

# MAGNIFICENT HOTEL INVESTMENTS LIMITED

## 華大酒店投資有限公司

(Stock Code: 201)



INTERIM REPORT 2023

## **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](http://www.magnificenthotelinv.com)

## **INTERIM RESULTS**

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

## **INTERIM DIVIDEND**

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

## PERFORMANCE

For the six months ended 30th June, 2023, the **GROUP'S INCOME** was mostly derived from the aggregate of income from operation of hotels and investment properties, which was analysed as follows:

### Income

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

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

## HOTELS PERFORMANCES

The Group presently owns eight hotels, operates seven hotels and leases out one hotel in London. The income from operation of hotels decreased by 38% to HK\$160 million (six months ended 30th June, 2022: HK\$257 million). Royal Scot Hotel in London was leased to a hotel management company, Travelodge.

	Ramada Hong Kong Harbour View	Ramada Hong Kong Grand	Best Western Plus Hotel Hong Kong	Best Western Hotel Causeway Bay	Best Western Plus Hotel Kowloon
2023					
Jan to Jun					
Average room occupancy (%)	89	84	92	83	89

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

## COST

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

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

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

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

## DEPRECIATION OF HOTEL PROPERTIES

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

## FUNDING

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

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

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

The overall debts were analysed as follows:

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

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

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

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



## **BUSINESS HIGHLIGHTS**

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

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

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

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

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

## **LOOKING AHEAD**

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

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

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

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June, 2023.

## DIRECTORS' INTERESTS IN LISTED SECURITIES

As at 30th June, 2023, 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, 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 <i>(Note)</i>	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 (Note 1)	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") (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.

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. 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, 2023, 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, 2023, 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:

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of Shares/ underlying Shares held</b>	<b>Approximate % of shareholding</b>
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 6th 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 14th April, 2022, Saray Value SPV Asia I disposed of 8,517,976 Shares and ceased to be a concert party on 14th 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, 2023 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 16 of this interim report. The interim results and the interim report 2023 have also been reviewed by the Group’s Audit Committee.

## **CORPORATE GOVERNANCE**

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

During the six months ended 30th June, 2023, the Company has complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange with the exception of the following deviation:

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

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

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

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

By Order of the Board

**William CHENG Kai Man**  
*Chairman*

Hong Kong, 18th August, 2023



# 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 17 to 42, which comprise the condensed consolidated statement of financial position as of 30th June, 2023 and the related condensed consolidated statement of profit or loss, and other 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  
18th August, 2023

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE SIX MONTHS ENDED 30TH JUNE, 2023**

		Six months ended 30th June,	
		2023	2022
	NOTES	<b>HK\$'000</b>	<b>HK\$'000</b>
		(Unaudited)	(Unaudited)
Revenue	3		
Contracts with customers		159,513	256,622
Leases		18,395	18,737
Dividend income		<u>45</u>	<u>42</u>
Total revenue		<b>177,953</b>	275,401
Cost of sales		(446)	(14,008)
Other service costs		(93,994)	(76,279)
Depreciation of property, plant and equipment		(34,528)	(37,284)
Depreciation of right-of-use asset		<u>(394)</u>	<u>(419)</u>
Gross profit		<b>48,591</b>	147,411
Other income and gains and losses		<b>3,618</b>	3,554
Administrative expenses		(51,110)	(18,065)
– Depreciation		(898)	(963)
– Others		(50,212)	(17,102)
Finance costs	5	<u>(19,446)</u>	<u>(4,349)</u>
(Loss) profit before taxation		<b>(18,347)</b>	128,551
Income tax credit (expense)	6	<u>486</u>	<u>(22,546)</u>
(Loss) profit for the period	7	<u><b>(17,861)</b></u>	<u>106,005</u>
(Loss) profit for the period attributable to:			
Owners of the Company		(17,920)	105,958
Non-controlling interests		<u>59</u>	<u>47</u>
		<u><b>(17,861)</b></u>	<u>106,005</u>
		<b>HK cents</b>	<b>HK cents</b>
(Loss) earnings per share	9		
Basic		<u><b>(0.20)</b></u>	<u>1.18</u>

**CONDENSED CONSOLIDATED STATEMENT OF TOTAL  
COMPREHENSIVE INCOME**

*FOR THE SIX MONTHS ENDED 30TH JUNE, 2023*

	<b>Six months ended 30th June,</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
(Loss) profit for the period	<u><b>(17,861)</b></u>	<u>106,005</u>
<b>Other comprehensive income (expense)</b>		
<b>Item that will not be reclassified to profit or loss</b>		
Fair value gain (loss) on equity instruments at fair value through other comprehensive income ("FVTOCI")	<b>9,313</b>	(7,198)
<b>Item that may be reclassified subsequently to profit or loss</b>		
Exchange differences on translation of foreign operations	<u><b>53,257</b></u>	<u>(131,077)</u>
Other comprehensive income (expense) for the period	<u><b>62,570</b></u>	<u>(138,275)</u>
Total comprehensive income (expense) for the period	<u><b>44,709</b></u>	<u>(32,270)</u>
Total comprehensive income (expense) attributable to:		
Owners of the Company	<b>44,650</b>	(32,317)
Non-controlling interests	<u><b>59</b></u>	<u>47</u>
	<u><b>44,709</b></u>	<u>(32,270)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AT 30TH JUNE, 2023*

		As at <b>30th June, 2023</b> <i>HK\$'000</i> <b>(Unaudited)</b>	As at 31st December, 2022 <i>HK\$'000</i> <b>(Audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	<i>10</i>	<b>3,765,473</b>	3,782,568
Right-of-use asset		<b>23,962</b>	24,374
Investment properties	<i>11</i>	<b>1,060,265</b>	1,020,440
Equity instruments at FVTOCI	<i>18</i>	<b>153,716</b>	144,403
		<b>5,003,416</b>	4,971,785
<b>CURRENT ASSETS</b>			
Inventories		<b>2,114</b>	1,133
Trade and other receivables	<i>12</i>	<b>6,752</b>	16,059
Other deposits and prepayments		<b>9,897</b>	10,623
Bank balances and cash		<b>265,556</b>	265,908
		<b>284,319</b>	293,723

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)**

AT 30TH JUNE, 2023

		As at 30th June, 2023 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2022 <i>HK\$'000</i> (Audited)
	<i>NOTES</i>		
<b>CURRENT LIABILITIES</b>			
Trade and other payables and accruals	13	33,531	51,915
Rental and other deposits received		2,143	2,840
Refund liabilities		–	14,932
Contract liabilities		6,173	5,744
Amount due to immediate holding company	16(a)	625,711	609,974
Amount due to a shareholder	16(b)	5,088	5,088
Tax liabilities		20,158	16,497
Bank loans	14	10,000	22,000
		<u>702,804</u>	<u>728,990</u>
<b>NET CURRENT LIABILITIES</b>		<u>(418,485)</u>	<u>(435,267)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>4,584,931</u>	<u>4,536,518</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	15	841,926	841,926
Reserves		3,428,085	3,383,435
Equity attributable to owners of the Company		4,270,011	4,225,361
Non-controlling interests		7,462	7,403
<b>TOTAL EQUITY</b>		<u>4,277,473</u>	<u>4,232,764</u>
<b>NON-CURRENT LIABILITIES</b>			
Bank loans	14	230,303	219,715
Rental deposits received		1,006	–
Deferred tax liabilities		76,149	84,039
		<u>307,458</u>	<u>303,754</u>
		<u>4,584,931</u>	<u>4,536,518</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30TH JUNE, 2023**

	Attributable to owners of the Company									
	Share capital <i>HK\$'000</i>	Special capital reserve <i>HK\$'000</i> <i>(Note a)</i>	Property revaluation reserve <i>HK\$'000</i> <i>(Note b)</i>	Securities revaluation reserve <i>HK\$'000</i>	Foreign currency translation reserve <i>HK\$'000</i>	Other reserve <i>HK\$'000</i> <i>(Note c)</i>	Retained profits <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>	Non- controlling interest <i>HK\$'000</i>	Total <i>HK\$'000</i>
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
Exchange differences arising on translation of foreign operations	-	-	-	-	(131,077)	-	-	(131,077)	-	(131,077)
Fair value loss on equity instruments at FVTOCI	-	-	-	(7,198)	-	-	-	(7,198)	-	(7,198)
Total comprehensive (expense) income for the period	-	-	-	(7,198)	(131,077)	-	105,958	(32,317)	47	(32,270)
At 30th June, 2022 (unaudited)	<u>841,926</u>	<u>612,477</u>	<u>1,089</u>	<u>62,677</u>	<u>(121,878)</u>	<u>3,561</u>	<u>2,347,031</u>	<u>3,746,883</u>	<u>8,086</u>	<u>3,754,969</u>
At 1st January, 2023 (audited)	841,926	612,477	1,089	68,046	(135,610)	3,561	2,833,872	4,225,361	7,403	4,232,764
(Loss) profit for the period	-	-	-	-	-	-	(17,920)	(17,920)	59	(17,861)
Exchange differences arising on translation of foreign operations	-	-	-	-	53,257	-	-	53,257	-	53,257
Fair value profit on equity instruments at FVTOCI	-	-	-	9,313	-	-	-	9,313	-	9,313
Total comprehensive income (expense) for the period	-	-	-	9,313	53,257	-	(17,920)	44,650	59	44,709
At 30th June, 2023 (unaudited)	<u>841,926</u>	<u>612,477</u>	<u>1,089</u>	<u>77,359</u>	<u>(82,353)</u>	<u>3,561</u>	<u>2,815,952</u>	<u>4,270,011</u>	<u>7,462</u>	<u>4,277,473</u>

## **CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)***

*FOR THE SIX MONTHS ENDED 30TH JUNE, 2023*

*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, 2023*

	<b>Six months ended 30th June, 2023 HK\$'000 (Unaudited)</b>	<b>2022 HK\$'000 (Unaudited)</b>
<b>Operating activities</b>		
(Loss) profit before taxation	<b>(18,347)</b>	128,551
Adjustments for:		
(Gain) loss on disposal of property, plant and equipment	<b>(7)</b>	449
Depreciation of property, plant and equipment	<b>35,426</b>	38,247
Depreciation of right-of-use asset	<b>394</b>	419
Other non-cash items	<b>16,294</b>	4,017
	<hr/>	<hr/>
Operating cash flows before movements in working capital	<b>33,760</b>	171,683
Decrease (increase) in trade and other receivables	<b>9,375</b>	(46,497)
Increase (decrease) in rental and other deposits received	<b>309</b>	(294)
(Decrease) increase in contract liabilities and refund liabilities	<b>(33,159)</b>	27,777
Other changes in working capital	<b>(269)</b>	(3,536)
	<hr/>	<hr/>
Cash generated from operations	<b>10,016</b>	149,133
Income tax paid in other jurisdictions	<b>(3,313)</b>	(3,174)
	<hr/>	<hr/>
<b>Net cash from operating activities</b>	<b>6,703</b>	145,959
	<hr/>	<hr/>
<b>Investing activities</b>		
Deposit paid for acquisition of a subsidiary	–	(142,070)
Addition of property, plant and equipment	<b>(2,908)</b>	(5,359)
Proceeds from disposal of property, plant and equipment	<b>46</b>	140
Proceeds from disposal of financial assets at fair value through profit or loss	–	12,578
Interest received	<b>3,078</b>	204
	<hr/>	<hr/>
<b>Net cash from (used in) investing activities</b>	<b>216</b>	(134,507)
	<hr/>	<hr/>



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**(Continued)**

FOR THE SIX MONTHS ENDED 30TH JUNE, 2023

	Six months ended 30th June,	
	2023	2022
	<b>HK\$'000</b>	<b>HK\$'000</b>
	(Unaudited)	(Unaudited)
<b>Financing activities</b>		
Interest paid	(6,424)	(2,562)
Bank loans raised	10,000	999,500
Repayment of bank loans	(21,888)	(892,105)
Advance from (repayment to) immediate holding company	<u>2,533</u>	<u>(97,397)</u>
<b>Net cash (used in) from financing activities</b>	<u>(15,779)</u>	<u>7,436</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(8,860)</b>	18,888
<b>Cash and cash equivalents at the beginning of the period</b>	<b>265,908</b>	247,842
Effect of foreign exchange rate changes	<u>8,508</u>	<u>(18,654)</u>
<b>Cash and cash equivalents at the end of the period</b>	<u><b>265,556</b></u>	<u>248,076</u>
Represented by:		
Bank balances and cash	265,556	242,885
Bank balances and cash classified as held for sale	<u>–</u>	<u>5,191</u>
	<u><b>265,556</b></u>	<u>248,076</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*FOR THE SIX MONTHS ENDED 30TH JUNE, 2023*

## 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, 2022 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 31st December, 2022 to the Register of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

## 1. BASIS OF PREPARATION (*Continued*)

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.

In preparing the condensed 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\$418,485,000 as at 30th June, 2023. 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 and the shareholder has also agreed not to demand for repayment until the Group has the financial ability to do so. Accordingly, the condensed 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 30th September, 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 revenue and how much additional downside percentage of revenue in hospitality segment could be absorbed before the unutilised bank facilities would need to be drawn;
- Shun Ho Property Investments Limited, 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 provide adequate funds to enable the Group to meet in full its financial obligations as they fall due for the foreseeable future; and
- The Group has unutilised banking facilities with aggregate amount of HK\$916,000,000 as at 30th June, 2023.

## 2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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

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

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

### 3. REVENUE

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

	<b>Six months ended 30th June,</b>	
	<b>2023</b>	<b>2022</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Income from operation of hotels	<b>159,513</b>	256,622
Income from property rental	<b>18,395</b>	18,737
Dividend income	<b>45</b>	42
	<b><u>177,953</u></b>	<b><u>275,401</u></b>

Disaggregation of revenue for operation of hotels:

	<b>Six months ended 30th June,</b>	
	<b>2023</b>	<b>2022</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Types of goods or services (time of revenue recognition):		
Room revenue and other ancillary services (recognised over time)	<b>157,673</b>	238,852
Food and beverage (recognised at a point in time)	<b>1,840</b>	17,770
	<b><u>159,513</u></b>	<b><u>256,622</u></b>

### 3. REVENUE (*Continued*)

	Six months ended 30th June,	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Geographical markets:		
Hong Kong	159,513	246,752
The People's Republic of China (the "PRC")	–	9,870
	<u>159,513</u>	<u>256,622</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. Hospitality services – Grand Bay View Hotel
10. Property investment – Shops, hotel and residential properties
11. Securities investment

Information regarding the above segments reported below.

#### 4. SEGMENT INFORMATION (*Continued*)

##### Segment revenue and results

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

	Segment revenue		Segment result	
	Six months ended 30th June,		Six months ended 30th June,	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hospitality services	<b>159,513</b>	256,622	<b>26,262</b>	127,506
– Best Western Plus Hotel Kowloon	<b>25,521</b>	12,090	<b>4,377</b>	(4,297)
– Best Western Plus Hotel Hong Kong	<b>35,300</b>	26,526	<b>13,181</b>	7,438
– Magnificent International Hotel, Shanghai	–	9,870	<b>(7,427)</b>	2,452
– Best Western Hotel Causeway Bay	<b>21,995</b>	43,947	<b>1,877</b>	26,387
– Ramada Hong Kong Harbour View	<b>40,268</b>	75,535	<b>16,421</b>	53,215
– Ramada Hong Kong Grand	<b>36,429</b>	69,439	<b>1,722</b>	36,995
– Grand City Hotel	–	19,215	–	6,442
– Wood Street Hotel	–	–	<b>(3,889)</b>	(1,126)
Property investment	<b>18,395</b>	18,737	<b>18,395</b>	18,737
Securities investment	<b>45</b>	42	<b>45</b>	42
	<b><u>177,953</u></b>	<b><u>275,401</u></b>	<b><u>44,702</u></b>	<b><u>146,285</u></b>
Other income and gains and losses			<b>3,618</b>	3,554
Administrative expenses			<b>(47,221)</b>	(16,939)
Finance costs			<b>(19,446)</b>	(4,349)
(Loss) profit before taxation			<b><u>(18,347)</u></b>	<b><u>128,551</u></b>

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 periods.

#### 4. SEGMENT INFORMATION *(Continued)*

##### Segment assets and liabilities

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

	<b>As at 30th June, 2023 HK\$'000 (Unaudited)</b>	<b>As at 31st December, 2022 HK\$'000 (Audited)</b>
<b>Segment assets</b>		
Hospitality services	<b>3,731,880</b>	3,760,420
– Best Western Plus Hotel Kowloon	<b>219,946</b>	227,457
– Best Western Plus Hotel Hong Kong	<b>304,839</b>	309,121
– Magnificent International Hotel, Shanghai	<b>58,333</b>	62,544
– Best Western Hotel Causeway Bay	<b>276,299</b>	282,792
– Ramada Hong Kong Harbour View	<b>478,350</b>	483,726
– Ramada Hong Kong Grand	<b>590,393</b>	606,620
– Wood Street Hotel	<b>380,227</b>	364,921
– Grand Bay View Hotel	<b>1,423,493</b>	1,423,239
Property investment	<b>1,060,265</b>	1,020,440
Securities investment	<b>153,716</b>	144,403
Total segment assets	<b>4,945,861</b>	4,925,263
Unallocated assets	<b>341,874</b>	340,245
<b>Consolidated assets</b>	<b>5,287,735</b>	5,265,508



#### 4. SEGMENT INFORMATION *(Continued)*

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

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

	<b>As at 30th June, 2023 HK\$'000 (Unaudited)</b>	As at 31st December, 2022 HK\$'000 (Audited)
<b>Segment liabilities</b>		
Hospitality services	<b>29,047</b>	44,599
– Best Western Plus Hotel Kowloon	<b>3,843</b>	4,959
– Best Western Plus Hotel Hong Kong	<b>4,454</b>	7,702
– Magnificent International Hotel, Shanghai	<b>638</b>	851
– Best Western Hotel Causeway Bay	<b>3,983</b>	9,115
– Ramada Hong Kong Harbour View	<b>6,070</b>	12,451
– Ramada Hong Kong Grand	<b>5,588</b>	8,966
– Grand Bay View Hotel	<b>4,471</b>	555
Property investment	<b>11,518</b>	10,878
Securities investment	<b>1</b>	1
Total segment liabilities	<b>40,566</b>	55,478
Unallocated liabilities	<b>969,696</b>	977,266
<b>Consolidated liabilities</b>	<b>1,010,262</b>	1,032,744

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,	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interests on:		
Bank loans	6,242	2,728
Amount due to immediate holding company ( <i>note 16(a)</i> )	<u>13,204</u>	<u>1,621</u>
	<u><u>19,446</u></u>	<u><u>4,349</u></u>

## 6. INCOME TAX (CREDIT) EXPENSE

	Six months ended 30th June,	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
The taxation (credit) expense comprises:		
Current tax:		
Hong Kong	4,669	15,975
The PRC	13	209
The United Kingdom (the “UK”)	<u>2,722</u>	<u>3,108</u>
	7,404	19,292
Over provision in prior years		
Hong Kong	<u>—</u>	<u>(40)</u>
	7,404	19,252
Deferred tax	<u>(7,890)</u>	<u>3,294</u>
	<u><u>(486)</u></u>	<u><u>22,546</u></u>

## 6. INCOME TAX (CREDIT) 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, 2023 (six months ended 30th June, 2022: 16.5%).

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

Deferred tax liabilities on the temporary differences attributable to the undistributed retained profit earned by the Company's PRC subsidiary amounted to HK\$nil (six months ended 30th June, 2022: HK\$212,000) were charged to profit or loss for the six months ended 30th June, 2023.

## 7. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30th June,	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss) profit for the period has been arrived at after charging (crediting) the following items:		
Depreciation of right-of-use asset	394	419
Depreciation of property, plant and equipment	35,426	38,247
Interest on bank deposits ( <i>Note</i> )	(3,152)	(204)
(Gain) loss on disposal of property, plant and equipment ( <i>Note</i> )	<u>(7)</u>	<u>449</u>

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

## **8. DIVIDEND**

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

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

## **9. (LOSS) EARNINGS PER SHARE**

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

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

## **10. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30th June, 2023, the Group acquired property, plant and equipment of HK\$2,908,000 (six months ended 30th June, 2022: HK\$5,359,000).

The Group has disposed of property, plant and equipment with carrying amount of HK\$39,000 (six months ended 30th June, 2022: HK\$589,000) 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\$1,029,265,000 (31st December, 2022: HK\$989,440,000) were rented out under operating leases at the end of the reporting period. There is no fair value change of investment properties for the six months ended 30th June, 2023 (six months ended 30th June, 2022: net fair value change of HK\$nil).

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 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.

## 12. TRADE AND OTHER RECEIVABLES

	<b>As at 30th June, 2023 HK\$'000 (Unaudited)</b>	As at 31st December, 2022 HK\$'000 (Audited)
Trade receivables from contracts with customers	<b>3,210</b>	10,730
Other receivables	<b>3,542</b>	5,329
	<b><u>6,752</u></b>	<u>16,059</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:

	<b>As at 30th June, 2023 HK\$'000 (Unaudited)</b>	As at 31st December, 2022 HK\$'000 (Audited)
Not yet due	<b>2,904</b>	8,122
Overdue:		
0 – 30 days	<b>113</b>	1,194
31 – 60 days	<b>62</b>	1,057
61 – 90 days	<b>131</b>	357
	<b><u>3,210</u></b>	<u>10,730</u>

### 13. TRADE AND OTHER PAYABLES AND ACCRUALS

	As at <b>30th June,</b> <b>2023</b> <i>HK\$'000</i> <b>(Unaudited)</b>	As at 31st December, 2022 <i>HK\$'000</i> <b>(Audited)</b>
Trade payables	5,351	2,487
Interest payables	–	182
Other payables	3,375	7,116
Legal and professional fee payables	–	10,908
Receipt in advance	8,182	7,717
Accrued staff costs	5,494	10,513
Other accruals	11,129	12,992
	<u>33,531</u>	<u>51,915</u>

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

	As at <b>30th June,</b> <b>2023</b> <i>HK\$'000</i> <b>(Unaudited)</b>	As at 31st December, 2022 <i>HK\$'000</i> <b>(Audited)</b>
0 – 30 days	4,901	2,414
31 – 60 days	433	72
61 – 90 days	17	1
	<u>5,351</u>	<u>2,487</u>

## 14. BANK LOANS

	<b>As at 30th June, 2023 HK\$'000 (Unaudited)</b>	As at 31st December, 2022 HK\$'000 (Audited)
Secured bank loans	<u><b>240,303</b></u>	<u>241,745</u>
The carrying amounts of bank loans are repayable (based on scheduled repayment dates set out in the loan agreements):		
Within a period of more than two years but not exceeding five years	<u><b>230,303</b></u>	<u>219,715</u>
The carrying amounts of bank loans that contain a repayable on demand clause (shown under current liabilities) and/but repayable:		
Within one year	<u><b>10,000</b></u>	<u>22,000</u>
	<u><b>240,303</b></u>	<u>241,715</u>
Amounts shown under current liabilities	<b>10,000</b>	22,000
Amounts shown under non-current liabilities	<u><b>230,303</b></u>	<u>219,715</u>
	<u><b>240,303</b></u>	<u>241,715</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 17. Effective interest rate is 5.24% per annum (31st December, 2022: 4.69% per annum).



## 15. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary shares		
Issued and fully paid:		
At 1st January, 2022 (audited),		
30th June, 2022 (unaudited),		
31st December, 2022 (audited) and		
30th June, 2023 (unaudited)	<u>8,947,051</u>	<u>841,926</u>

## 16. RELATED PARTY TRANSACTIONS

Other than those disclosed in the condensed consolidated financial statements, the Group had the following transactions and balances with related parties during the periods and as at period/year ends:

	Six months ended 30th June,	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Transactions during the period:		
<b>Shun Ho Property Investments Limited (the Company's immediate holding company) and its subsidiaries*</b>		
Expense related to short term leases	520	520
Interest expenses	13,204	1,621
Corporate management fee income for administrative facilities provided	2,046	2,257
Corporate management fee income for hotel operations services provided	263	250
<b>Shun Ho Holdings Limited (the Company's intermediate holding company)</b>		
Corporate management fee income for administrative facilities provided	75	75
Rental income from Mr. William Cheng Kai Man	420	420
Compensation of key management personnel (Note c)	<u>5,858</u>	<u>6,650</u>

## 16. RELATED PARTY TRANSACTIONS *(Continued)*

	<b>As at 30th June, 2023 HK\$'000 (Unaudited)</b>	As at 31st December, 2022 HK\$'000 (Audited)
Balances as at period/year end:		
Amount due to the immediate holding company at the end of the reporting period <i>(Note a)</i>	625,711	609,974
Amount due to Mr. William Cheng Kai Man <i>(Note b)</i>	<u>5,088</u>	<u>5,088</u>

\* exclude the Company and its subsidiaries

### *Notes:*

- (a) The amount due to immediate holding company was unsecured, carried interest at 4.22% (30th June, 2022: fixed rate 2%) per annum and repayable on demand.
- (b) The amount due to a shareholder which is non-traded related, unsecured, interest fee and repayable on demand.
- (c) The compensation of key management personnel comprised short-term and post employment benefits attributable to such personnel.

## 17. 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, 2023 of approximately HK\$977 million (31st December, 2022: HK\$937 million), and HK\$1,570 million (31st December, 2022: HK\$1,596 million), respectively;
- (b) pledge of shares in certain subsidiaries of the Company with an aggregate net asset value as at 30th June, 2023 of approximately HK\$625 million (31st December, 2022: HK\$574 million);
- (c) assignment of property rental of certain subsidiaries of the Company; and
- (d) assignment of insurance on a hotel property.

## 18. 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 those derived from 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 and key input
	30th June, 2023	31st December, 2022		
	<i>HK\$'000</i>	<i>HK\$'000</i>		
	(Unaudited)	(Audited)		
Equity instruments at FVTOCI	<u>153,716</u>	<u>144,403</u>	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 condensed consolidated financial statements approximate their fair values.