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SHUN HO HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 253)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2022

RESULTS

The board (the “Board”) of directors (the “Directors”) of Shun Ho Holdings Limited (the “Company”) announces that the profit for the year attributable to owners of the Company for the year ended 31st December, 2022 was HK\$258 million (2021: HK\$30 million), increased by HK\$228 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, 2022

	NOTES	2022 HK\$'000	2021 HK\$'000
Revenue	3		
Contracts with customers		462,692	346,416
Leases		149,953	167,993
Dividend income		42	-
Total revenue		612,687	514,409
Cost of sales		(32,731)	(45,209)
Other service costs		(199,435)	(194,079)
Depreciation of property, plant and equipment		(99,809)	(101,823)
Depreciation of right-of-use asset		(800)	(880)
Gross profit		279,912	172,418
Net decrease in fair value of investment properties		(13,324)	(5,200)
Gain on disposal of a subsidiary		521,857	-
Other income and expenses and gains and losses		(12,719)	760
Administrative expenses		(59,923)	(49,797)
- Depreciation		(4,203)	(4,288)
- Others		(55,720)	(45,509)
Finance costs	5	(27,359)	(9,774)
Profit before taxation	6	688,444	108,407
Income tax expense	7	(41,227)	(28,770)
Profit for the year		647,217	79,637
Profit for the year attributable to:			
Owners of the Company		258,021	30,413
Non-controlling interests		389,196	49,224
		647,217	79,637
		HK cents	HK cents
Earnings per share	8		
Basic		106.72	12.58

Consolidated Statement of Total Comprehensive Income

For the year ended 31st December, 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit for the year	<u>647,217</u>	<u>79,637</u>
Other comprehensive income (expense)		
Item that will not be reclassified to profit or loss		
Fair value gain (loss) on equity instruments at fair value through other comprehensive income	420	(280)
Item that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	<u>(144,809)</u>	<u>(3,767)</u>
Other comprehensive expense for the year	<u>(144,389)</u>	<u>(4,047)</u>
Total comprehensive income for the year	<u>502,828</u>	<u>75,590</u>
Total comprehensive income attributable to:		
Owners of the Company	202,154	28,622
Non-controlling interests	<u>300,674</u>	<u>46,968</u>
	<u>502,828</u>	<u>75,590</u>

Consolidated Statement of Financial Position

At 31st December, 2022

	NOTES	2022 HK\$'000	2021 HK\$'000
Non-Current Assets			
Property, plant and equipment		4,820,202	3,944,647
Right-of-use asset		24,374	27,657
Investment properties		4,732,940	4,787,605
Deposits paid for acquisition of investment properties		-	5,500
Equity instruments at fair value through other comprehensive income		<u>1,728</u>	<u>1,308</u>
		<u>9,579,244</u>	<u>8,766,717</u>
Current Assets			
Inventories		1,501	1,316
Trade and other receivables	9	23,573	11,961
Other deposits and prepayments		15,827	12,431
Financial assets at fair value through profit or loss		-	12,450
Bank balances and cash		<u>286,897</u>	<u>262,453</u>
		<u>327,798</u>	<u>300,611</u>
Current Liabilities			
Trade and other payables and accruals	10	61,377	40,841
Rental and other deposits received		20,671	18,183
Contract liabilities		8,275	34,681
Refund liabilities		20,235	-
Amount due to ultimate holding company		40,393	40,070
Amount due to a shareholder		5,088	5,088
Tax liabilities		18,112	5,120
Bank loans		<u>55,200</u>	<u>738,408</u>
		<u>229,351</u>	<u>882,391</u>
Net Current Assets (Liabilities)		<u>98,447</u>	<u>(581,780)</u>
Total Assets less Current Liabilities		<u>9,677,691</u>	<u>8,184,937</u>
Capital and Reserves			
Share capital		172,252	172,252
Reserves		<u>4,071,659</u>	<u>3,864,005</u>
Equity attributable to owners of the Company		4,243,911	4,036,257
Non-controlling interests		<u>4,260,033</u>	<u>3,965,408</u>
Total Equity		<u>8,503,944</u>	<u>8,001,665</u>
Non-Current Liabilities			
Bank loans		1,001,084	-
Rental deposits received		15,025	21,146
Deferred tax liabilities		<u>157,638</u>	<u>162,126</u>
		<u>1,173,747</u>	<u>183,272</u>
		<u>9,677,691</u>	<u>8,184,937</u>

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 (“HKICPA”) and the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

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

The financial information relating to the years ended 31st December, 2022 and 2021 included in this preliminary announcement of annual results 2022 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, 2021 to the Registrar 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, 2022 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 AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group’s annual periods beginning on or after 1st January, 2022 for the preparation of the consolidated financial statements:

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

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

3. REVENUE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Income from operation of hotels	462,692	346,416
Income from property rental	149,953	167,993
Dividend income	42	-
	<u>612,687</u>	<u>514,409</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 purposes of allocating resources to segments and assessing their performance. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

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

1. Hospitality services - Best Western Plus Hotel Kowloon
2. Hospitality services - Best Western Plus Hotel Hong Kong
3. Hospitality services - Magnificent International Hotel, Shanghai
4. Hospitality services - Best Western Hotel Causeway Bay
5. Hospitality services - Ramada Hong Kong Harbour View
6. Hospitality services - Ramada Hong Kong Grand
7. Hospitality services - Grand City Hotel
8. Hospitality services - 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:

	<u>Segment revenue</u>		<u>Segment results</u>	
	Year ended		Year ended	
	31st December,		31st December,	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hospitality services	462,692	346,416	132,420	5,561
- Best Western Plus Hotel Kowloon	29,922	20,566	(12,616)	(20,291)
- Best Western Plus Hotel Hong Kong	57,220	55,226	14,765	13,178
- Magnificent International Hotel, Shanghai	19,177	18,627	4,183	3,301
- Best Western Hotel Causeway Bay	64,135	39,260	23,295	(2,032)
- Ramada Hong Kong Harbour View	109,027	64,295	61,950	16,811
- Ramada Hong Kong Grand	101,664	54,221	34,098	(11,588)
- Grand City Hotel	22,014	31,887	5,609	2,148
- Ramada Hong Kong Grand View	59,533	62,334	1,136	4,034
Property investments	149,953	167,993	134,126	161,657
- 633 King's Road	96,877	107,082	94,685	96,334
- Shun Ho Tower	16,333	18,595	9,697	(39,293)
- Shops, hotel and residential properties	36,743	42,316	29,744	104,616
Securities investment	<u>42</u>	-	<u>42</u>	-
	<u>612,687</u>	<u>514,409</u>	266,588	167,218
Gain on disposal of a subsidiary			521,857	-
Other income and expenses and gains and losses			(12,719)	760
Administration expenses			(59,923)	(49,797)
Finance costs			<u>(27,359)</u>	<u>(9,774)</u>
Profit before taxation			<u>688,444</u>	<u>108,407</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:

	2022	2021
	HK\$'000	HK\$'000
Hong Kong (place of domicile)	559,045	454,696
The PRC	19,177	18,627
The UK	<u>34,465</u>	<u>41,086</u>
	<u>612,687</u>	<u>514,409</u>

5. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interests on :		
Bank loans	24,666	7,775
Amount due to ultimate holding company	<u>2,693</u>	<u>1,999</u>
	<u>27,359</u>	<u>9,774</u>

6. PROFIT BEFORE TAXATION

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging :		
Auditor's remuneration	2,610	2,438
Staff costs including directors' emoluments	146,840	145,545
Depreciation of property, plant and equipment	104,012	106,111
Depreciation of right-of-use asset	800	880
Direct operating expenses incurred for investment properties that generated rental income during the year	<u>3,047</u>	<u>1,135</u>

7. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
The taxation expense comprises:		
Current tax		
Hong Kong	29,912	16,832
PRC Enterprise Income Tax	598	-
The UK	<u>5,477</u>	<u>7,245</u>
	35,987	24,077
(Over)underprovision in prior years		
Hong Kong	(41)	(144)
The UK	<u>(93)</u>	<u>271</u>
	35,853	24,204
Deferred tax	<u>5,374</u>	<u>4,566</u>
	<u>41,227</u>	<u>28,770</u>

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

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company of HK\$258,021,000 (2021: HK\$30,413,000) and on 241,766,000 shares (2021: 241,766,000 shares) in issue during the year. The number of shares adopted in the calculation of the earnings per share has been arrived at after eliminating the shares in the Company held by a subsidiary of the Company.

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

9. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables from contracts with customers	14,607	4,660
Lease receivables	1,057	3,073
Other receivables	<u>7,909</u>	<u>4,228</u>
	<u><u>23,573</u></u>	<u><u>11,961</u></u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Not yet due	11,938	7,722
Overdue:		
0-30 days	1,277	-
31-60 days	1,345	-
61-90 days	<u>1,104</u>	<u>11</u>
	<u><u>15,664</u></u>	<u><u>7,733</u></u>

10. TRADE AND OTHER PAYABLES AND ACCRUALS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	2,609	5,351
Other payables and accruals	<u>58,768</u>	<u>35,490</u>
	<u><u>61,377</u></u>	<u><u>40,841</u></u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0-30 days	2,530	5,320
31-60 days	78	4
61-90 days	<u>1</u>	<u>27</u>
	<u><u>2,609</u></u>	<u><u>5,351</u></u>

DIVIDEND

The proceeds from the disposal of the hotel subsidiary plus cash and borrowings were spent on the acquisition of the Bay Bridge Hotel at HK\$1,420,695,000. It is expected that around \$50 million will be required to renovate the Bay Bridge Hotel to a modern standard ready for business this summer. The overall debt amounted to HK\$1,102 million will require around HK\$55 million interest payment this coming year. The management considers the overall cash expenses of the renovation costs of the Bay Bridge Hotel, hotels in Shanghai, Hong Kong and London, plus interest payments are substantial while the local hotel businesses is not yet stable. During the year, the Company has received no cash dividend income from Shun Ho Property Investments Limited (“Shun Ho Property” , together with its subsidiaries, “Shun Ho Property Group”) and the prospect of commercial property income will be challenging for the coming year.

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

- i) the prospect of local hotel business is not yet stable;
- ii) higher interest expenses;
- iii) renovation cost of Bay Bridge Hotel; and
- iv) cost of renovation of each of our quarantine hotels to become hotels of satisfactory standard.

BOOK CLOSURE

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Profit for the year attributable to owners of the Company for the year ended 31st December, 2022 was HK\$258 million (2021: HK\$30 million), increased by HK\$228 million.

PERFORMANCE

1. Hotel Business

The income from hotel operations of the Group amounted to HK\$463 million (2021: HK\$346 million), increased by 34%.

The Group owns 66.18% of Shun Ho Property which holds 71.09% of Magnificent Hotel Investments Limited (“Magnificent Hotel”, together with its subsidiaries, “Magnificent Hotel Group”) 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 City Hotel, (8) Magnificent International Hotel, Shanghai and (9) Royal Scot Hotel in London. The nine hotels have about 2,821 guest rooms and the Group is one of the largest hotel groups in Hong Kong.

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

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

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

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

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

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\$150 million (2021: HK\$168 million).

During the year, the **ADMINISTRATIVE EXPENSES** excluding depreciation was HK\$56 million (2021: HK\$46 million). The increase was partly due to the cost of new acquisitions.

LIQUIDITY

As at 31st December, 2022, the **OVERALL DEBTS** of the Group including Shun Ho Property and Magnificent Hotel and their subsidiaries were HK\$1,102 million (2021: HK\$784 million). The increase in overall debts was due to the rise of new bank borrowings during the year which was attributable to acquisition of Bay Bridge Hotel at HK\$1,420,695,000. The gearing ratio of the Group in terms of overall debts against funds employed was 13% (2021: 10%).

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

As at 31st December, 2022, the Group had a total number of 387 employees (2021: 486 employees). Remuneration and benefit were set with reference to the market.

BUSINESS HIGHLIGHTS

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

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

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

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

LOOKING AHEAD

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

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

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

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 vacancies are expected to be significant.

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

MATERIAL ACQUISITIONS AND DISPOSALS AND SIGNIFICANT INVESTMENTS

On 11th May, 2022, Babenna Limited (a subsidiary of the Company) (“Babenna”) and SYP Investment Limited (an independent third party to the Group) (“SYP”) entered into a sale and purchase agreement pursuant to which Babenna agreed to sell the entire issued share capital of Sino Money Investments Limited (a wholly-owned subsidiary of Magnificent Hotel) (“Sino Money”) and assign to SYP the loan owing by Sino Money to Babenna as at completion at a consideration of HK\$900,532,000. The disposal was approved by the shareholders at the extraordinary general meeting of the Company held on 16th August, 2022. The disposal was completed on 27th September, 2022. Further details of the disposal were disclosed in the Company’s announcement dated 11th May, 2022 and circular dated 27th July, 2022. The gain on disposal of Sino Money is HK\$521,857,000.

On 11th May, 2022, Shun Ho Construction (Holdings) Limited (a subsidiary of the Company) (“Shun Ho Construction”) and Crest Incorporated (an independent third party to the Group) (“Crest”) entered into a sale and purchase agreement pursuant to which Shun Ho Construction agreed to acquire the Bay Bridge Hotel by acquisition of the entire issued share capital of Ocean Time Investments Limited (a wholly-owned subsidiary of Crest) (“Ocean Time”) and accept the assignment of the loan owing by Ocean Time to Crest as at completion at a consideration of HK\$1,420,695,000, subject to adjustments. The acquisition was approved by the shareholders of the Company on 29th September, 2022. The acquisition was completed on 9th December, 2022. Further details of the acquisition were disclosed in the Company’s announcement dated 11th May, 2022 and circular dated 8th September, 2022.

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

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, 2022.

CORPORATE GOVERNANCE

(a) Compliance with the Corporate Governance Code

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

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

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

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

(b) Compliance with the Model Code

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

REVIEW BY THE AUDIT COMMITTEE

The audit committee has reviewed the audited financial results of the Group for the year ended 31st December, 2022.

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, 2022 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 17th March, 2023. 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, 17th March, 2023

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