

TREASURER'S REPORT 2023

As Acting Treasurer on behalf of K.C. Ng since September 2023, I am pleased to report on the financial results and standing of the Club for 2023.

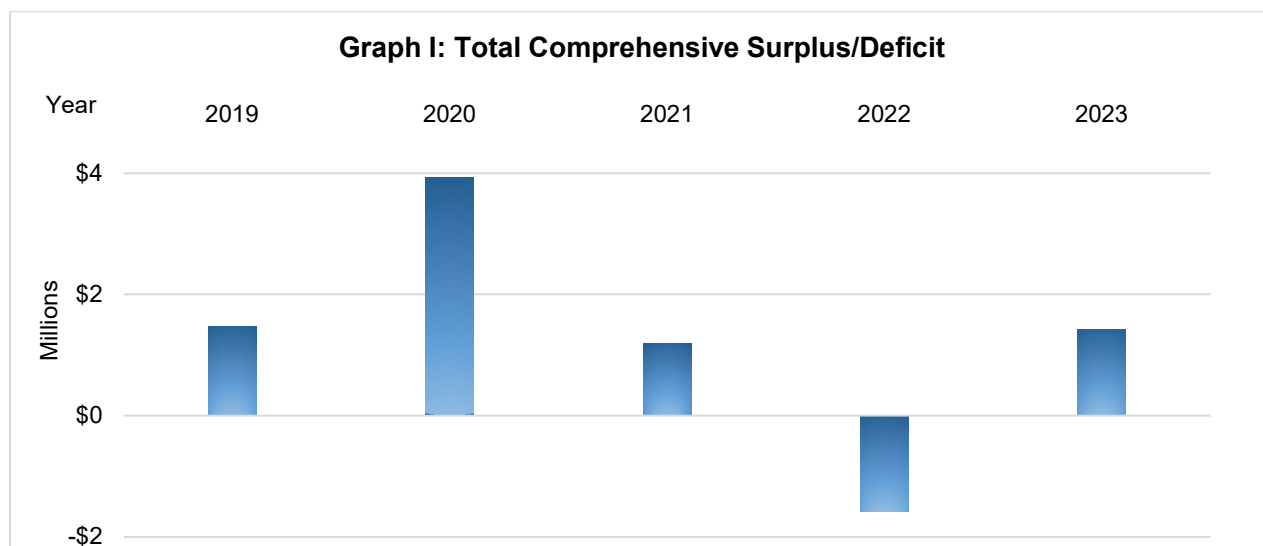
While 2023 began with optimism following the pandemic's decline and the lifting of restrictions, new challenges emerged within a few months. These included persistent inflation, increased travel and migration out of Hong Kong, and a substantial shift in member habits.

At the same time, we undertook several significant projects. These included an upgraded ventilation system of the Garden Café and renovation of Gunners Bar between April and June 2023. The old pump room was converted into the new eatery Lily Pad, which opened in July 2023. Additionally, we completed a full lobby renovation, featuring a new Club Shop, between March and September 2023. Naturally, these projects impacted club usage during the renovation period.

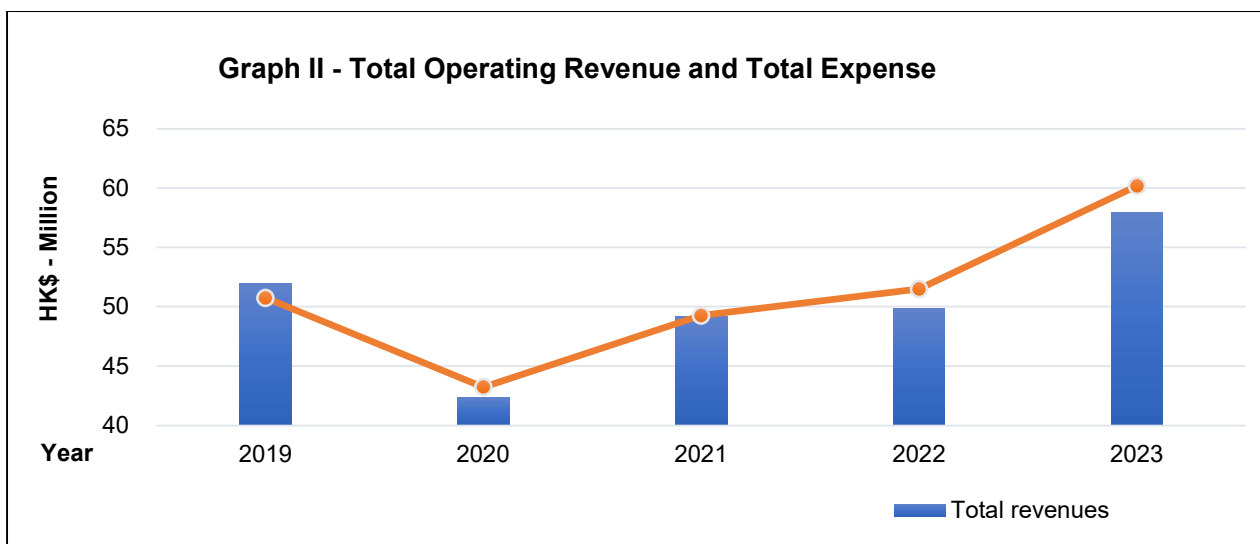
However, upon completion, we saw a strong surge in member activity in the last quarter of 2023. This resulted in a 16% increase in Total Operating Revenue compared to 2022.

The opening up of travel into Hong Kong had a positive effect on Accommodation usage, with revenue being 48% higher than expected. Conversely, travel out of Hong Kong affected our recreation income and car park income with fewer members using the facilities. Unlike previous years, the high interest rate environment in 2023 provided us with a sound and secure stream of income.

The change in members habits could be seen in our itemized F&B revenue per venue with some venues performing better than expected and others having a lower usage than previous years. Overall, the figures balanced out with revenue being just shy of budgeted numbers.



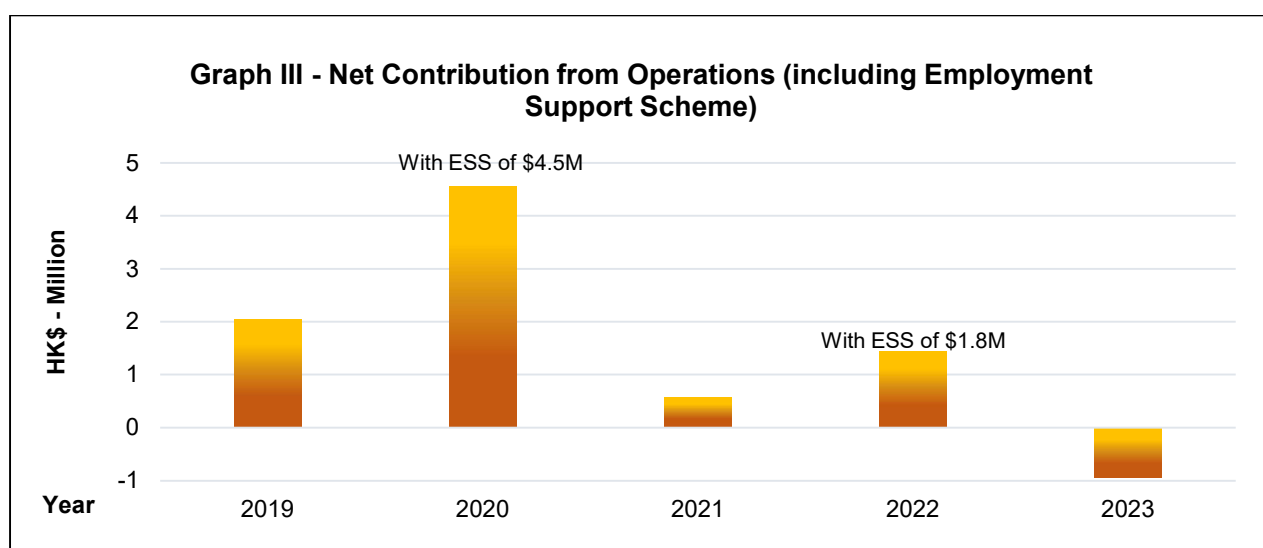
The audited accounts of the Club show a Total Comprehensive Surplus for 2023 of \$1.4m (2022 deficit of \$1.6m).



Graph II shows a significant improvement in Total Operating Revenue, from \$49.9 million in 2022 to \$57.9 million in 2023. However, persistent inflation in raw materials and a tight labour market also led to a substantial increase in total expenses. Strong cost control measures implemented by management ensured that the quality of food, service, and facilities was maintained.

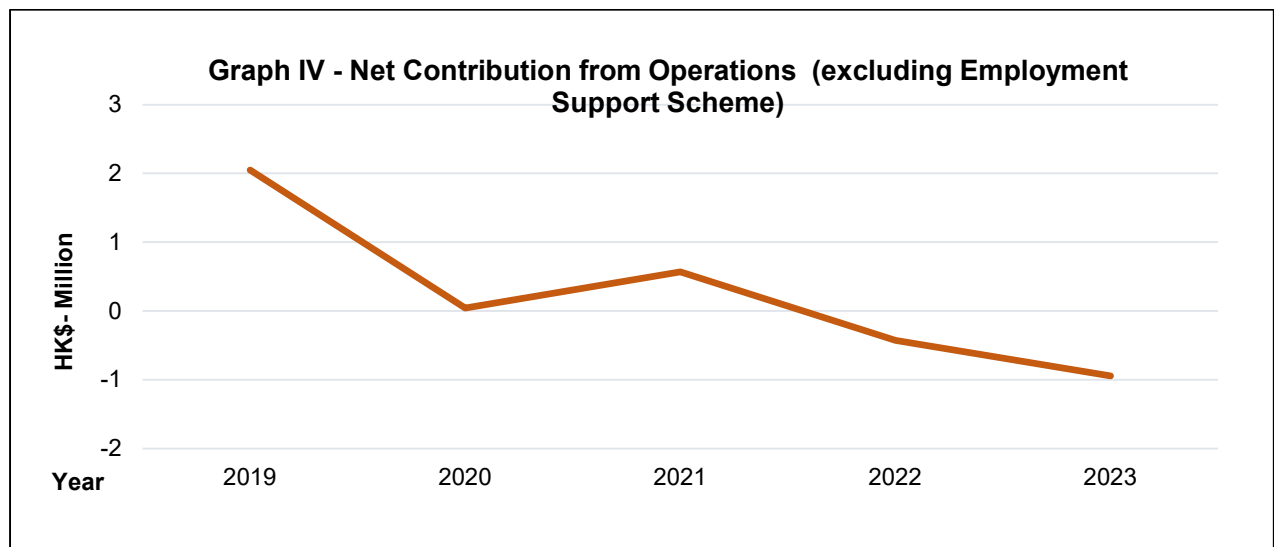
As a non-profit making establishment, USRC's financial policy is to maintain a marginally positive net contribution from operations, excluding depreciation and new member entrance fees. It remains GC Policy that cash reserves should not be used to support losses on daily operations of the Club. Each year's budget is meticulously crafted to ensure revenue, excluding new member entrance fees, covers all ongoing expenses, excluding project costs. This approach allows the Club to offer value for money services and facilities to the members without relying on reserves for day-to-day operations.

The net contribution from Operations before depreciation and new members' entrance fee income in 2023 was a deficit of \$941K.

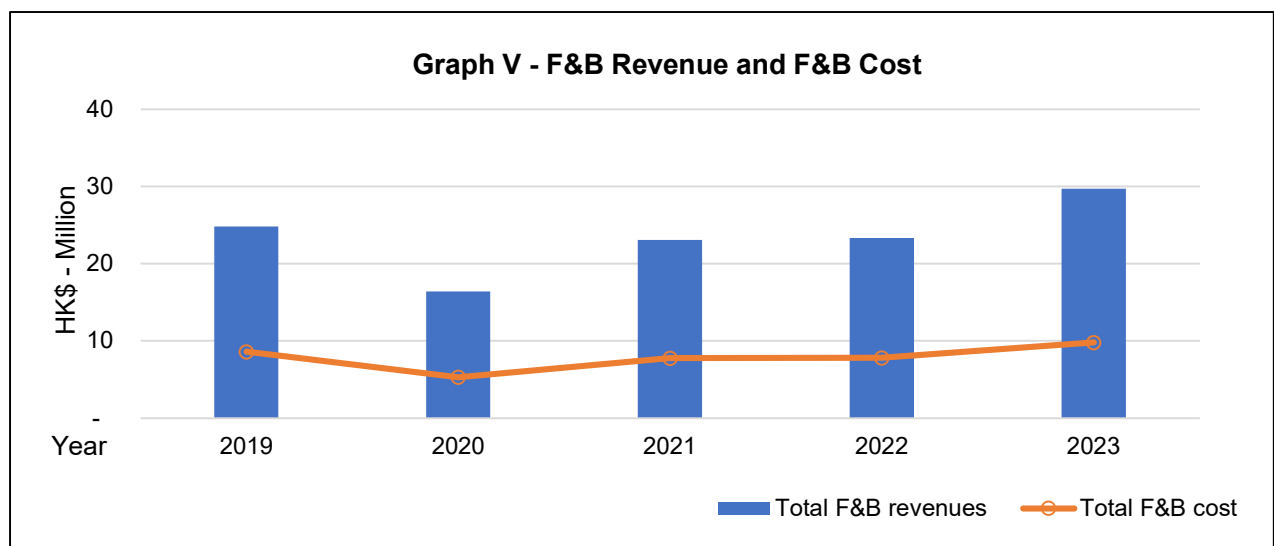


In 2020 and 2022, the HKSAR Government implemented the Employment Support Scheme (ESS) to help companies retain staff during pandemic restrictions. This scheme significantly impacted the Club's financial performance in 2022. The net contribution from operations before depreciation and new member entrance fees in 2022 showed a surplus of \$1.4 million. However, this surplus was

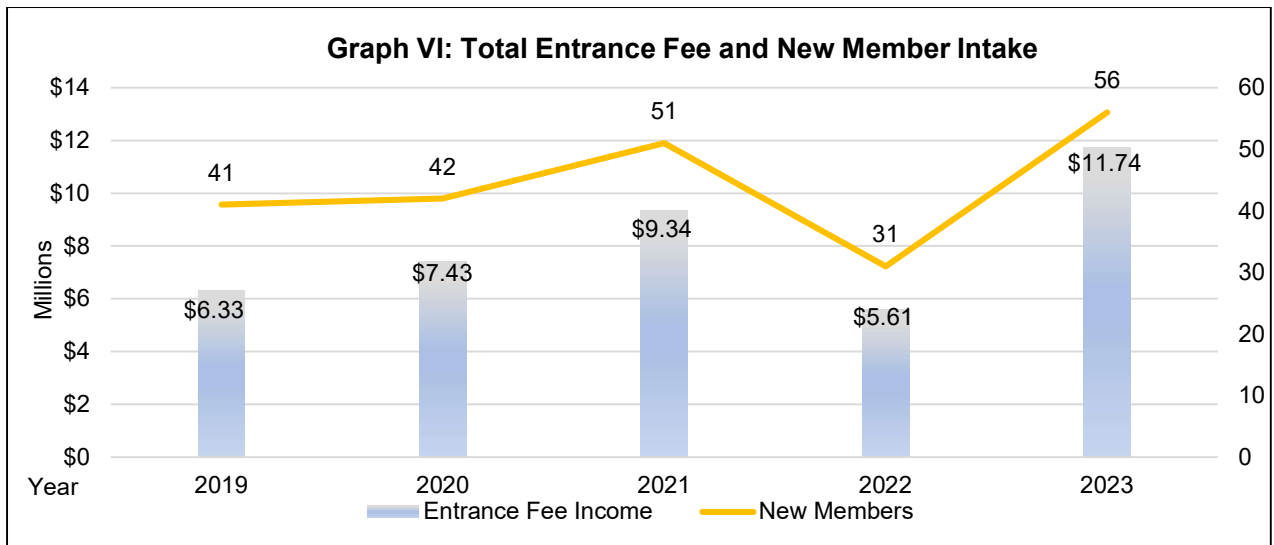
entirely due to the \$1.8 million received under the ESS. Without this support, the Club's operating position would have been negative.



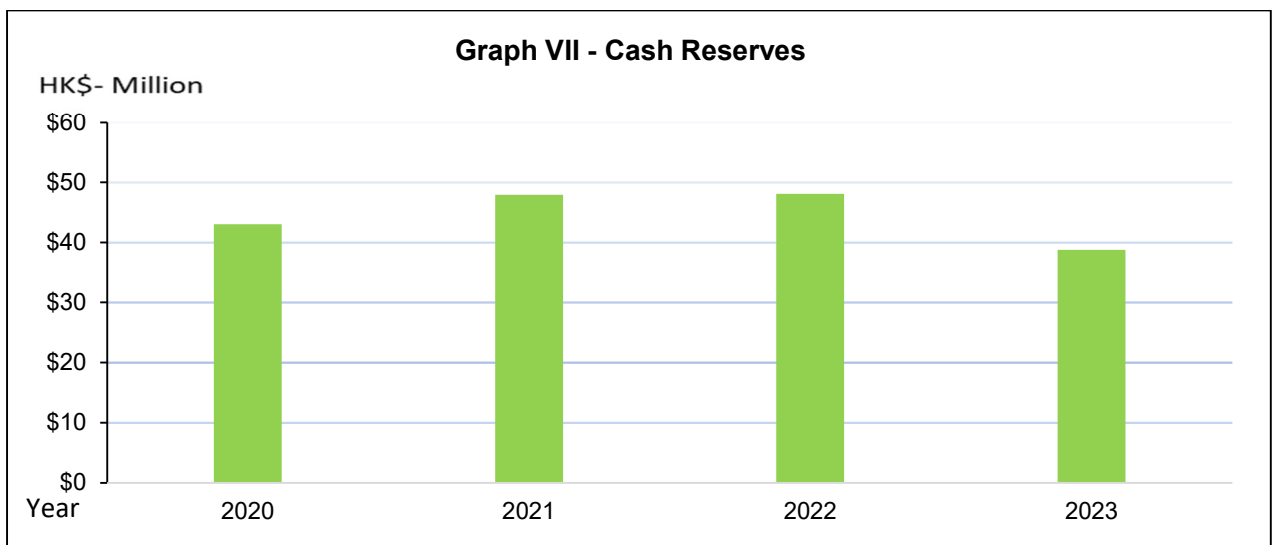
Graph IV shows the Net Contribution from Operations excluding ESS is similar between 2022 and 2023. Although we saw an overall F&B Revenue increase of 28% over 2022, this deficit reflects the persistent challenge of rising inflation in raw materials and payroll costs. In addition, the HKSAR implemented changes in accounting for Long Service Payments to employees. Under the new rules, these payments cannot be adjusted from employees MPF accounts. This cost is reflected in the deficit.



Graph V shows that F&B costs have been well maintained, with a steady cost to revenue ratio throughout the years. The GC has been mindful of the need to ensure effective costs controls are always in place, and standards maintained.



Entrance fee income for 2023 was \$11.7m, double that of 2022 (\$5.6m). This can be credited to both taking more new members in 2023 (2022 31 new members / 2023 56 new members) as well as the increase in the membership entrance fees effective February 2023. For 2024, we expect new member intake to slow down.

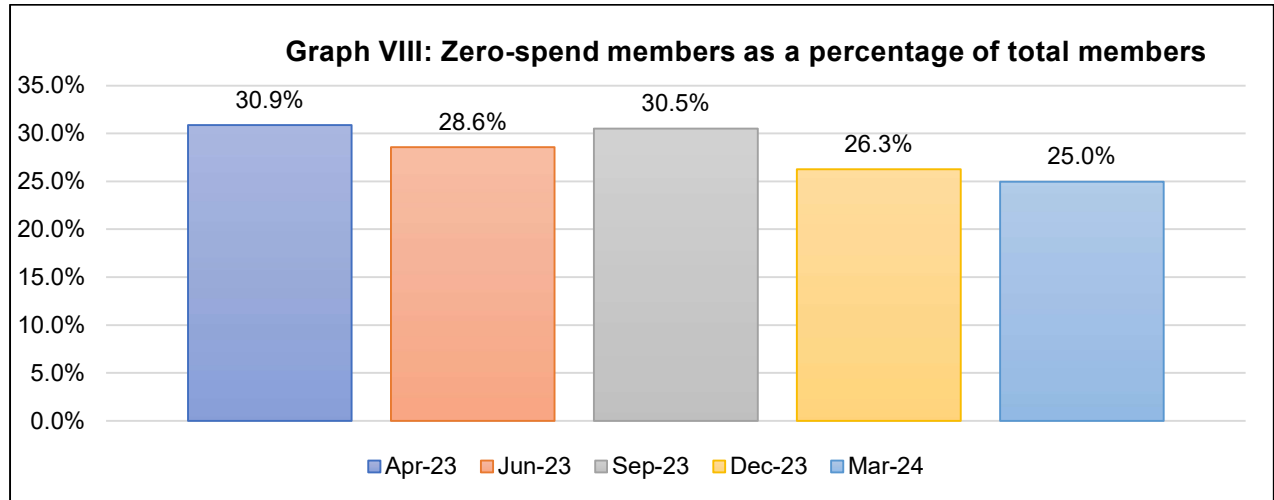


We began 2023 with cash reserves of \$48 million. Through the year, \$11.7 million in new member entrance fees were added. After considerable spending on improving facilities and undertaking major renovations, we ended the year with cash reserves of \$39m.

Expenditure in Projects and Minor Works has been under close surveillance and control by the GC and management, balancing the need to improve facilities for members whilst maintaining a prudent cash reserve for future projects and unforeseen needs.

Looking ahead to 2024, anticipated new member intake translates to a projected decline in entrance fee income to HKD 8 million. This necessitates careful consideration of capital expenditures in the coming year.

A persistent challenge throughout 2023 was the high number of members who don't utilize the Club at all (zero-spend members). During the first three quarters of 2023, this group comprised 30% of our membership.



As one method to tackle this, the Club reinstated the previously suspended F&B Minimum Spend Scheme for the last quarter of 2023. This initiative showed positive results, with the percentage of zero-spend members dropping from 30% to 25% of members after implementation.

While this improvement is encouraging, the GC remains committed to further reducing the number of inactive members. We are actively monitoring the situation and exploring additional strategies. Management has also implemented a variety of promotions and events catering to diverse age groups and interests to attract members and encourage them to utilize the Club's offerings.

A key indicator of our financial health is the Current Assets vs Liabilities ratio (CAL) Ratio, calculated by dividing current assets by current liabilities. This metric reflects our cash flow position. The Club maintains a healthy CAL Ratio of 3.78, indicating that our current assets are 3.78 times our current liabilities. This displays a debt-free picture for the Club with a healthy balance sheet.

I would like to express my sincere thanks to the Club's dedicated and capable staff, especially General Manager Noel Burns and Financial Controller Sue Chan, for their hard work throughout the year in support of the Club's operations.

Viveka Mansukhani
Acting Treasurer