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# SHUN HO PROPERTY INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 219)

## ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2023

### RESULTS

The board (the “Board”) of directors (the “Directors”) of Shun Ho Property Investments Limited (the “Company”) announces that the net profit after tax attributable to owners of the Company before revaluation, depreciation and impairment of land, property and equipment and gain on disposal of a subsidiary for the year ended 31st December, 2023 was HK\$97 million (2022: HK\$225 million), decreased by HK\$128 million. The audited consolidated results of the Company and its subsidiaries (together the “Group”) for the year, together with comparative figures for the previous year, are as follows:

#### Consolidated Statement of Profit or Loss

For the year ended 31st December, 2023

	NOTES	2023 HK\$'000	2022 HK\$'000
Revenue	3		
Contracts with customers		488,325	462,692
Leases		117,665	149,953
Dividend income		45	42
Total revenue		606,035	612,687
Cost of sales		(1,658)	(32,731)
Other services costs		(289,759)	(199,435)
Depreciation of property, plant and equipment		(120,044)	(99,809)
Depreciation of right-of-use assets		(785)	(800)
Gross Profit		193,789	279,912
Net decrease in fair value of investment properties		(93,700)	(13,324)
Gain on disposal of a subsidiary		-	521,857
Other income and expenses and gains and losses		34,112	(12,719)
Administrative expenses		(85,980)	(58,363)
- Depreciation		(4,191)	(4,203)
- Others		(81,789)	(54,160)
Finance costs	5	(60,043)	(24,802)
(Loss) profit before taxation	6	(11,822)	692,561
Income tax expense	7	(73,040)	(41,227)
(Loss) profit for the year		(84,862)	651,334

**Consolidated Statement of Profit or Loss (Continued)**  
*For the year ended 31st December, 2023*

	<i>NOTE</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(Loss) profit for the year attributable to:			
Owners of the Company		<b>(72,968)</b>	482,146
Non-controlling interests		<b><u>(11,894)</u></b>	<u>169,188</u>
		<b><u><u>(84,862)</u></u></b>	<u><u>651,334</u></u>
		<i>HK cents</i>	<i>HK cents</i>
(Loss) earnings per share	9		
Basic		<b><u><u>(14.26)</u></u></b>	<u><u>94.24</u></u>

**Consolidated Statement of Total Comprehensive Income**  
*For the year ended 31st December, 2023*

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(Loss) profit for the year	<u><b>(84,862)</b></u>	<u>651,334</u>
<b>Other comprehensive (expense) income</b>		
<b>Item that will not be reclassified to profit or loss</b>		
Fair value (loss) gain on equity instruments at fair value through other comprehensive income	<b>(23,222)</b>	10,436
<b>Item that may be reclassified subsequently to profit or loss</b>		
Exchange differences on translation of foreign operations	<u><b>63,963</b></u>	<u>(144,809)</u>
Other comprehensive income (expense) for the year	<u><b>40,741</b></u>	<u>(134,373)</u>
Total comprehensive (expense) income for the year	<u><b>(44,121)</b></u>	<u>516,961</u>
Total comprehensive (expense) income attributable to:		
Owners of the Company	<b>(44,004)</b>	386,620
Non-controlling interests	<u><b>(117)</b></u>	<u>130,341</u>
	<u><b>(44,121)</b></u>	<u>516,961</u>

## Consolidated Statement of Financial Position

At 31st December, 2023

	<i>NOTES</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Non-Current Assets</b>			
Property, plant and equipment		4,776,307	4,820,202
Right-of-use asset		23,131	24,374
Investment properties		4,685,260	4,732,940
Equity instruments at fair value through other comprehensive income		<u>44,865</u>	<u>68,087</u>
		<b><u>9,529,563</u></b>	<b><u>9,645,603</u></b>
<b>Current Assets</b>			
Inventories		1,761	1,501
Trade and other receivables	10	23,630	23,364
Other deposits and prepayments		12,629	15,665
Bank balances and cash		<u>334,479</u>	<u>286,676</u>
		<b><u>372,499</u></b>	<b><u>327,206</u></b>
<b>Current Liabilities</b>			
Trade and other payables and accruals	11	53,562	60,951
Rental and other deposits received		7,744	20,671
Contract liabilities		7,378	8,275
Refund liabilities		1,754	20,235
Amount due to an intermediate holding company		7,830	6,379
Amount due to a shareholder		5,088	5,088
Tax liabilities		34,402	18,106
Bank loans		<u>131,448</u>	<u>55,200</u>
		<b><u>249,206</u></b>	<b><u>194,905</u></b>
<b>Net Current Assets</b>		<b><u>123,293</u></b>	<b><u>132,301</u></b>
<b>Total Assets less Current Liabilities</b>		<b><u>9,652,856</u></b>	<b><u>9,777,904</u></b>
<b>Capital and Reserves</b>			
Share capital		1,084,887	1,084,887
Reserves		<u>6,251,911</u>	<u>6,295,915</u>
Equity attributable to owners of the Company		7,336,798	7,380,802
Non-controlling interests		<u>1,223,238</u>	<u>1,223,355</u>
<b>Total Equity</b>		<b><u>8,560,036</u></b>	<b><u>8,604,157</u></b>
<b>Non-Current Liabilities</b>			
Bank loans		891,971	1,001,084
Rental deposits received		22,034	15,025
Deferred tax liabilities		<u>178,815</u>	<u>157,638</u>
		<b><u>1,092,820</u></b>	<b><u>1,173,747</u></b>
		<b><u>9,652,856</u></b>	<b><u>9,777,904</u></b>

*NOTES:*

**1. GENERAL**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The financial information relating to the years ended 31st December, 2023 and 2022 included in this preliminary announcement of annual results 2023 do not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31st December, 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 and will deliver the financial statements for the year ended 31st December, 2023 in due course.

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

**2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs**

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

In the current year, 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 or after 1st January, 2023 for the preparation of the Group’s consolidated financial statements:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules
HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts

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

### 3. REVENUE

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

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Income from operation of hotels	<b>488,325</b>	462,692
Income from property rental	<b>117,665</b>	149,953
Dividend income	<u><b>45</b></u>	<u>42</u>
	<u><b>606,035</b></u>	<u>612,687</u>

### 4. SEGMENT INFORMATION

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

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

1. Hospitality services - Best Western Plus Hotel Kowloon
2. Hospitality services - Best Western Plus Hotel Hong Kong
3. Hospitality services - Magnificent International Hotel, Shanghai
4. Hospitality services - Best Western Hotel Causeway Bay
5. Hospitality services - Ramada Hong Kong Harbour View
6. Hospitality services - Ramada Hong Kong Grand
7. Hospitality services - Grand City Hotel
8. Hospitality services - Ramada Hong Kong Grand View
9. Hospitality services - Wood Street Hotel
10. Hospitality services - Grand Bay View Hotel
11. Property investment - 633 King’s Road
12. Property investment - Shun Ho Tower
13. Property investment - Shops, hotel and residential properties
14. Securities investment

Information regarding the above segments is reported below.

#### 4. SEGMENT INFORMATION (Continued)

##### Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments for both years:

	Segment revenue		Segment results	
	Year ended 31st December, 2023 HK\$'000	2022 HK\$'000	Year ended 31st December, 2023 HK\$'000	2022 HK\$'000
Hospitality services	<b>488,325</b>	462,692	<b>80,906</b>	132,420
- Best Western Plus Hotel Kowloon	<b>57,624</b>	29,922	<b>4,920</b>	(12,616)
- Best Western Plus Hotel Hong Kong	<b>83,829</b>	57,220	<b>31,148</b>	14,765
- Magnificent International Hotel, Shanghai	<b>5,394</b>	19,177	<b>(3,129)</b>	4,183
- Best Western Hotel Causeway Bay	<b>53,182</b>	64,135	<b>8,265</b>	23,295
- Ramada Hong Kong Harbour View	<b>92,391</b>	109,027	<b>38,712</b>	61,950
- Ramada Hong Kong Grand	<b>86,770</b>	101,664	<b>13,170</b>	34,098
- Grand City Hotel	-	22,014	-	5,609
- Grand Bay View Hotel	<b>35,230</b>	-	<b>(23,656)</b>	-
- Ramada Hong Kong Grand View	<b>73,905</b>	59,533	<b>11,476</b>	1,136
Property investments	<b>117,665</b>	149,953	<b>19,138</b>	134,126
- 633 King's Road	<b>65,271</b>	96,877	<b>(9,062)</b>	94,685
- Shun Ho Tower	<b>14,469</b>	16,333	<b>(3,025)</b>	9,697
- Shops, hotel and residential properties	<b>37,925</b>	36,743	<b>31,225</b>	29,744
Securities investment	<b>45</b>	42	<b>45</b>	42
	<b><u>606,035</u></b>	<u>612,687</u>	<b>100,089</b>	266,588
Gain on disposal of a subsidiary			-	521,857
Other income and expenses and gains and losses			<b>34,112</b>	(12,719)
Administrative expenses			<b>(85,980)</b>	(58,363)
Finance costs			<b>(60,043)</b>	(24,802)
(Loss) profit before taxation			<b><u>(11,822)</u></b>	<u>692,561</u>

##### Geographical information

The Group's operations are located in Hong Kong, the People's Republic of China (the "PRC") and the United Kingdom (the "UK").

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

	2023 HK\$'000	2022 HK\$'000
Hong Kong (place of domicile)	<b>566,077</b>	559,045
The PRC	<b>5,394</b>	19,177
The UK	<b>34,564</b>	34,465
	<b><u>606,035</u></b>	<u>612,687</u>

## 5. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interests on:		
Bank loans	59,927	24,666
Amount due to an intermediate holding company	<u>116</u>	<u>136</u>
	<u>60,043</u>	<u>24,802</u>

## 6. (LOSS) PROFIT BEFORE TAXATION

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(Loss) profit before taxation has been arrived at after charging:		
Auditor's remuneration	2,618	2,407
Staff costs including directors' emoluments	178,916	146,840
Depreciation of property, plant and equipment	124,235	104,012
Depreciation of right-of-use asset	785	800
Direct operating expenses incurred for investment properties that generated rental income during the year	<u>4,828</u>	<u>3,047</u>

## 7. INCOME TAX EXPENSE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
The taxation expense comprises:		
Current tax:		
Hong Kong	47,640	29,912
PRC Enterprise Income Tax	14	598
The UK	<u>5,191</u>	<u>5,477</u>
	52,845	35,987
Overprovision in prior years		
Hong Kong	(477)	(41)
The UK	<u>(505)</u>	<u>(93)</u>
	51,863	35,853
Deferred tax	<u>21,177</u>	<u>5,374</u>
	<u>73,040</u>	<u>41,227</u>

Taxation arising in other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions.



## 8. DIVIDEND

No dividend was paid or proposed by the directors for ordinary shareholders of the Company during 2023 and 2022, nor has any dividend been proposed since the end of the reporting period.

## 9. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share is based on the loss for the year attributable to owners of the Company of HK\$72,968,000 (profit for 2022: HK\$482,146,000) and on 511,613,000 shares (2022: 511,613,000 shares) in issue during the year. The number of shares adopted in the calculation of the (loss) earnings per share has been arrived at after eliminating the shares in the Company held by a subsidiary of the Company.

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

## 10. TRADE AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables from contracts with customers	17,781	14,607
Lease receivables	2,805	1,057
Other receivables	<u>3,044</u>	<u>7,700</u>
	<u>23,630</u>	<u>23,364</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 and lease receivables presented based on the invoice date at the end of the reporting period:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Not yet due	19,964	11,938
Overdue:		
0 – 30 days	137	1,277
31 – 60 days	25	1,345
61 – 90 days	<u>460</u>	<u>1,104</u>
	<u>20,586</u>	<u>15,664</u>

## 11. TRADE AND OTHER PAYABLES AND ACCRUALS

	<b>2023</b> <b><i>HK\$'000</i></b>	2022 <i>HK\$'000</i>
Trade payables	<b>4,129</b>	2,609
Other payables and accruals	<b><u>49,433</u></b>	<u>58,342</u>
	<b><u>53,562</u></b>	<u>60,951</u>

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

	<b>2023</b> <b><i>HK\$'000</i></b>	2022 <i>HK\$'000</i>
0 – 30 days	<b>4,118</b>	2,530
31 – 60 days	<b>9</b>	78
61 – 90 days	<b><u>2</u></b>	<u>1</u>
	<b><u>4,129</u></b>	<u>2,609</u>

## **DIVIDEND**

In deciding whether to distribute the final dividend and its amount, the Board has reviewed the Company's adopted dividend policy and does not recommend the payment of final dividend for the year ended 31st December, 2023 (2022: Nil) for the following reasons during the year:

- i) reduction of major source of income from office rental;
- ii) significant reduction of hotel operating profit under slow recovery of tourism industry;
- iii) higher interest expenses;
- iv) repair and maintenance of Grand Bay View Hotel; and
- v) cost of repair and maintenance of each of our quarantine hotels to become hotels of satisfactory standard.

## **BOOK CLOSURE**

To ascertain shareholders' eligibility to attend and vote at the annual general meeting to be held on Friday, 24th May, 2024 ("AGM"), the register of members will be closed from Tuesday, 21st May, 2024 to Friday, 24th May, 2024, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Tricor Tengis Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30p.m. on Monday, 20th May, 2024.

## MANAGEMENT DISCUSSION AND ANALYSIS

During the year, the Group continued with its commercial property investment, property leasing and property development, and through its major subsidiaries continued with the hotel investments and hotel management.

The net profit after tax attributable to owners of the Company before revaluation, depreciation and impairment of land, property and equipment and gain on disposal of a subsidiary for the year ended 31st December, 2023 was HK\$97 million (2022: HK\$225 million), decreased by HK\$128 million.

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>	Change
Net profit from operation of hotels	<b>80,906</b>	132,420	-39%
Net profit from property investment	<b>19,138</b>	134,126	-86%
Income from securities investments	<b>45</b>	42	+7%
Other income and expenses and gains and losses	<b><u>34,112</u></b>	<u>(12,719)</u>	N/A
	<b>134,201</b>	253,869	-47%
Gain on disposal of a subsidiary	-	521,857	N/A
Administrative expenses	<b>(85,980)</b>	(58,363)	+47%
Finance costs	<b>(60,043)</b>	(24,802)	+142%
Income tax expense	<b><u>(73,040)</u></b>	<u>(41,227)</u>	+77%
(Loss) profit after taxation	<b>(84,862)</b>	651,334	N/A
Non-controlling interests	<b><u>11,894</u></b>	<u>(169,188)</u>	N/A
(Loss) profit after taxation and non-controlling interests	<b>(72,968)</b>	482,146	N/A
Add: Revaluation loss	<b>92,255</b>	11,879	+677%
Add: Properties depreciation, impairment and release of prepaid lease payments for land	<b>77,594</b>	102,089	-24%
Less: Gain on disposal of a subsidiary	<b><u>-</u></b>	<u>(370,988)</u>	N/A
Net profit after tax attributable to owners of the Company before revaluation, depreciation, impairment and release of prepaid lease payments for land and gain on disposal of a subsidiary	<b><u>96,881</u></b>	<u>225,126</u>	-57%

The overall decrease in profit for the year ended 31st December, 2023 was mainly due to increase in hotel operating costs, pre-operating expenses, repair and maintenance cost, finance costs and income tax expenses.

## PERFORMANCE

### 1. Hotel Business

The income from hotel operations of the Group amounted to HK\$488 million (2022: HK\$463 million), increased by 5%.

The Group owns 71.09% of Magnificent Hotel as its hotel investment subsidiary. The Group and Magnificent Hotel Group presently own nine hotels, including: (1) Ramada Hong Kong Grand View, (2) Ramada Hong Kong Harbour View, (3) Best Western Plus Hotel Kowloon, (4) Best Western Plus Hotel Hong Kong, (5) Ramada Hong Kong Grand, (6) Best Western Hotel Causeway Bay, (7) Grand Bay View Hotel, (8) Magnificent International Hotel, Shanghai and (9) Royal Scot Hotel in London. The nine hotels have about 3,042 guest rooms and the Group is one of the largest hotel groups in Hong Kong.

The net profit after tax attributable to owners of Magnificent Hotel before revaluation, depreciation and impairment of land, property and equipment and gain on disposal of a subsidiary for the year ended 31st December, 2023 was HK\$41 million (2022: HK\$179 million), decreased by HK\$138 million.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	Change
Net profit from operation of hotels	<b>74,691</b>	136,545	-45%
- Profit	<b>170,066</b>	210,498	
- Depreciation	<b>(95,375)</b>	(73,953)	
Net profit from property investment	<b>32,346</b>	31,281	+3%
- Profit	<b>37,346</b>	36,281	
- Revaluation loss	<b>(5,000)</b>	(5,000)	
Income from securities investments	<b>45</b>	42	+7%
Other income and gain and losses	<b>36,597</b>	(12,341)	N/A
	<b>143,679</b>	155,527	-8%
Gain on disposal of a subsidiary	-	521,857	N/A
Administrative expenses	<b>(70,945)</b>	(37,977)	+87%
Finance costs	<b>(43,780)</b>	(23,098)	+90%
Income tax expense	<b>(62,005)</b>	(24,146)	+157%
(Loss) profit after taxation	<b>(33,051)</b>	592,163	N/A
Non-controlling interests	<b>140</b>	636	-78%
(Loss) profit after taxation and non-controlling interests	<b>(32,911)</b>	592,799	N/A
Add: Revaluation loss	<b>5,000</b>	5,000	-
Add: Properties depreciation and impairment and release of prepaid lease payments for land	<b>69,258</b>	102,811	-33%
Less: Gain on disposal of a subsidiary	<b>-</b>	(521,857)	N/A
Net profit after tax attributable to owners of the Company before revaluation and depreciation and impairment and release of prepaid lease payments for land and gain on disposal of a subsidiary	<b>41,347</b>	178,753	-77%

The overall decrease in profit for the year ended 31st December, 2023 was mainly due to increase in hotel operating costs, pre-operating expenses, repair and maintenance cost, finance costs and income tax expenses.

During the year, the total income for the Magnificent Hotel Group increased by 3% from HK\$439 million to HK\$452 million compared with last year. The increase in income was mainly due to increase in room rates and occupancy.

As at 31st December, 2023, an independent third-party valuation of Royal Scot Hotel, London was GBP88,500,000 (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 maintained at 40-year high during year 2022 to 2023 inflating consistently in double-figures. The rental income of Royal Scot Hotel, London for the period was GBP3,546,000 (2022: GBP3,546,000).

## 2. Commercial Properties Rental Income

The commercial properties rental income was derived from the hotel property in UK, Royal Scot Hotel in London, office buildings of Shun Ho Tower, 633 King's Road and shops from Best Western Plus Hotel Kowloon, Best Western Plus Hotel Hong Kong and Ramada Hong Kong Grand amounted to HK\$118 million (2022: HK\$150 million).

During the year, the **ADMINISTRATIVE EXPENSES** excluding depreciation was HK\$82 million (2022: HK\$54 million). The increase was mainly due to pre-operating expenses and repair and maintenance cost of Grand Bay View Hotel and Magnificent International Hotel, Shanghai which amounted to HK\$29 million and operating expenses of Wood Street Hotel Limited which amounted to HK\$6 million.

## LIQUIDITY

As at 31st December, 2023, the **OVERALL DEBTS** of the Group including Magnificent Hotel and its subsidiaries was HK\$1,036 million (2022: HK\$1,068 million). The decrease in overall debts was due to the repayments of bank borrowings during the year. The gearing ratio of the Group (including Magnificent Hotel and its subsidiaries) in terms of overall debts against funds employed was 12% (2022: 12%).

As at 31st December, 2023, the debt ratio was 7% (2022: 7%) in term of overall debt of HK\$1,036 million (2022: HK\$1,068 million) against the fully revalued net asset value of the Group amounted to HK\$14,570 million (2022: HK\$14,301 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 31st December, 2023, the Group had a total number of 562 employees (2022: 387 employees). Remuneration and benefit were set with reference to the market.

## **BUSINESS HIGHLIGHTS**

A total of approximately 17 million overnight tourists visited Hong Kong during the year of 2023, of which about 12 million were from the PRC. Compared with 2019 and before the pandemic, 23 million overnight 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/PRC economy and foreign currency exchange rates. Operating costs go up significantly due to shortage of local labours and increase in number of hotel staffs.

In December 2023, the Group acquired Grand Bay View Hotel, with 435 guest rooms, restaurant, 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.

For the year of 2023, the hotel income for the Group increased by 6% compared with last year. In response to mainland and Hong Kong border re-opening at the beginning of the year, the Group hotels, after being transformed to designated quarantine and community isolated facility hotels during the pandemic years, promptly resumed normal operations with extensive renovations and relaunch of sales activities under dedicated leadership of the management. The Group achieved an average hotel occupancy rate of over 90% throughout the year. However, the net profit of the Group for the year was affected by cost of renovating hotels, increase in operating expenses due to shortage of labour, pre-operating expenses and extraordinary tax payment due to acquisition of Grand Bay View Hotel and decrease in office rental incomes.

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 during year 2022 to 2023 inflating consistently in double-figures.

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 nine income producing hotels, seven 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.

The PRC economy would remain weak. However, we hope the hotel business would benefit from the Hong Kong 2024 Budget Address that emphasizes the boost of Hong Kong tourism, and the number of overnight tourists to Hong Kong would continue to rise and outperform last year.

Most of the tenants at the Group's 633 King's Road office building and Shun Ho Tower are multinational trading companies. Due to the US/China trade war and downturn of Hong Kong's import/export volumes, those trading company tenants are experiencing difficulties and therefore the occupancies are being affected.

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

## **EVENT AFTER THE REPORTING PERIOD**

On 15 March 2024, Miluda Limited (the “Purchaser”), a directly wholly-owned subsidiary of the Company, received the Letter of Acceptance (the “Letter of Acceptance”) from Samsbury Investments Limited (the “Vendor”), which confirmed the Purchaser’s tender (the “Tender”) made on 15 March 2024 for the purchase of the Properties (as defined below) (the “Acquisition”) at a total consideration of HK\$207,000,000 (the “Consideration”).

The properties comprises: (i) Unit A, Ground Floor, Jessville Manor and Residential Parking Space No.8 on LG2 Floor, Jessville Tower; (ii) Unit B, Ground Floor, Jessville Manor and Residential Parking Space No.9 on LG2 Floor, Jessville Tower; (iii) Unit A, 1<sup>st</sup> Floor, Jessville Manor and Residential Parking Space No.3 on LG2 Floor, Jessville Tower; and (iv) Unit B, 1<sup>st</sup> Floor, Jessville Manor and Residential Parking Space No.19 and 20 on LG2 Floor, Jessville Tower (collectively, the “Properties”). The Properties are located at Jessville, No. 128 Pok Fu Lam Road, Hong Kong.

The Consideration represents a good opportunity for the Group to acquire a sizeable deluxe property, Jessville Manor with gross floor area of 12,288 sq. ft., at a relatively low price at HK\$21,112 per sq. ft. (calculated based on 9,805 sq. ft. internal saleable area). The Acquisition also allows the Group to benefit from steady income growth and capital gain potential.

The Tender together with the Letter of Acceptance constituted a binding agreement between the Vendor and the Purchaser for the sale and purchase of the Properties subject to the entering into of the formal sale and purchase agreement which is to be entered into between the Purchaser and the Vendor within 5 working days after the date of the Letter of Acceptance. As at the date of this announcement, the Vendor and the Purchaser had yet to enter into any formal sale and purchase agreement. Further details of the Acquisition is disclosed in the announcement of the Company dated 15 March 2024.

## **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 year ended 31st December, 2023.

## **CORPORATE GOVERNANCE**

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

During the year ended 31st December, 2023, the Company has complied with all the code provisions of the Corporate Governance Code set out in Appendix C1 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited with the exception of the following deviation:

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

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



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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 of the Listing Rules (the “Model Code”) as the code of conduct regarding securities transactions by Directors. All Directors have confirmed, following specific enquiry by the Company, their compliance with the required standard set out in the Model Code throughout the year.

## **REVIEW BY THE AUDIT COMMITTEE**

The audit committee has reviewed the audited financial results of the Group for the year ended 31st December, 2023.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31st December, 2023 as set out in the preliminary announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board on 15th March, 2024. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

By Order of the Board

**William CHENG Kai Man**  
*Chairman*

Hong Kong, 15th March, 2024

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