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MAGNIFICENT ESTATES LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 201)

2011 INTERIM RESULTS

RESULTS

The board of directors (the “Board”) of Magnificent Estates Limited (the “Company”) announces that the unaudited consolidated profit of the Company and its subsidiaries (together the “Group”) for the six months ended 30th June, 2011 amounted to approximately HK\$343,121,000 (six months ended 30th June, 2010: HK\$185,032,000).

The unaudited consolidated results of the Group for the period, together with comparative figures for the previous period, are as follows:

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th June, 2011

| | Notes | Six months ended | |
|---|-------|--------------------------------------|--------------------------------------|
| | | 30.6.2011 HK\$'000 (unaudited) | 30.6.2010 HK\$'000 (unaudited) |
| Revenue | 3 | 162,379 | 141,763 |
| Cost of sales | | (1,451) | (1,772) |
| Other service costs | | (51,255) | (46,742) |
| Depreciation of property, plant and equipment and release of prepaid lease payments for land | | <u>(9,297)</u> | <u>(10,710)</u> |
| Gross profit | | 100,376 | 82,539 |
| Increase in fair value of investment properties | | 324,280 | 152,030 |
| Other income | | 7,671 | 8,100 |
| Loss on fair value changes of investments held for trading | | (2) | (1) |
| Loss on disposal of a subsidiary | | - | (19) |
| Administrative expenses | | (9,955) | (9,252) |
| - Depreciation | | (2,436) | (1,983) |
| - Others | | (7,519) | (7,269) |
| Other expenses | | (10,578) | (5,931) |
| Finance costs | 5 | <u>(3,737)</u> | <u>(7,023)</u> |
| Profit before taxation | | 408,055 | 220,443 |
| Income tax expense | 6 | <u>(64,934)</u> | <u>(35,411)</u> |
| Profit for the period attributable to owners of the Company | 7 | <u>343,121</u> | <u>185,032</u> |

Condensed Consolidated Statement of Comprehensive Income (Continued)
For the six months ended 30th June, 2011

| | | Six months ended | |
|---|-------------|-------------------------|--------------------|
| | <i>Note</i> | 30.6.2011 | 30.6.2010 |
| | | HK\$'000 | HK\$'000 |
| | | (unaudited) | (unaudited) |
| Other comprehensive income (expense) | | | |
| Exchange differences arising on translation of foreign operations | | 1,545 | (353) |
| Gain on fair value changes of available-for-sale investments | | <u>2,614</u> | <u>22,282</u> |
| Other comprehensive income for the period | | <u>4,159</u> | <u>21,929</u> |
| Total comprehensive income for the period attributable to owners of the Company | | <u>347,280</u> | <u>206,961</u> |
| | | HK cents | HK cents |
| Earnings per share | | | |
| Basic | 9 | <u>3.84</u> | <u>2.12</u> |

Condensed Consolidated Statement of Financial Position

At 30th June, 2011

| | <i>Notes</i> | As at 30.6.2011 <i>HK\$'000</i> (unaudited) | As at 31.12.2010 <i>HK\$'000</i> (audited) |
|---|--------------|--|---|
| Non-current assets | | | |
| Property, plant and equipment | | 1,152,374 | 730,392 |
| Prepaid lease payments for land | | 60,683 | 60,767 |
| Investment properties | | 2,653,130 | 2,328,850 |
| Properties under development | | 1,374,668 | 1,680,680 |
| Available-for-sale investments | | 159,033 | 156,419 |
| Deposit for acquisition of property, plant and equipment | | <u>-</u> | <u>2,591</u> |
| | | <u>5,399,888</u> | <u>4,959,699</u> |
| Current assets | | | |
| Inventories | | 745 | 520 |
| Properties held for sale | | 21,650 | 21,650 |
| Investments held for trading | | 4 | 6 |
| Prepaid lease payments for land | | 1,502 | 1,502 |
| Trade and other receivables | <i>10</i> | 9,320 | 12,909 |
| Other deposits and prepayments | | 5,822 | 4,026 |
| Pledged bank deposits | | 110 | 110 |
| Bank balances and cash | | <u>53,774</u> | <u>40,586</u> |
| | | <u>92,927</u> | <u>81,309</u> |
| Current liabilities | | | |
| Trade and other payables | <i>11</i> | 82,893 | 28,398 |
| Rental and other deposits received | | 3,958 | 16,711 |
| Advance from immediate holding company | | 109,004 | 79,354 |
| Advance from ultimate holding company | | 61,571 | 61,211 |
| Advance from a fellow subsidiary | | 4,745 | 4,745 |
| Tax liabilities | | 19,723 | 9,502 |
| Bank loans | | 1,032,785 | 1,034,792 |
| Mandatory convertible bonds liability | | <u>-</u> | <u>11,193</u> |
| | | <u>1,314,679</u> | <u>1,245,906</u> |
| Net current liabilities | | <u>(1,221,752)</u> | <u>(1,164,597)</u> |
| Total assets less current liabilities | | <u><u>4,178,136</u></u> | <u><u>3,795,102</u></u> |

Condensed Consolidated Statement of Financial Position (Continued)
 At 30th June, 2011

| | As at 30.6.2011 <i>HK\$'000</i> (unaudited) | As at 31.12.2010 <i>HK\$'000</i> (audited) |
|------------------------------------|--|---|
| Capital and reserves | | |
| Share capital | 89,470 | 59,651 |
| Share premium and reserves | <u>3,663,172</u> | <u>3,372,582</u> |
| | <u>3,752,642</u> | <u>3,432,233</u> |
| Non-current liabilities | | |
| Rental deposits received | 28,502 | 18,888 |
| Deferred tax liabilities | <u>396,992</u> | <u>343,981</u> |
| | <u>425,494</u> | <u>362,869</u> |
| | <u><u>4,178,136</u></u> | <u><u>3,795,102</u></u> |

Notes:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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.

The accounting policies used in the condensed consolidated financial statements for the six months ended 30th June, 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2010.

In the current interim period, the Group has applied, for the first time, the following new and revised standards and interpretations ("new and revised HKFRSs") issued by the HKICPA.

| | |
|---------------------------------|---|
| HKFRSs (Amendments) | Improvements to HKFRSs 2010 |
| HKAS 24 (as revised in 2009) | Related Party Disclosure |
| HKAS 32 (Amendments) | Classification of Right Issues |
| HK(IFRIC) - Int 14 (Amendments) | Prepayment of a Minimum Funding Requirement |
| HK(IFRIC) - Int 19 | Extinguishing Financial Liabilities with Equity Instruments |

The application of the above new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE

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

| | Six months ended | |
|---------------------------------|------------------|----------------|
| | 30.6.2011 | 30.6.2010 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Income from operation of hotels | 115,841 | 96,615 |
| Property rental | <u>46,538</u> | <u>45,148</u> |
| | <u>162,379</u> | <u>141,763</u> |

4. SEGMENT INFORMATION

The Group's operating and reportable segments, based on information reported to the chief operating decision maker, Chairman of the Company, for the purpose of resources allocation and performance assessment are as follows:

1. Hospitality services - Ramada Hotel Kowloon
2. Hospitality services - Ramada Hong Kong Hotel
3. Hospitality services - Best Western Hotel Taipa, Macau
4. Hospitality services - Magnificent International Hotel, Shanghai
5. Hospitality services - Best Western Hotel Causeway Bay
6. Property investment - 633 King's Road
7. Property investment - Shun Ho Tower
8. Property investment - Shops
9. Securities investment and trading
10. Property development for hotel - 239-251 Queen's Road West
11. Property development for hotel - 19-23 Austin Avenue
12. Property development for hotel - 30-40 Bowrington Road
13. Property development for hotel - 338-346 Queen's Road West

The following is an analysis of the Group's revenue and results by operating and reportable segment for the periods under review:

| | Segment revenue | | Segment profit (loss) | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | Six months ended | | Six months ended | |
| | 30.6.2011 | 30.6.2010 | 30.6.2011 | 30.6.2010 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Hospitality services | 115,841 | 96,615 | 54,454 | 37,606 |
| - Ramada Hotel Kowloon | 34,346 | 27,920 | 15,080 | 8,449 |
| - Ramada Hong Kong Hotel | 43,512 | 35,455 | 25,237 | 16,577 |
| - Best Western Hotel Taipa, Macau | 27,214 | 22,174 | 13,659 | 9,277 |
| - Magnificent International Hotel, Shanghai | 8,361 | 11,066 | 833 | 3,303 |
| - Best Western Hotel Causeway Bay | 2,408 | - | (355) | - |
| Property investment | 46,538 | 45,148 | 370,202 | 196,963 |
| - 633 King's Road | 34,145 | 31,838 | 313,646 | 141,724 |
| - Shun Ho Tower | 7,988 | 8,849 | 20,151 | 29,677 |
| - Shops | 4,405 | 4,461 | 36,405 | 25,562 |
| Securities investment and trading | - | - | (2) | (1) |
| Property development for hotel | - | - | - | - |
| - 239-251 Queen's Road West | - | - | - | - |
| - 19-23 Austin Avenue | - | - | - | - |
| - 30-40 Bowrington Road | - | - | - | - |
| - 338-346 Queen's Road West | - | - | - | - |
| | <u>162,379</u> | <u>141,763</u> | <u>424,654</u> | <u>234,568</u> |
| Other income | | | 7,671 | 8,100 |
| Other expenses | | | (10,578) | (5,931) |
| Loss on disposal of a subsidiary | | | - | (19) |
| Central administration costs and directors' salaries | | | (9,955) | (9,252) |
| Finance costs | | | (3,737) | (7,023) |
| Profit before taxation | | | <u>408,055</u> | <u>220,443</u> |

4. SEGMENT INFORMATION (Continued)

The following is an analysis of the Group's assets by operating segment and reportable segment:

| | As at 30.6.2011 HK\$'000 (unaudited) | As at 31.12.2010 HK\$'000 (audited) |
|---|---|--|
| Segment assets | | |
| Hospitality services | 1,152,802 | 742,555 |
| - Ramada Hotel Kowloon | 163,761 | 169,106 |
| - Ramada Hong Kong Hotel | 342,982 | 345,711 |
| - Best Western Hotel Taipa, Macau | 133,004 | 134,860 |
| - Magnificent International Hotel, Shanghai | 92,849 | 92,878 |
| - Best Western Hotel Causeway Bay | 420,206 | - |
| Property investment | 2,655,548 | 2,332,310 |
| - 633 King's Road | 1,822,144 | 1,543,182 |
| - Shun Ho Tower | 465,504 | 453,228 |
| - Shops | 367,900 | 335,900 |
| Securities investment and trading | 159,076 | 156,463 |
| Property development for hotel | 1,375,667 | 1,682,826 |
| - 239 - 251 Queen's Road West | 422,138 | 376,330 |
| - 19 - 23 Austin Avenue | 735,565 | 709,885 |
| - 30 - 40 Bowrington Road | - | 384,405 |
| - 338 -346 Queen's Road West | 217,964 | 212,206 |
| | 5,343,093 | 4,914,154 |
| Unallocated assets | 149,722 | 126,854 |
| | 5,492,815 | 5,041,008 |

5. FINANCE COSTS

| | Six months ended 30.6.2011 HK\$'000 (unaudited) | 30.6.2010 HK\$'000 (unaudited) |
|---|--|--------------------------------------|
| Interests on: | | |
| Bank loans wholly repayable within five years | 6,400 | 5,489 |
| Effective interest expense on mandatory convertible bonds | 702 | 4,319 |
| Advance from immediate holding company wholly repayable within five years | 465 | 319 |
| Advance from ultimate holding company wholly repayable within five years | 360 | 332 |
| | 7,927 | 10,459 |
| Less: amount capitalised in properties under development | (4,190) | (3,436) |
| | 3,737 | 7,023 |

6. INCOME TAX EXPENSE

| | Six months ended | |
|--|--------------------------------------|--------------------------------------|
| | 30.6.2011 HK\$'000 (unaudited) | 30.6.2010 HK\$'000 (unaudited) |
| Current tax | | |
| Hong Kong | 10,418 | 9,265 |
| The People's Republic of China ("PRC") | 139 | 985 |
| Other jurisdiction | <u>1,366</u> | <u>840</u> |
| | <u>11,923</u> | <u>11,090</u> |
| Deferred tax | | |
| Current period | <u>53,011</u> | <u>24,321</u> |
| | <u>64,934</u> | <u>35,411</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, 2011 (six months ended 30th June, 2010: 16.5%).

Taxation arising in other jurisdiction is 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 | |
|--|--------------------------------------|--------------------------------------|
| | 30.6.2011 HK\$'000 (unaudited) | 30.6.2010 HK\$'000 (unaudited) |
| Profit for the period has been arrived at after charging (crediting): | | |
| Release of prepaid lease payments for land | 751 | 751 |
| Depreciation of property, plant and equipment | 10,982 | 11,942 |
| Pre-operating expenses (included in other expenses) | 4,146 | - |
| Interest on bank deposits (included in other income) | <u>(4)</u> | <u>(4)</u> |

8. DIVIDEND

During the six months ended 30th June, 2011, a final dividend of HK0.3 cents per share amounting to HK\$26,841,000 was payable to shareholders for the year ended 31st December, 2010 (six months ended 30th June, 2010: a final dividend of HK0.1 cent per share amounting to HK\$5,965,000 was paid to shareholders for the year ended 31st December, 2009).

The directors have resolved not to declare an interim dividend for the six months ended 30th June, 2011 (six months ended 30th June, 2010: nil).

9. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

Earnings

| | Six months ended | |
|---|--------------------------------------|--------------------------------------|
| | 30.6.2011 HK\$'000 (unaudited) | 30.6.2010 HK\$'000 (unaudited) |
| Profit for the period attributable to owners of the Company | 343,121 | 185,032 |
| Effective interest expense on mandatory convertible bonds | <u>702</u> | <u>4,319</u> |
| Earnings for the purpose of basic earnings per share | <u><u>343,823</u></u> | <u><u>189,351</u></u> |

Number of shares

| | ' 000 | |
|---|-------------------------|-------------------------|
| | (unaudited) | (unaudited) |
| Weighted average number of ordinary shares in issue | 7,266,594 | 5,964,701 |
| Effect of ordinary shares to be issued upon the conversion of mandatory convertible bonds | <u>1,680,457</u> | <u>2,982,350</u> |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | <u><u>8,947,051</u></u> | <u><u>8,947,051</u></u> |

Diluted earnings per share for both periods are not presented as there are no dilutive ordinary shares exist during both periods presented.

10. TRADE AND OTHER RECEIVABLES

Except for a credit period of 30 to 60 days granted to travel agencies and customers of the hotels, the Group does not allow any credit period to its other customers. The following is an analysis of trade receivables by age, presented based on the invoice date, at the end of the reporting period:

| | As at | |
|----------------------------|--------------------------------------|-------------------------------------|
| | 30.6.2011 HK\$'000 (unaudited) | 31.12.2010 HK\$'000 (audited) |
| 0-30 days | 7,869 | 10,727 |
| 31-60 days | <u>-</u> | <u>87</u> |
| | <u><u>7,869</u></u> | <u><u>10,814</u></u> |
| Analysed for reporting as: | | |
| Trade receivables | 7,869 | 10,814 |
| Other receivables | <u>1,451</u> | <u>2,095</u> |
| | <u><u>9,320</u></u> | <u><u>12,909</u></u> |

11. TRADE AND OTHER PAYABLES

The following is an analysis of trade payables by age, presented based on invoice date, at the end of the reporting period:

| | As at 30.6.2011 <i>HK'000</i> (unaudited) | As at 31.12.2010 <i>HK'000</i> (audited) |
|--------------------------------|--|---|
| 0-30 days | 1,725 | 1,780 |
| 31-60 days | 34 | 620 |
| Over 60 days | <u>852</u> | <u>1,191</u> |
| | <u>2,611</u> | <u>3,591</u> |
| Analysed for reporting as: | | |
| Trade payables | 2,611 | 3,591 |
| Other payables (<i>Note</i>) | <u>80,282</u> | <u>24,807</u> |
| | <u>82,893</u> | <u>28,398</u> |

Note: Other payables include construction costs payable of HK\$60,870,000 (six months ended 30th June, 2010: HK\$15,648,000).

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30th June, 2011 (six months ended 30th June, 2010: nil). The management envisage that there will be payment of final dividend for the year ended 31st December, 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, the Group continued with its operations of properties investment, properties development and operation of hotels.

The unaudited consolidated profit attributable to owners of the Company for the six months ended 30th June, 2011 amounted to HK\$343,121,000 (six months ended 30th June, 2010: HK\$185,032,000), increased by 85%.

Before revaluation profit of all investment properties and its related deferred taxation, depreciation and release of prepaid lease payments for land, the operating profit attributable to owners of the Company for the six months ended 30th June, 2011 is HK\$85 million (six months ended 30th June, 2010: HK\$71 million), increased by 20%.

The net assets before deferred tax and before revaluation on all asset properties of the Group amounted to HK\$4,150 million (HK\$0.46 per ordinary share) as at 30th June, 2011.

The net assets before deferred tax and after revaluation on all asset properties of the Group amounted to HK\$7,095 million (HK\$0.79 per ordinary share) as at 30th June, 2011.

The corporate strategy of the Group is to build hotels on grade B commercial locations which are most suitable for hotel business in terms of low acquisition costs and high yields. The Group benefits from the development of these hotels from good operating incomes, but most importantly is their capital value gain. The Group presently owns and operates the Ramada Hotel Kowloon, Ramada Hong Kong Hotel, Best Western Hotel Taipa, Macau, Magnificent International Hotel, Shanghai and Best Western Hotel Causeway Bay with 1,258 rooms together with three new hotels under development, the Group will have about 2,300 hotel rooms which will be one of the largest hotel groups in Hong Kong. Such strategy has successfully helped to increase the value of the Group substantially:

| | 31.12.2008 | 31.12.2009 | 31.12.2010 | 30.06.2011 |
|--|---------------------|---------------------|---------------------|---------------------|
| | <i>HK\$ million</i> | <i>HK\$ million</i> | <i>HK\$ million</i> | <i>HK\$ million</i> |
| Adjusted Shareholders' Fund | 4,976 | 5,187 | 6,397 | 7,095 |
| Adjusted Net Asset Value Per Ordinary Share | HK\$0.83 | HK\$0.87 | HK\$1.07 | HK\$0.79 |

- For the six months ended 30th June, 2011, the Group's income was mostly derived from the aggregate of income from operation of hotels and properties rental income, which was analysed as follows:

| | Six months ended | | Change |
|---------------------------------|------------------|---------------------|--------|
| | 30.6.2010 | 30.6.2011 | |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | |
| | (unaudited) | (unaudited) | |
| Income from operation of hotels | 96,615 | 115,841 | +20% |
| Properties rental | 45,148 | 46,538 | +3% |
| Other income | <u>8,100</u> | <u>7,671</u> | -5% |
| Total | 149,863 | 170,050 | +13% |

The total income for the Group increased by 13% from HK\$150 million to HK\$170 million for the same period compared with last year. The increase of revenue for the period was due to substantial improvement in hotel revenue.

| 2011 | Ramada Hotel Kowloon | | Ramada Hong Kong Hotel | | Best Western Hotel Taipa, Macau | | Magnificent International Hotel, Shanghai | |
|---------------------------|-----------------------|--------------------|------------------------|--------------------|---------------------------------|--------------------|---|--------------------|
| | Avg Room Occupancy % | Avg Room Rate HK\$ | Avg Room Occupancy % | Avg Room Rate HK\$ | Avg Room Occupancy % | Avg Room Rate HK\$ | Avg Room Occupancy % | Avg Room Rate HK\$ |
| Jan | 98 | 938 | 91 | 790 | 97 | 508 | 51 | 321 |
| Feb | 97 | 843 | 92 | 712 | 97 | 749 | 54 | 308 |
| Mar | 97 | 927 | 93 | 846 | 98 | 496 | 73 | 364 |
| Apr | 96 | 1,126 | 90 | 988 | 99 | 632 | 80 | 364 |
| May | 97 | 828 | 90 | 697 | 98 | 558 | 75 | 353 |
| Jun | 96 | 810 | 90 | 684 | 99 | 539 | 69 | 341 |
| 2011 Total | HK\$34,346,000 | | HK\$43,512,000 | | HK\$27,214,000 | | HK\$8,361,000 | |
| 2010 Total | HK\$27,920,000 | | HK\$35,455,000 | | HK\$22,174,000 | | HK\$11,066,000 | |
| Change compared with 2010 | +23% | | +23% | | +23% | | -24% | |

Best Western Hotel Causeway Bay obtained hotel operating license since 3rd June 2011 and formally commenced operation on 1st July, fully occupied performance will contribute to the Group's hotel revenue for the second half of the year. The decrease in revenue of Magnificent International Hotel, Shanghai was due to the Expo 2010 Shanghai China was closed in October 2010.

The properties rental income was derived from office buildings of Shun Ho Tower, 633 King's Road and shops from Ramada Hotel Kowloon, Ramada Hong Kong Hotel and Best Western Hotel Taipa, Macau amounted to HK\$47 million (six months ended 30th June 2010: HK\$45 million). The growth was derived from 633 King's Road. At the date of this announcement, it provided an annual rental income of HK\$71 million (excluding rates and management fee).

The properties rental income was analysed as follows:

| | Six months ended | | Change |
|-----------------|-------------------------|---------------------|---------------|
| | 30.6.2010 | 30.6.2011 | |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | |
| | (unaudited) | (unaudited) | |
| 633 King's Road | 31,838 | 34,145 | +7% |
| Shun Ho Tower | 8,849 | 7,988 | -10% |
| Shops | <u>4,461</u> | <u>4,405</u> | -1% |
| Total | 45,148 | 46,538 | +3% |

The drop in rental and management fee was due to time taken to refill the expired tenancy of the 2nd Floor of Shun Ho Tower which accounted for 7% of its total floor areas and the expired basement tenancy of the Ramada Hotel Kowloon which is now leased out with 100 % rental increment.

Other income amounted to HK\$7.7 million (six months ended 30th June 2010: HK\$8.1 million) which was mostly property management fee income of HK\$7.4 million (six months ended 30th June 2010: HK\$7.7 million) with related expenses of HK\$6.4 million (six months ended 30th June 2010: HK\$5.9 million).

- Overall service costs for the Group for the period was HK\$51.2 million (six months ended 30th June 2010: HK\$47 million), which HK\$50.7 million (six months ended 30th June 2010: HK\$46.5 million) was for the hotel operations including food and beverage and cost of sales and HK\$0.5 million (six months ended 30th June 2010: HK\$0.5 million) was mainly for rates and leasing commission paid for investment properties. The leasing commissions paid for the leased premises represent total commissions payable for the three years of rental period.

The approximate operating cost, food and beverage and improvement costs for each operating hotel were as follows:

| Name of Hotel | Six months ended | | Change |
|---|-----------------------------------|-----------------------------------|--------|
| | 30.6.2010 | 30.6.2011 | |
| | <i>HK\$ million per month</i> | <i>HK\$ million per month</i> | |
| Centralized sales office | 0.60 | 0.60 | – |
| Ramada Hotel Kowloon | 2.15 | 2.15 | – |
| Ramada Hong Kong Hotel | 2.50 | 2.60 | +4% |
| Best Western Hotel Taipa, Macau | 1.70 | 1.90 | +12% |
| Magnificent International Hotel, Shanghai | 0.80 | 0.90 | +13% |
| Average expenses per month | 7.75 | 8.15 | +5% |
| Total amount for the period | 46.5 | 48.9 | |
| Best Western Hotel Causeway Bay | N/A | 1.80 (June operating expenses) | |
| Total amount for the period | 46.50 | 50.70 | |

During the period, the administrative expenses excluding depreciation was HK\$7.5 million (six months ended 30th June 2010: HK\$7.3 million) for corporate management office including directors' fees, salaries for executive staff and employees, rental, marketing expenses and office expenses.

Other expenses were HK\$10.5 million (six months ended 30th June 2010: HK\$5.9 million) which included property management expenses of HK\$6.4 million (six months ended 30th June 2010: HK\$5.9 million) and pre-operating expenses of Best Western Hotel Causeway Bay of HK\$4.1 million (six months ended 30th June 2010: N/A). The 8% increase of property management expenses was due to the increase of cost of staff and utilities while the management fee remained unchanged.

The accounting standards require hotel properties of the Group to provide depreciation which amounted to HK\$9,297,000 (six months ended 30th June 2010: HK\$10,710,000) for the period in which the depreciation of Best Western Hotel Causeway Bay was HK\$978,000. This accounting standards affected the hotel operating profit. The depreciation of other plants and machinery amounted to HK\$2 million in which HK\$152,000 attributed to Best Western Hotel Causeway Bay.

- As at 30th June, 2011, the overall debts of the Group was HK\$1,203 million (31.12.2010: HK\$1,175 million), of which HK\$1,033 million (31.12.2010: HK\$1,035 million) was bank borrowings and HK\$170 million (31.12.2010: HK\$140 million) was advance from shareholders.

The debt ratio was 14% (31.12.2010: 15%) in term of overall debt of HK\$1,203 million (31.12.2010: HK\$1,175 million) against the fully revalued assets of the Group amounted to HK\$8,438 million (31.12.2010: HK\$7,661 million).

The gearing ratio was approximately 32% (31.12.2010: 34%) in term of overall debt of HK\$1,203 million (31.12.2010: HK\$1,170 million) against funds employed of HK\$3,753 million (31.12.2010: HK\$3,432 million).

The overall debts was analysed as follows:

| | For the year ended 31.12.2010 <i>HK\$ million</i> | For the six months ended 30.06.2011 <i>HK\$ million</i> | Change <i>HK\$ million</i> | Interest Paid For the six months ended 30.06.2011 <i>HK\$ million</i> |
|---|--|--|-------------------------------|---|
| Overall debt | 1,175 | 1,203 | +28 | |
| – bank loans | 1,035 | 1,033 | -2 | 6.4 |
| – shareholders' loans | 140 | 170 | +30 | 0.8 |
| Debt ratio (based on Fully Revalued Assets) | 15% | 14% | | |

Of these loans, the bank interest expenses amounted to HK\$6.4 million (six months ended 30th June 2010: HK\$5.5 million), the shareholders loans interest expenses amounted to HK\$0.8 million (six months ended 30th June 2010: HK\$0.7 million) and the mandatory convertible bond interest expenses amounted to HK\$0.7 million (six months ended 30th June 2010: HK\$4.3 million) were paid.

Out of these interests totally paid, HK\$4 million (six months ended 30th June 2010: HK\$3 million) was capitalized and HK\$4 million (six months ended 30th June 2010: HK\$7 million) reflected in the expenses account.

- Regarding the cash flow of the Group for the period, the gross income was HK\$170 million with operating expenses of HK\$71 million, interests paid of HK\$18 million and repayment of bank loan of HK\$2 million, the positive cash flow was therefore HK\$79 million which was spent on various construction expenses and acquisition of property plant and equipment.

The Group's bank borrowings carry interest at floating rates and are mainly denominated in Hong Kong dollar. Accordingly, the exchange risk of the Group is minimal. During the period under review, there was about 10% increase in the Group's staffing level compared to 31st December 2010. Remuneration and benefit were set with reference to the market.

FUTURE PROSPECTS

- For the period under review, the investment properties such as Shun Ho Tower, 633 King's Road and shops in Ramada Hotel Kowloon, Ramada Hong Kong Hotel and Best Western Hotel Taipa, Macau remained almost fully letted. It is expected that the rental revenue from these properties will have modest increase in 2011.

As at the date of this announcement, the leasing of the grade A office building at 633 King's Road achieved HK\$71 million (excluding rates and management fee) per annum. The management envisages the office building will have modest rental increase in 2011 as most leases are due for renewal.

For the period under review, there was no significant property being disposed of. The houses at Gold Coast, New Territories are already available for leasing and rental income.

For the period under review, the turnover for the five hotels was amounted to HK\$116 million, increased by 20%.

| Name of Hotel | Avg Room Rates | | Change |
|--|----------------|------------|--------|
| | Jan to Jun | Jan to Jun | |
| | 2010 | 2011 | |
| | HK\$ | HK\$ | |
| Ramada Hotel Kowloon | 719 | 915 | +27% |
| Ramada Hong Kong Hotel | 618 | 787 | +27% |
| Best Western Hotel Taipa, Macau | 455 | 561 | +23% |
| Magnificent International Hotel, Shanghai | 399 | 345 | -16% |
| Best Western Hotel Causeway Bay | N/A | 725 | N/A |

The new Best Western Hotel Causeway Bay has achieved remarkable performance since its formal operation in July, the nearly full occupancies will significantly increase future hotel revenues.

In the coming year, it is envisaged that the hotel business would be improving due to the continuous increase of inbound tourists and devaluation of Hong Kong dollar against Renminbi. The leisure travelling continues to improve due to continuous increase of inbound tour from global interests in Asia and implementation of the CEPA and further relaxation of mainlanders to travel freely. The management of the hotels will endeavour to maintain the high occupancy but will focus on obtaining higher room rates.

The hotel turnover from 1 July to 29 Aug 2011 of the Group's five hotels amounted to HK\$57 million, representing 62% improvement compared with 2010.

| 2011 | Ramada Hotel Kowloon | | Ramada Hong Kong Hotel | | Best Western Hotel Taipa, Macau | | Magnificent International Hotel, Shanghai | | Best Western Hotel Causeway Bay | | Improvement Compared with 2010 |
|--|--------------------------|-----------------------|--------------------------|-----------------------|------------------------------------|-----------------------|--|----------------------|------------------------------------|-----------------------|--------------------------------------|
| | Avg Room Occupancy | Avg Room Rate | Avg Room Occupancy | Avg Room Rate | Avg Room Occupancy | Avg Room Rate | Avg Room Occupancy | Avg Room Rate | Avg Room Occupancy | Avg Room Rate | |
| | % | HK\$ | % | HK\$ | % | HK\$ | % | HK\$ | % | HK\$ | |
| Jul | 99 | 1,026 | 95 | 833 | 98 | 617 | 79 | 336 | 94 | 832 | 59% |
| 1-29 Aug | 99 | 1,115 | 94 | 897 | 99 | 669 | 77 | 332 | 95 | 988 | 64% |
| Jul to 29 Aug, 2011 Total | | HK\$13,436,000 | | HK\$16,346,000 | | HK\$10,646,000 | | HK\$2,612,000 | | HK\$13,542,000 | |

With the positive cash flow surplus of HK\$79 million for the six months ended 30th June, 2011, the forecasted increase of rental incomes and steady hotel operations will ensure stronger future annual cash flow surplus which will help to ease the construction costs required to build the new hotels that will increase the incomes and value of the Group.

It is the intention of the Group to build a portfolio of 3-4 stars hotels with significant market shares in Hong Kong. The expected annual operating return on these hotels will be about 10% on development cost and real estate capital gain potential of 50%. The Board believes these opportunities are readily available. The current five hotels owned by the Group offer about 1,258 rooms and the hotel development sites in Sheung Wan and Tsimshatsui will add an additional 1,042 rooms. The number of hotel rooms will soon be about 2,300 rooms to become a leading hotel rooms supplier in Hong Kong. Such strategy has and will continue to increase the value and recurring income of the Group substantially.

Nos. 239-251 Queen's Road West Hotel Development

The hotel has been named Best Western Hotel Harbour View. The concrete superstructure construction has been completed on the date of this announcement. Occupation permit is expected to be obtained in early 2012. The construction of the Western MTR Line will improve future value of this property significantly.

Nos. 338-346 Queen's Road West Hotel Development

A 214 serviced apartments hotel development was approved to be built. Foundation construction is well under way. Approval has been obtained to increase the plot ratio from 12 to 13.2 with no premium payment required. The construction of the Western MTR Line will improve future value and business of this property significantly.

Nos. 19-23 Austin Avenue, Tsimshatsui Hotel Development

The 397 rooms hotel development in the excellent shopping location in Tsimshatsui, superstructure construction is well underway. Operation commencement is expected in 2012.

Looking ahead, the management expects 2011 will be a much improved year for hotel operation. The hotels occupancy remain high because of the increasing leisure travelling from the PRC and their further visa relaxation and devaluation of Hong Kong dollar against Renminbi. The hotels room rates will increase due to the return of higher yield commercial travellers. Thus, the management expects higher yield commercial travellers will return in trade fair seasons that will compliment the already busy leisure travelling market which will result in room rates and revenue increment at second half of this year. The improving hotel business will help to increase the Group's overall turnover.

The management is most pleased with the commencement of operation of the Best Western Hotel Causeway Bay and its immediate remarkable nearly full occupancies since July and its ability to increase the Group's future hotel revenue.

The management is most looking forward to the completion of the 435 rooms Best Western Hotel Harbour View and the 397 rooms hotel in Tsimshatsui in 2012 and their potential substantial increase of the Group's hotel revenue next year.

The rental incomes of the commercial buildings and shops are expected to enjoy modest increase since most leases are due for renewal in 2010/2012.

The low interest rate environment, weakness Hong Kong dollar and inflation back the demand in the local property market that benefits the Group's property portfolio especially the office buildings in Central and North Point. The conservative 14% debt ratio ensures the Group's stability over any further unforeseeable global financial turmoils.

Recent global debt crisis has materially dampened worldwide economical growth and significantly affecting the banking confidence. The management is cautious to any possible adverse effects to our banking facilities.

The management will continue to adopt a conservative approach and to make best endeavour to complete the construction of the three new hotels in Hong Kong to substantially increase the earning base and value for the Group. In view of the substantial construction costs outlay for 2011 to 2012, the management is trying best endeavour to streamline cashflow in order to ensure the Group's future obligations are met.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the period.

CORPORATE GOVERNANCE

(a) Compliance with the Code on Corporate Governance Practices

During the period, the Company has complied with the code provisions set out in the Code of Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") except the following:

Code Provision A.2.1

The Company does not have separate appointments for Chairman and Chief Executive Officer. Mr. William Cheng Kai Man holds both positions. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person enables the Company to have a stable and consistent leadership. It will also facilitate the planning and execution of the Company's strategy and is hence, for the interests of the Company and its shareholders.

Code Provision A.4.1

Non-executive directors of the Company have no set term of office but retire from office on a rotational basis at least once every three years. According to the articles of association of the Company, every director shall be subject to retirement by rotation at least once every three years. The Company considers that sufficient measures have been taken to ensure that its corporate governance practices are no less exacting than those in the Code.

(b) Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard set out in the Model Code during 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, 2011.

By Order of the Board

William CHENG Kai Man
Chairman

Hong Kong, 30th August, 2011

As at the date hereof, the Board comprises six Directors, of which two are Executive Directors, namely Mr. William Cheng Kai Man and, Mr. Albert Hui Wing Ho; one is Non-executive Director, Madam Mabel Lui Fung Mei Yee; and three are Independent Non-executive Directors, namely Mr. Vincent Kwok Chi Sun, Mr. Chan Kim Fai and Mr. Hui Kin Hing.