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SHUN HO PROPERTY INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 219)

2023 INTERIM RESULTS

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 and depreciation of land, property and equipment for the six months ended 30th June, 2023 was HK\$49 million (the six months ended 30th June, 2022: HK\$157 million), decreased by HK\$108 million. The unaudited consolidated results of the Company and its subsidiaries (together the “Group”) for the period, together with comparative figures for the previous period, are as follows:

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30th June, 2023

	NOTES	Six months ended	
		30.6.2023	30.6.2022
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	3		
Contracts with customers		190,509	286,391
Leases		60,479	77,161
Dividend income		45	42
Total revenue		251,033	363,594
Cost of sales		(486)	(18,138)
Other services costs		(113,284)	(90,387)
Depreciation of property, plant and equipment		(47,232)	(51,147)
Depreciation of right-of-use asset		(394)	(419)
Gross Profit		89,637	203,503
Net decrease in fair value of investment properties		-	(53,700)
Other income and expenses and gains and losses		3,099	4,568
Administrative expenses		(57,187)	(27,321)
- Depreciation		(2,088)	(2,128)
- Others		(55,099)	(25,193)
Finance costs	5	(26,510)	(4,910)
Profit before taxation		9,039	122,140
Income tax expense	6	(5,495)	(31,784)
Profit for the period	7	3,544	90,356

Condensed Consolidated Statement of Profit or Loss (Continued)*For the six months ended 30th June, 2023*

		Six months ended	
	<i>NOTE</i>	30.6.2023	30.6.2022
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Profit (loss) for the period attributable to:			
Owners of the Company		9,162	61,092
Non-controlling interests		<u>(5,618)</u>	<u>29,264</u>
		<u>3,544</u>	<u>90,356</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
Basic	9	<u>1.79</u>	<u>11.94</u>

Condensed Consolidated Statement of Total Comprehensive Income

For the six months ended 30th June, 2023

	Six months ended	
	30.6.2023 HK\$'000 (unaudited)	30.6.2022 HK\$'000 (unaudited)
Profit for the period	<u>3,544</u>	<u>90,356</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 ("FVTOCI")	455	(1,066)
Item that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	<u>53,257</u>	<u>(131,077)</u>
Other comprehensive income (expense) for the period	<u>53,712</u>	<u>(132,143)</u>
Total comprehensive income (expense) for the period	<u>57,256</u>	<u>(41,787)</u>
Total comprehensive income (expense) attributable to:		
Owners of the Company	47,346	(32,849)
Non-controlling interests	<u>9,910</u>	<u>(8,938)</u>
	<u>57,256</u>	<u>(41,787)</u>

Condensed Consolidated Statement of Financial Position

At 30th June, 2023

	<i>NOTES</i>	30.6.2023 <i>HK\$'000</i> (unaudited)	31.12.2022 <i>HK\$'000</i> (audited)
Non-Current Assets			
Property, plant and equipment		4,790,729	4,820,202
Right-of-use asset		23,962	24,374
Investment properties		4,772,765	4,732,940
Equity instruments at FVTOCI		<u>68,542</u>	<u>68,087</u>
		<u>9,655,998</u>	<u>9,645,603</u>
Current Assets			
Inventories		2,385	1,501
Trade and other receivables	10	8,640	23,364
Other deposits and prepayments		14,654	15,665
Bank balances and cash		<u>281,237</u>	<u>286,676</u>
		<u>306,916</u>	<u>327,206</u>
Current Liabilities			
Trade and other payables and accruals	11	43,026	60,951
Rental and other deposits received		5,115	20,671
Contract liabilities		7,022	8,275
Refund liabilities		-	20,235
Amount due to an intermediate holding company		5,730	6,379
Amount due to a shareholder		5,088	5,088
Tax liabilities		23,359	18,106
Bank loans		<u>43,200</u>	<u>55,200</u>
		<u>132,540</u>	<u>194,905</u>
Net Current Assets		<u>174,376</u>	<u>132,301</u>
Total Assets less Current Liabilities		<u>9,830,374</u>	<u>9,777,904</u>
Capital and Reserves			
Share capital		1,084,887	1,084,887
Reserves		<u>6,343,261</u>	<u>6,295,915</u>
Equity attributable to owners of the Company		7,428,148	7,380,802
Non-controlling interests		<u>1,233,265</u>	<u>1,223,355</u>
Total Equity		<u>8,661,413</u>	<u>8,604,157</u>
Non-Current Liabilities			
Bank loans		995,072	1,001,084
Rental deposits received		23,362	15,025
Deferred tax liabilities		<u>150,527</u>	<u>157,638</u>
		<u>1,168,961</u>	<u>1,173,747</u>
		<u>9,830,374</u>	<u>9,777,904</u>

NOTES:

1. BASIS OF PREPARATION

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 Stock Exchange of Hong Kong Limited.

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.

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.

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 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.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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 Practice Statement 2)	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:

	Six months ended	
	30.6.2023	30.6.2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Income from operation of hotels	190,509	286,391
Income from property rental	60,479	77,161
Dividend income	45	42
	<u>251,033</u>	<u>363,594</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 segment for the periods under review:

	<u>Segment revenue</u>		<u>Segment results</u>	
	Six months ended		Six months ended	
	30.6.2023	30.6.2022	30.6.2023	30.6.2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Hospitality services	190,509	286,391	26,785	125,953
- Best Western Plus Hotel Kowloon	25,521	12,090	1,747	(6,927)
- Best Western Plus Hotel Hong Kong	35,300	26,526	13,181	7,438
- Magnificent International Hotel, Shanghai	-	9,870	(7,427)	2,452
- Best Western Hotel Causeway Bay	21,995	43,947	1,877	26,387
- Ramada Hong Kong Harbour View	40,268	75,535	16,421	53,215
- Ramada Hong Kong Grand	36,429	69,439	1,722	36,995
- Grand City Hotel	-	19,215	-	6,442
- Ramada Hong Kong Grand View	30,996	29,769	3,153	1,077
- Wood Street Hotel	-	-	(3,889)	(1,126)
Property investment	60,479	77,161	58,918	22,682
- 633 King's Road	34,198	49,128	32,928	8,455
- Shun Ho Tower	7,596	9,122	7,305	(4,684)
- Shops, hotel and residential properties	18,685	18,911	18,685	18,911
Securities investment	45	42	45	42
	<u>251,033</u>	<u>363,594</u>	85,748	148,677
Other income and expenses and gains and losses			3,099	4,568
Administrative expenses			(53,298)	(26,195)
Finance costs			<u>(26,510)</u>	<u>(4,910)</u>
Profit before taxation			<u>9,039</u>	<u>122,140</u>

5. FINANCE COSTS

	Six months ended	
	30.6.2023 <i>HK\$'000</i> (unaudited)	30.6.2022 <i>HK\$'000</i> (unaudited)
Interests on:		
Bank loans	26,451	4,825
Amount due to an intermediate holding company	<u>59</u>	<u>85</u>
	<u>26,510</u>	<u>4,910</u>

6. INCOME TAX EXPENSE

	Six months ended	
	30.6.2023 <i>HK\$'000</i> (unaudited)	30.6.2022 <i>HK\$'000</i> (unaudited)
The taxation expense comprises:		
Current tax:		
Hong Kong	9,871	24,501
The People's Republic of China (the "PRC")	13	209
The United Kingdom (the "UK")	<u>2,722</u>	<u>3,108</u>
	12,606	27,818
Overprovision in prior years		
Hong Kong	<u>-</u>	<u>(40)</u>
	12,606	27,778
Deferred tax	<u>(7,111)</u>	<u>4,006</u>
	<u>5,495</u>	<u>31,784</u>

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.

7. PROFIT FOR THE PERIOD

Six months ended	
30.6.2023	30.6.2022
HK\$'000	HK\$'000
(unaudited)	(unaudited)

Profit for the period has been arrived at after charging (crediting) the following items:

Depreciation of right-of-use asset	394	419
Depreciation of property, plant and equipment	49,320	53,275
Interest on bank deposits (Note)	(3,152)	(204)
(Gain) loss on disposal of property, plant and equipment (Note)	<u>(7)</u>	<u>449</u>

Note: The amounts are included in other income and expenses 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. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the period attributable to owners of the Company of HK\$9,162,000 (six months ended 30th June, 2022: HK\$61,092,000) and on 511,613,000 shares (six months ended 30th June, 2022: 511,613,000 shares) in issue during the period. 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 periods are not presented as there are no potential ordinary shares outstanding during both periods.

10. TRADE AND OTHER RECEIVABLES

	As at 30.6.2023 <i>HK\$'000</i> (unaudited)	As at 31.12.2022 <i>HK\$'000</i> (audited)
Trade receivables from contracts with customers	4,053	14,607
Lease receivables	1,028	1,057
Other receivables	<u>3,559</u>	<u>7,700</u>
	<u>8,640</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:

	As at 30.6.2023 <i>HK\$'000</i> (unaudited)	As at 31.12.2022 <i>HK\$'000</i> (audited)
Not yet due	4,769	11,938
Overdue:		
0 – 30 days	119	1,277
31 – 60 days	62	1,345
61 – 90 days	<u>131</u>	<u>1,104</u>
	<u>5,081</u>	<u>15,664</u>

11. TRADE AND OTHER PAYABLES AND ACCRUALS

	As at 30.6.2023 <i>HK\$'000</i> (unaudited)	As at 31.12.2022 <i>HK\$'000</i> (audited)
Trade payables	5,510	2,609
Other payables and accruals	<u>37,516</u>	<u>58,342</u>
	<u>43,026</u>	<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:

	As at 30.6.2023 <i>HK\$'000</i> (unaudited)	As at 31.12.2022 <i>HK\$'000</i> (audited)
0 – 30 days	5,060	2,530
31 – 60 days	433	78
61 – 90 days	<u>17</u>	<u>1</u>
	<u>5,510</u>	<u>2,609</u>

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) reduction of major source of income from office rental;
- ii) significant reduction of hotel operating profit due to lower room rates and higher operating costs 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.

MANAGEMENT DISCUSSION AND ANALYSIS

During the period, 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 and depreciation of land, property and equipment for the six months ended 30th June, 2023 was HK\$49 million (six months ended 30th June, 2022: HK\$157 million), decreased by HK\$108 million.

	Six months ended		Change
	30.6.2022 <i>HK\$'000</i> (unaudited)	30.6.2023 <i>HK\$'000</i> (unaudited)	
Profit from operation of hotels	125,431	10,777	-91%
Profit from property investment	19,420	52,305	+169%
Income from securities investments	42	45	+7%
Other income and expenses and gains and losses	<u>4,568</u>	<u>3,099</u>	-32%
	149,461	66,226	-56%
Administrative expenses	(27,321)	(57,187)	+109%
Income tax expense	<u>(31,784)</u>	<u>(5,495)</u>	-83%
Profit after taxation	90,356	3,544	-96%
Non-controlling interests	<u>(29,264)</u>	<u>5,618</u>	N/A
Profit after taxation and non-controlling interests	61,092	9,162	-85%
Add: Depreciation of land, property and equipment	42,516	39,358	-7%
Add: Revaluation	<u>53,700</u>	<u>-</u>	N/A
Net profit after tax attributable to owners of the Company before revaluation and depreciation of land, property and equipment	<u>157,308</u>	<u>48,520</u>	-69%

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 and finance costs.

PERFORMANCE

1. Hotel Business

The income from hotel operations of the Group amounted to HK\$191 million (six months ended 30th June, 2022: HK\$286 million), decreased by 33%.

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 depreciation of land, property and equipment for the six months ended 30th June, 2023 was HK\$18 million (the six months ended 30th June, 2022: HK\$145 million), decreased by HK\$163 million.

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

During the period, the total income for the Magnificent Hotel 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.

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-years 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).

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\$60 million (six months ended 30th June, 2022: HK\$77 million).

During the period, the **ADMINISTRATIVE EXPENSES** excluding depreciation was HK\$55.1 million (six months ended 30th June, 2022: HK\$25.2 million). The increase was mainly due to pre-operating expenses, repair and maintenance of Grand Bay View Hotel which amounted to 29 million.

LIQUIDITY

As at 30th June, 2023, the **OVERALL DEBTS** of the Group including Magnificent Hotel and its subsidiaries was HK\$1,049 million (31st December, 2022: HK\$1,068 million). The decrease in overall debts was due to the repayment of bank borrowings during the period. The gearing ratio of the Group (including Magnificent Hotel and its subsidiaries) in terms of overall debts against funds employed was 12% (31st December, 2022: 12%).

As at 30th June, 2023, the debt ratio was 7% (31st December, 2022: 7%) in term of overall debt of HK\$1,049 million (31st December, 2022: HK\$1,068 million) against the fully revalued net asset value of the Group amounted to HK\$14,676 million (31st December, 2022: HK\$14,378 million).

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

As at 30th June, 2023, the Group had a total number of 512 employees (31st December, 2022: 387 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-years 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 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.

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 occupancies are being affected.

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.

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 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 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.

REVIEW BY THE AUDIT COMMITTEE

The audit committee has reviewed the unaudited financial results of the Group for the six months ended 30th June, 2023.

By Order of the Board

William CHENG Kai Man
Chairman

Hong Kong, 18th August, 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.