</i> (Unaudited) | 31st December, 2021 <i>HK\$'000</i> (Audited) | | |
| Financial assets at FVTPL | – | 12,450 | Level 1 | Quoted bid prices in an active market |
| Equity instrument at fair value through other comprehensive income | 139,034 | 146,232 | Level 1 | Quoted bid prices in an active market |

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

21. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 11th May, 2022, the Company entered into an agreement with Crest Incorporated to acquire entire issued share capital in Ocean Time, with a cash consideration of HK\$1,420,695,000, subject to certain working capital adjustments. At the date of issuance of the condensed consolidated financial statements, the acquisition has not yet been completed. For details, please refer to Company's announcement dated 11th May, 2022.

On 11th May, 2022, the Company and Babenna Limited ("Babenna"), a direct wholly-owned subsidiary of the Company as vendor also entered into a sales and purchase agreement with SYP Investment Limited, an independent third party as purchaser to dispose the entire issued share capital of Sino Money and assign the loan owing by Sino Money to Babenna as at completion, with a cash consideration of HK\$900,000,000, subject to certain working capital adjustments and the consideration expected to be payable by the purchaser after adjustment would not exceed HK\$920,000,000. At the date of issuance of the condensed consolidated financial statements, the disposal has not yet been completed and it is expected to be completed in September. For details, please refer to Company's circular dated 27th July, 2022.