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MAGNIFICENT HOTEL INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 201)

2021 INTERIM RESULTS

RESULTS

The board of directors (the “Board”) of Magnificent Hotel Investments Limited (the “Company”) announces that the profit for the period attributable to owners of the Company for the six months ended 30th June, 2021 was HK\$9 million (loss for the six months ended 30th June, 2020: HK\$154 million), increased by HK\$163 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, 2021

	NOTES	Six months ended	
		30.6.2021 HK\$'000 (unaudited)	30.6.2020 HK\$'000 (unaudited)
Revenue	3		
Contracts with customers		119,493	71,463
Leases		22,983	18,782
Dividend income		-	53
Total revenue		142,476	90,298
Cost of sales		(269)	(238)
Other service costs		(79,204)	(80,354)
Depreciation of property, plant and equipment		(37,245)	(37,405)
Depreciation of right-of-use assets		(427)	(391)
Gross profit (loss)		25,331	(28,090)
Increase (decrease) in fair value of investment properties		4,330	(116,429)
Other income and gains and losses		2,229	9,489
Administrative expenses		(15,829)	(19,113)
- Depreciation		(1,334)	(3,748)
- Others		(14,495)	(15,365)
Finance costs	5	(3,043)	(4,582)
Profit (loss) before taxation		13,018	(158,725)
Income tax (expense) credit	6	(4,255)	4,866
Profit (loss) for the period	7	8,763	(153,859)

Condensed Consolidated Statement of Profit or Loss (Continued)
For the six months ended 30th June, 2021

	<i>NOTE</i>	Six months ended	
		30.6.2021	30.6.2020
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Profit (loss) for the period attributable to:			
Owners of the Company		8,754	(153,859)
Non-controlling interests		<u>9</u>	<u>-</u>
		<u>8,763</u>	<u>(153,859)</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings (loss) per share	9		
Basic		<u>0.10</u>	<u>(1.72)</u>

Condensed Consolidated Statement of Total Comprehensive Income

For the six months ended 30th June, 2021

	Six months ended	
	30.6.2021	30.6.2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit (loss) for the period	<u>8,763</u>	<u>(153,859)</u>
Other comprehensive income (expense)		
Item that will not be reclassified to profit or loss		
Fair value loss on equity instruments at fair value through other comprehensive income	(25,291)	(75,997)
Item that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	<u>20,034</u>	<u>(76,024)</u>
Other comprehensive expense for the period	<u>(5,257)</u>	<u>(152,021)</u>
Total comprehensive income (expenses) for the period	<u><u>3,506</u></u>	<u><u>(305,880)</u></u>
Total comprehensive income (expense) attributable to:		
Owners of the Company	3,497	(305,880)
Non-controlling interests	<u>9</u>	<u>-</u>
	<u><u>3,506</u></u>	<u><u>(305,880)</u></u>

Condensed Consolidated Statement of Financial Position

At 30th June, 2021

	NOTES	30.06.2021 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (audited)
Non-Current Assets			
Property, plant and equipment		2,924,503	2,520,947
Right-of-use assets		27,511	27,629
Investment properties		1,082,250	1,491,110
Equity instruments at fair value through other comprehensive income		<u>142,472</u>	<u>167,763</u>
		<u>4,176,736</u>	<u>4,207,449</u>
Current Assets			
Inventories		1,041	1,022
Trade and other receivables	10	6,831	6,235
Other deposits and prepayments		7,916	12,855
Bank balances and cash		<u>242,483</u>	<u>143,317</u>
		<u>258,271</u>	<u>163,429</u>
Current Liabilities			
Trade and other payables and accruals	11	32,084	30,422
Rental and other deposits received		1,780	2,130
Contract liabilities		22,082	18,027
Amount due to immediate holding company		186,005	133,873
Amount due to a shareholder		5,088	-
Tax liabilities		7,325	9,234
Bank loans		<u>339,547</u>	<u>93,817</u>
		<u>593,911</u>	<u>287,503</u>
Net Current Liabilities		<u>(335,640)</u>	<u>(124,074)</u>
Total Assets less Current Liabilities		<u>3,841,096</u>	<u>4,083,375</u>
Capital and Reserves			
Share capital		841,926	841,926
Reserves		<u>2,900,547</u>	<u>2,897,050</u>
Equity attributable to owners of the Company		3,742,473	3,738,976
Non-controlling interests		<u>7,971</u>	<u>-</u>
Total Equity		<u>3,750,444</u>	<u>3,738,976</u>
Non-Current Liabilities			
Bank loans		-	253,728
Rental deposits received		1,366	1,236
Deferred tax liabilities		<u>89,286</u>	<u>89,435</u>
		<u>90,652</u>	<u>344,399</u>
		<u>3,841,096</u>	<u>4,083,375</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, 2020 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, 2020 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.

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\$335,640,000 as at 30th June, 2021. 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.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31st December, 2020.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Accounting policies which became relevant to the Group

Investment properties

Transfer from investment property to property, plant and equipment will be made when there is a change in use, evidenced by commencement of owner occupation or of development with a view to owner-occupation. For a transfer from investment property carried at fair value to owner-occupied property, the property's deemed cost for subsequent accounting are determined by reference to its fair value at the date of change in use.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the amendments issued by the HKICPA, for the first time, which are mandatory effective for the annual period beginning on or after 1st January, 2021 for the preparation of the Group's condensed consolidation financial statements:

Amendments to HKFRS16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2

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

3. REVENUE

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

	Six months ended	
	30.6.2021	30.6.2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Income from operation of hotels	119,493	71,463
Income from property rental	22,983	18,782
Dividend income	-	53
	<u>142,476</u>	<u>90,298</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 - Wood Street Hotel
9. Property investment - Shops, hotel and residential property
10. 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 both periods:

	<u>Segment revenue</u>		<u>Segment result</u>	
	Six months ended		Six months ended	
	30.6.2021	30.6.2020	30.6.2021	30.6.2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Hospitality services	119,493	71,463	2,348	(46,925)
- Best Western Plus Hotel Kowloon	9,277	9,486	(8,561)	(10,352)
- Best Western Plus Hotel Hong Kong	24,070	15,582	7,598	(1,881)
- Magnificent International Hotel, Shanghai	7,577	1,666	405	(3,350)
- Best Western Hotel Causeway Bay	17,020	8,573	(42)	(8,139)
- Ramada Hong Kong Harbour View	26,727	14,387	8,384	(3,610)
- Ramada Hong Kong Grand	21,613	13,397	(6,453)	(15,058)
- Grand City Hotel	13,209	8,372	1,017	(4,535)
Property investment - shops, hotel and residential property	22,983	18,782	27,313	(97,647)
Securities investment	-	53	-	53
	<u>142,476</u>	<u>90,298</u>	29,661	(144,519)
Other income and gains and losses			2,229	9,489
Administrative expenses			(15,829)	(19,113)
Finance costs			(3,043)	(4,582)
Profit (loss) before taxation			<u>13,018</u>	<u>(158,725)</u>

5. FINANCE COSTS

	Six months ended	
	30.6.2021	30.6.2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interests on:		
Bank loans	1,522	3,816
Amount due to immediate holding company	<u>1,521</u>	<u>766</u>
	<u>3,043</u>	<u>4,582</u>

6. INCOME TAX EXPENSE (CREDIT)

	Six months ended	
	30.6.2021	30.6.2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The taxation expense (credit) comprises:		
Current tax:		
Hong Kong	97	34
The United Kingdom (the "UK")	<u>4,029</u>	<u>3,041</u>
	4,126	3,075
(Over)underprovision in prior years		
Hong Kong	(20)	(285)
The UK	<u>298</u>	<u>131</u>
	4,404	2,921
Deferred tax	<u>(149)</u>	<u>(7,787)</u>
	<u>4,255</u>	<u>(4,866)</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, 2021 (six months ended 30th June, 2020: 16.5%).

Taxation arising in the People's Republic of China 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 (LOSS) FOR THE PERIOD

Six months ended	
30.6.2021	30.6.2020
HK\$'000	HK\$'000
(unaudited)	(unaudited)

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

Depreciation of right-of-use assets	427	391
Depreciation of property, plant and equipment	38,579	41,153
Interest on bank deposits (Note)	(136)	(318)
(Gain) loss on disposal of property, plant and equipment (Note)	<u>(709)</u>	<u>7</u>

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

8. DIVIDEND

During the six months ended 30th June, 2021 and 30th June, 2020, no dividend was declared and paid to shareholders for the year ended 31st December, 2020 and 31st December, 2019.

The directors have resolved not to declare or propose an interim dividend for the six months ended 30th June, 2021 and 30th June, 2020.

9. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share is based on the profit for the period attributable to owners of the Company of HK\$8,754,000 (loss for the six months ended 30th June, 2020: HK\$153,859,000) and on 8,947,051,000 shares (six months ended 30th June, 2020: 8,947,051,000 shares) in issue during the period.

Diluted earnings (loss) 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 30.6.2021 HK\$'000 (unaudited)	As at 31.12.2020 HK\$'000 (audited)
Trade receivables from contracts with customers	3,293	2,692
Other receivables	<u>3,538</u>	<u>3,543</u>
	<u>6,831</u>	<u>6,235</u>

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

	As at 30.6.2021 HK\$'000 (unaudited)	As at 31.12.2020 HK\$'000 (audited)
Not yet due	3,210	2,652
Overdue:		
0 - 30 days	43	24
31 - 60 days	3	1
61 - 90 days	<u>37</u>	<u>15</u>
	<u>3,293</u>	<u>2,692</u>

11. TRADE AND OTHER PAYABLES AND ACCRUALS

	As at 30.6.2021 <i>HK\$'000</i> (unaudited)	As at 31.12.2020 <i>HK\$'000</i> (audited)
Trade payables	4,693	2,658
Other payables and accruals	<u>27,391</u>	<u>27,764</u>
	<u>32,084</u>	<u>30,422</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 30.6.2021 <i>HK\$'000</i> (unaudited)	As at 31.12.2020 <i>HK\$'000</i> (audited)
0 - 30 days	3,788	2,218
31 - 60 days	904	439
61 - 90 days	<u>1</u>	<u>1</u>
	<u>4,693</u>	<u>2,658</u>

INTERIM DIVIDEND

In deciding whether to distribute the interim dividend and its amount, the Board has reviewed the Company's adopted dividend policy, the Board considers the current COVID-19 crisis may continue to affect international travels for a long time and therefore future hotel income base and cashflow will continue to be highly unstable, the Board does not recommend the payment of interim dividend for the six months ended 30th June, 2021 (six months ended 30th June, 2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

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

Profit for the period attributable to owners of the Company for the six months ended 30th June, 2021 was HK\$9 million (loss for the six months ended 30th June, 2020: HK\$154 million), increased by HK\$163 million.

	Six months ended		Change
	30.6.2020 <i>HK\$'000</i> (unaudited)	30.6.2021 <i>HK\$'000</i> (unaudited)	
(Loss) profit from operation of hotels	(49,907)	373	N/A
- (Loss) profit	(12,111)	38,045	
- Depreciation	(37,796)	(37,672)	
(Loss) profit from property investment	(99,247)	26,245	N/A
Income from securities investments	53	-	-100%
Other income and gain and losses	<u>9,489</u>	<u>2,229</u>	-77%
	(139,612)	28,847	N/A
Administrative expenses	(19,113)	(15,829)	-17%
Income tax credit (expense)	<u>4,866</u>	<u>(4,255)</u>	N/A
(Loss) profit after taxation	(153,859)	8,763	N/A
Non-controlling interests	<u>-</u>	<u>(9)</u>	N/A
(Loss) profit after taxation and non-controlling interests	<u>(153,859)</u>	<u>8,754</u>	N/A

The overall increase in the profit for the six months ended 30th June, 2021 was mainly due to increase in hotel revenue and revaluation gain.

PERFORMANCE

For the six months ended 30th June, 2021, 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
	30.6.2020 HK\$'000 (unaudited)	30.6.2021 HK\$'000 (unaudited)		
Income from operation of hotels	71,463	119,493	+67%	Increase in room rates and occupancies
Income from investment properties	18,782	22,983	+22%	Royal Scot Hotel, London, Wood Street Hotel project and apartments leasing
Dividend income	53	-	-100%	No dividend received from stock investment
Other income	<u>9,489</u>	<u>2,229</u>	-77%	
Total	<u>99,787</u>	<u>144,705</u>	+45%	

Since 5 out of 6 local hotels of the Group have taken up the role of designated quarantine hotels under the government's regulation since January 2021, the total income for the Group increased by 45% from HK\$100 million to HK\$145 million for the same period compared with last year.

HOTELS PERFORMANCES

The Group presently owns eight hotels, operates seven hotels and leases out one hotel in London. The income from operation of hotels increased by 67% to HK\$119 million (six months ended 30th June, 2020: HK\$71 million). Royal Scot Hotel in London was leased to a hotel management company, Travelodge.

	Ramada Hong Kong Harbour View	Ramada Hong Kong Grand	Best Western Plus Hotel Hong Kong	Best Western Hotel Causeway Bay	Best Western Plus Hotel Kowloon	Grand City Hotel	Magnificent International Hotel, Shanghai
2021 Jan to Jun average room occupancy (%)	81	87	79	87	95	80	74

As at 30th June, 2021, an independent third party valuation of Royal Scot Hotel, London was GBP83,000,000 (As at 31st December, 2020: GBP83,000,000). The rental income of Royal Scot Hotel, London for the period was GBP1,768,000, equivalent to HK\$18,846,000 (six months ended 30th June, 2020: GBP1,769,000, equivalent to HK\$17,474,000), increased by 8% (in term of HK dollars).

COST

- THE **SERVICE COST** of the Group for the period was HK\$79.5 million (six months ended 30th June, 2020: HK\$80.6 million), representing hotel operation cost, decreased by HK\$1.1 million.

Cost of sale of HK\$0.2 million (six months ended 30th June, 2020: HK\$0.2 million) was from cost of food and beverage.

- During the period, the **ADMINISTRATIVE EXPENSES** excluding depreciation was HK\$14.5 million (six months ended 30th June, 2020: HK\$15.4 million), representing costs for corporate management office including directors' fees, salaries for executive staff and employees, rental, marketing expenses and office expenses.

The accounting standards require hotel properties of the Group to provide **DEPRECIATION** which amounted to HK\$37.7 million (six months ended 30th June, 2020: HK\$37.8 million) for the period.

DEPRECIATION OF HOTEL PROPERTIES

Name of Hotel	Six months ended		Change HK\$ million
	30.6.2020 HK\$ million	30.6.2021 HK\$ million	
Ramada Hong Kong Harbour View	3.0	3.0	-
Ramada Hong Kong Grand	14.6	14.8	+0.2
Best Western Plus Hotel Kowloon	8.1	8.1	-
Best Western Plus Hotel Hong Kong	2.1	2.1	-
Best Western Hotel Causeway Bay	5.8	5.8	-
Grand City Hotel	2.9	2.5	-0.4
Magnificent International Hotel, Shanghai	<u>1.3</u>	<u>1.4</u>	+0.1
Total amount for the period	37.8	37.7	-0.1

FUNDING

- As at 30th June, 2021, the **OVERALL DEBTS** of the Group were HK\$531 million (31st December, 2020: HK\$481 million), of which HK\$340 million (31st December, 2020: HK\$347 million) was assets secured bank borrowings and HK\$191 million was advances from shareholders (31st December, 2020: HK\$134 million).

The gearing ratio was 14% (31st December, 2020: 13%) in terms of overall debts of HK\$531 million (31st December, 2020: HK\$481 million) against funds employed of HK\$3,742 million before revaluation of all hotel properties (31st December, 2020: HK\$3,739 million).

The overall debts were analysed as follows:

	As at 31st December, 2020 <i>HK\$ million</i>	As at 30th June, 2021 <i>HK\$ million</i>	Change <i>HK\$ million</i>	Interest Paid As at 30th June, 2021 <i>HK\$ million</i>
Bank loans	347	340	-7	1.5
Shareholder's loans	134	191	+57	1.5
Overall debts	481	531	+50	3.0

- FINANCE COST:** Of these loans, the total interest expenses amounted to HK\$3.0 million (30th June, 2020: HK\$4.6 million), the bank loans interest expenses amounted to HK\$1.5 million (30th June, 2020: HK\$3.8 million) and the shareholder's loan interest expenses amounted to HK\$1.5 million (30th June, 2020: HK\$0.8 million). The interests expenses decreased was mainly due to the decrease in interest rate during the period.

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, 2021, the Group had a total number of 436 employees (31st December, 2020: 498 employees). Remuneration and benefit were set with reference to the market.

BUSINESS HIGHLIGHTS

During the period, the tourism market in Hong Kong was most devastated by the COVID-19. Overseas/PRC visitors have dropped significantly and most hotels and retail stores suffer from an over 90% drop in turnover.

During the period, the rental income of Royal Scot Hotel, London increased by 8% in term of HK dollars compared with last period.

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 with planning consents approved to refurbish a deluxe hotel of about 216 guest rooms, restaurants, bar and facilities. The management is making further application to increase number of guest rooms while making preparations for the commencement of refurbishment works. The management is pleased to have this opportunity to renovate this landmark heritage building in the centre of City of London.

LOOKING AHEAD

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

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

It is the management's view that for the remaining 2021, due to the continuous COVID-19 effect, it is quite unlikely that significant overseas/PRC visitors will return to Hong Kong. Hotels in Hong Kong and retail stores will continue to suffer from low occupancies and high operating costs. The management will continue to try to control hotel operating costs.

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, 2021.

CORPORATE GOVERNANCE

(a) Compliance with the Corporate Governance Code

During the six months ended 30th June, 2021, 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 on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) with the exception of the following deviations:

Code Provision A.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.

Code Provision A.4.1: non-executive directors should be appointed for a specific term

Except three Independent Non-executive Directors, all Directors of the Company (including Executive or Non-executive Directors) are not appointed for a specific term. The Articles of Association of the Company stipulate that every director (including Executive or Non-executive Directors) shall retire and be re-elected at least once every three years. Therefore, the Company has adopted adequate measures to ensure the corporate governance of the Company complies with the same level to that required under the Corporate Governance Code.

Code Provision A.5.2: the nomination committee should perform the duties set out in paragraphs (a) to (d)

For the period from 1st January, 2021 to 18th March, 2021, the terms of reference of the nomination committee adopted by the Company were in compliance with Code Provision A.5.2 except that it was not the duty of the nomination committee to select individuals nominated for directorships. The nomination committee comprises a majority of independent non-executive directors who are not involved in the daily operation of the Company and may not have sufficient knowledge of industry practice. Therefore, such duty was performed by the Board. However, the terms of reference of the nomination committee have been revised to fully comply with Code Provision A.5.2 since 19th March, 2021.

Code Provision B.1.2: the remuneration committee's terms of reference should include, as a minimum, paragraphs (a) to (h)

For the period from 1st January, 2021 to 18th March, 2021, the terms of reference of the remuneration committee adopted by the Company were in compliance with Code Provision B.1.2 except that it was not the duties of the remuneration committee to approve the management's remuneration proposals, compensation payable to executive directors and senior management for any loss or termination of office or appointment and compensation arrangements relating to dismissal or removal of directors for misconduct. The remuneration committee comprises a majority of independent non-executive directors who are not involved in the daily operation of the Company and may not have sufficient knowledge of industry practice. Therefore, such duties were performed by the board. However, the terms of reference of the remuneration committee have been revised to fully comply with Code Provision B.1.2 since 19th March, 2021.

(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, 2021.

By Order of the Board

William CHENG Kai Man
Chairman

Hong Kong, 20th August, 2021

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.