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MAGNIFICENT ESTATES LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 201)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2010

RESULTS

The board of directors (the “Board”) of Magnificent Estates Limited (the “Company”) announces that the audited consolidated profit attributable to owners of the Company for the year ended 31st December, 2010 amounted to HK\$418,420,000 (2009: HK\$143,560,000). The audited consolidated results of the Company and its subsidiaries (together the “Group”) for the year, together with comparative figures for the previous year, are as follows:

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2010

	NOTES	2010 HK\$'000	2009 HK\$'000
Revenue	3	304,595	249,506
Cost of sales		(3,575)	(3,818)
Other service costs		(95,490)	(91,327)
Depreciation of property, plant and equipment and release of prepaid lease payments for land		<u>(17,953)</u>	<u>(22,833)</u>
Gross profit		187,577	131,528
Increase in fair value of investment properties		341,060	70,210
Other income		16,011	15,186
Gain on disposal of available-for-sale investments		-	3,617
(Loss) gain on fair value changes of investments held for trading		(1)	6
Loss on disposal of a subsidiary		(19)	-
Administrative expenses			
- Depreciation		(4,020)	(4,099)
- Others		(17,009)	(15,346)
		(21,029)	(19,445)
Other expenses		(12,971)	(12,314)
Finance costs	5	<u>(12,783)</u>	<u>(21,358)</u>
Profit before taxation	6	497,845	167,430
Income tax expense	7	<u>(79,425)</u>	<u>(23,870)</u>
Profit for the year attributable to owners of the Company		<u>418,420</u>	<u>143,560</u>

Consolidated Statement of Comprehensive Income (continued)
For the year ended 31st December, 2010

	<i>NOTE</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Other comprehensive income (expense)			
Exchange differences arising on translation of foreign operations		3,892	5,333
Reclassification adjustment upon disposal of available-for-sale investments		-	(3,617)
Fair value gain (loss) on available-for-sale investments		<u>47,860</u>	<u>(5,824)</u>
Other comprehensive income (expense) for the year		<u>51,752</u>	<u>(4,108)</u>
Total comprehensive income for the year attributable to owners of the Company		<u>470,172</u>	<u>139,452</u>
		HK cents	HK cents
Earnings per share	9		
Basic		<u>4.76</u>	<u>1.74</u>
Diluted		<u>N/A</u>	<u>N/A</u>

Consolidated Statement of Financial Position

At 31st December, 2010

	NOTES	31.12.2010 <i>HK\$'000</i>	31.12.2009 <i>HK\$'000</i> (Restated)	1.1.2009 <i>HK\$'000</i> (Restated)
Non-Current Assets				
Property, plant and equipment		730,392	727,051	754,939
Prepaid lease payments for land		60,767	60,182	56,375
Investment properties		2,328,850	1,987,790	1,917,580
Properties under development		1,680,680	1,545,202	1,450,106
Available-for-sale investments		156,419	108,559	124,371
Deposit for acquisition of property, plant and equipment		<u>2,591</u>	-	<u>167</u>
		<u>4,959,699</u>	<u>4,428,784</u>	<u>4,303,538</u>
Current Assets				
Inventories		520	647	814
Properties held for sale		21,650	21,650	21,650
Investments held for trading		6	7	1
Prepaid lease payments for land		1,502	1,502	1,502
Trade and other receivables	10	12,909	11,291	18,916
Other deposits and prepayments		4,026	4,323	5,165
Pledged bank deposits		110	110	110
Time deposits		-	-	2,500
Bank balances and cash		<u>40,586</u>	<u>35,377</u>	<u>18,644</u>
		<u>81,309</u>	74,907	69,302
Assets classified as held for sale		<u>-</u>	<u>4,853</u>	<u>-</u>
		<u>81,309</u>	<u>79,760</u>	<u>69,302</u>
Current Liabilities				
Trade and other payables	11	28,398	23,382	40,374
Rental and other deposits received		16,711	12,709	4,053
Advance from immediate holding company		79,354	55,115	45,385
Advance from ultimate holding company		61,211	60,917	60,427
Advance from a fellow subsidiary		4,745	4,745	4,746
Tax liabilities		9,502	7,958	4,963
Bank loans		1,034,792	1,043,425	1,044,339
Mandatory convertible bonds liability		<u>11,193</u>	<u>16,802</u>	<u>11,280</u>
		<u>1,245,906</u>	1,225,053	1,215,567
Liabilities associated with assets classified as held for sale		<u>-</u>	<u>353</u>	<u>-</u>
		<u>1,245,906</u>	<u>1,225,406</u>	<u>1,215,567</u>
Net Current Liabilities		<u>(1,164,597)</u>	<u>(1,145,646)</u>	<u>(1,146,265)</u>
Total Assets less Current Liabilities		<u>3,795,102</u>	<u>3,283,138</u>	<u>3,157,273</u>
Capital and Reserves				
Share capital		59,651	59,647	59,647
Share premium and reserves		<u>3,372,582</u>	<u>2,908,379</u>	<u>2,768,927</u>
		<u>3,432,233</u>	<u>2,968,026</u>	<u>2,828,574</u>
Non-Current Liabilities				
Rental deposits received		18,888	18,102	26,055
Mandatory convertible bonds liability		-	11,193	27,995
Deferred tax liabilities		<u>343,981</u>	<u>285,817</u>	<u>274,649</u>
		<u>362,869</u>	<u>315,112</u>	<u>328,699</u>
		<u>3,795,102</u>	<u>3,283,138</u>	<u>3,157,273</u>

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

2. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs in 2008
HKFRSs (Amendments)	Improvements to HKFRSs in 2009
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners
HK- Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of these new and revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

Improvements to HKFRS issued in 2009 relating to HKAS 17

As part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments for land in the consolidated statement of financial position. The amendments to HKAS 17 has removed such a requirement. The amendments require the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

In accordance with the transitional provisions set out in the amendment to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1st January, 2010 based on information that existed at the inception of the leases. Leasehold lands that qualify for finance lease classification have been reclassified from prepaid lease payments for land to property, plant and equipment and properties under development retrospectively. This resulted in a reclassification from prepaid lease payments for land with a previous carrying amount of HK\$1,055,755,000 and HK\$1,044,715,000 at 1st January, 2009 and 31st December, 2009 respectively to property, plant and equipment and properties under development that are measured at cost model.

As at 31st December, 2010, leasehold lands that qualify for finance lease classification with the carrying amount of HK\$338,060,000 and HK\$695,614,000 have been included in property, plant and equipment and properties under development respectively. The application of the amendments to HKAS 17 had no impact on the reported profits or loss for the current and prior years.

The effect of changes in accounting policies described above on the financial positions of the Group as at 31st December, 2009 is as follows:

	As at 31 st December, 2009 (Originally stated) <i>HK\$'000</i>	<u>Adjustments</u> <i>HK\$'000</i>	As at 31 st December, 2009 (Restated) <i>HK\$'000</i>
Property, plant and equipment	384,239	342,812	727,051
Properties under development	843,299	701,903	1,545,202
Prepaid lease payments for land	<u>1,106,399</u>	<u>(1,044,715)</u>	<u>61,684</u>
Total effects on net assets	<u>2,333,937</u>	<u>-</u>	<u>2,333,937</u>

The effect of changes in accounting policies described above on the financial positions of the Group as at 1st January, 2009 is as follows:

	As at 1 st January, 2009 (Originally stated) <i>HK\$'000</i>	<u>Adjustments</u> <i>HK\$'000</i>	As at 1 st January, 2009 (Restated) <i>HK\$'000</i>
Property, plant and equipment	407,376	347,563	754,939
Properties under development	741,914	708,192	1,450,106
Prepaid lease payments for land	<u>1,113,632</u>	<u>(1,055,755)</u>	<u>57,877</u>
Total effects on net assets	<u>2,262,922</u>	<u>-</u>	<u>2,262,922</u>

2. PRINCIPAL ACCOUNTING POLICIES (continued)

HKAS 27 (as revised in 2008) and HKFRS 3 (as revised in 2008)

The Group applies HKFRS 3 (as revised in 2008) “Business Combinations” prospectively to business combinations for which the acquisition date is on or after 1st January, 2010. The requirements in HKAS 27 (as revised in 2008) “Consolidated and Separate Financial Statements” in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1st January, 2010.

As there was no significant transaction during the year in which HKFRS 3 (as revised in 2008) and HKAS 27 (as revised in 2008) are applicable, the application of HKFRS 3 (as revised in 2008), HKAS 27 (as revised in 2008) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in futures periods may be affected by future transactions for which HKFRS 3 (as revised in 2008), HKAS 27 (as revised in 2008) and the consequential amendments to the other HKFRSs are applicable.

HK Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

HK Interpretation 5 “Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause” (“HK-Int 5”) clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time (“repayment on demand clause”) should be classified by the borrower as current liabilities. The Group has applied HK - Int 5 for the first time in current year. HK - Int 5 requires retrospective application.

In order to comply with the requirements set out in HK - Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK - Int 5, term loans with a repayment on demand clause are classified as current liabilities.

As a result, bank loans that contain a repayment on demand clause with the aggregate carrying amounts of HK\$476,000,000 and HK\$862,425,000 have been reclassified from non-current liabilities to current liabilities as at 31st December, 2009 and 1st January, 2009 respectively. As at 31st December, 2010, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of HK\$379,625,000 have been classified as current liabilities. The application of HK - Int 5 has had no impact on the reported profit or loss for the current and prior years.

Such terms loans have been presented in the earliest time band in the maturity analysis for financial liabilities that reflects the remaining contracted maturities.

The adoption of the other new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

3. REVENUE

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Income from operation of hotels	214,213	162,397
Property rental	<u>90,382</u>	<u>87,109</u>
	<u><u>304,595</u></u>	<u><u>249,506</u></u>

4. SEGMENT INFORMATION

The Group's operating and reportable segments under HKFRS 8 are therefore 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. Property investment - 633 King's Road
6. Property investment - Shun Ho Tower
7. Property investment - Shops
8. Securities investment and trading
9. Property development for hotel - 239-251 Queen's Road West
10. Property development for hotel - 19-23 Austin Avenue
11. Property development for hotel - 30-40 Bowrington Road
12. Property development for hotel - 338-346 Queen's Road West

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 years:

	Segment revenue		Segment profit /loss	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Hospitality services	214,213	162,397	97,795	45,691
- Ramada Hotel Kowloon	61,538	49,095	22,739	10,523
- Ramada Hong Kong Hotel	78,876	60,994	42,434	22,262
- Best Western Hotel Taipa, Macau	46,667	38,213	20,865	12,767
- Magnificent International Hotel, Shanghai	27,132	14,095	11,757	139
Property investment	90,382	87,109	430,842	156,047
- 633 King's Road	64,790	61,264	294,498	80,223
- Shun Ho Tower	16,474	16,952	73,526	51,631
- Shops	9,118	8,893	62,818	24,193
Securities investment and trading	-	-	(1)	3,623
Property development for hotel	-	-	-	-
- 239-251 Queen's Road West	-	-	-	-
- 19-23 Austin Avenue	-	-	-	-
- 30-40 Borwington Road	-	-	-	-
- 338-346 Queen's Road West	-	-	-	-
	<u>304,595</u>	<u>249,506</u>	<u>528,636</u>	<u>205,361</u>
Other income			16,011	15,186
Other expenses			(12,971)	(12,314)
Loss of disposal of a subsidiary			(19)	-
Central administration costs and directors' salaries			(21,029)	(19,445)
Finance costs			(12,783)	(21,358)
Profit before taxation			<u>497,845</u>	<u>167,430</u>

Geographical information

The Group's operations are located in Hong Kong, Macau and the People's Republic of China (the "PRC").

The following is an analysis of the Group's revenue primarily by geographical markets based on location of assets:

	2010 HK\$'000	2009 HK\$'000
Hong Kong	228,230	194,763
Macau	49,233	40,648
The PRC	<u>27,132</u>	<u>14,095</u>
	<u>304,595</u>	<u>249,506</u>

5. FINANCE COSTS

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Interests on :		
Bank loans wholly repayable within five years	12,146	18,489
Effective interest expense on mandatory convertible bonds	7,056	12,514
Advance from ultimate holding company wholly repayable within five years	720	704
Advance from immediate holding company wholly repayable within five years	<u>757</u>	<u>605</u>
	20,679	32,312
<i>Less:</i> amount capitalised in properties under development	<u>(7,896)</u>	<u>(10,954)</u>
	<u><u>12,783</u></u>	<u><u>21,358</u></u>

6. PROFIT BEFORE TAXATION

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	1,548	1,681
Staff costs including directors' emoluments	74,524	63,744
Depreciation of property, plant and equipment	20,471	25,430
Release of prepaid lease payments for land	1,502	1,502
Operating lease rental in respect of rented premises and equipment	-	1,238
Gross rental income from investment properties	(90,382)	(87,109)
<i>Less:</i> Direct operating expenses from investment properties that generated rental income during the year	<u>555</u>	<u>1,272</u>
	<u><u>(89,827)</u></u>	<u><u>(85,837)</u></u>

7. INCOME TAX EXPENSE

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
The taxation charge comprises:		
Current tax		
Hong Kong	17,399	11,377
The PRC	2,661	-
Other jurisdiction	<u>2,001</u>	<u>1,030</u>
	22,061	12,407
Overprovision in prior years		
Hong Kong	(735)	(49)
Deferred tax		
Current year	<u>58,099</u>	<u>11,512</u>
	<u>79,425</u>	<u>23,870</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. Taxation arising in other jurisdiction is calculated at rates prevailing in the relevant jurisdiction.

8. DIVIDEND

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Dividend recognised as distribution during the year:		
Final dividend in respect of the year ended 31 st December, 2009 of HK0.1 cent (2009: No dividend in respect of the year ended 31 st December, 2008) per share was paid to shareholders	<u>5,965</u>	-

The final dividend in respect of the year ended 31st December, 2010 of HK0.3 cents per share amounting to HK\$26,841,000 has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

9. EARNINGS PER SHARE

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<u>Earnings</u>		
Profit for the year attributable to owners of the Company	418,420	143,560
Effective interest expense on mandatory convertible bonds	<u>7,056</u>	<u>12,514</u>
Earnings for the purpose of basic earnings per share	<u>425,476</u>	<u>156,074</u>
<u>Number of shares</u>		
	2010 <i>'000</i>	2009 <i>'000</i>
Weighted average number of ordinary shares in issue	5,964,720	5,964,701
Effect of ordinary shares to be issued upon the conversion of mandatory convertible bonds	<u>2,982,332</u>	<u>2,982,350</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>8,947,052</u>	<u>8,947,051</u>

Diluted earnings per share for both years are not shown as there are no potential ordinary shares subsist during both of the years 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 customers. The following is an aged analysis of the Group's trade receivables presented based on the invoice date at the end of the reporting period:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Not yet due	10,263	3,729
0-30 days	464	5,556
31-60 days	87	960
Over 60 days	<u>-</u>	<u>6</u>
	<u>10,814</u>	<u>10,251</u>
	31st December, 2010 <i>HK\$'000</i>	31 st December, 2009 <i>HK\$'000</i>
	31st December, 2010 <i>HK\$'000</i>	1 st January, 2009 <i>HK\$'000</i>
Analysed for reporting as:		
Trade receivables	10,814	16,996
Other receivables	<u>2,095</u>	<u>1,920</u>
	<u>12,909</u>	<u>18,916</u>

11. TRADE AND OTHER PAYABLES

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:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
0-30 days	17,427	7,826
31-60 days	620	1,237
Over 60 days	<u>1,191</u>	<u>369</u>
	<u>19,238</u>	<u>9,432</u>

	31st December, 2010 <i>HK\$'000</i>	31 st December, 2009 <i>HK\$'000</i>	1 st January, 2009 <i>HK\$'000</i>
Analysed for reporting as:			
Trade payables	19,238	9,432	15,643
Other payables	<u>9,160</u>	<u>13,950</u>	<u>24,731</u>
	<u>28,398</u>	<u>23,382</u>	<u>40,374</u>

DIVIDEND

The Board recommend the payment of a final dividend of HK0.3 cents per share for the year ended 31st December, 2010 (2009: HK0.1 cent per share), which is equivalent to about 1% of the closing price of the Company's shares immediately before the date of this announcement, payable on 25th July, 2011 to shareholders whose names appear on the register of members of the Company on 24th June, 2011.

The annual dividend for the year 2005, 2006, 2007, 2009 received by shareholders was 1% of the last closing price of the date of announcement.

BOOK CLOSURE

The register of members will be closed from Monday, 20th June, 2011 to Friday, 24th June, 2011, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend and determine the identity of members who are entitled to attend and vote at the Annual General Meeting to be held on Friday, 24th June, 2011, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 17th June, 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

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

The audited consolidated profit attributable to owners of the Company for the year ended 31st December, 2010 amounted to HK\$418,420,000 (2009: HK\$143,560,000), increased by 191%.

Before gain on revaluation of investment properties and its related deferred taxation, depreciation and release of prepaid lease payment for land, the operating profit attributable to owners of the Company for year ended 31st December, 2010 is HK\$156 million (2009: HK\$112 million), increased by 39%.

The net assets before deferred tax and **before** revaluation on all asset properties of the Group amounted to HK\$3,776 million (HK\$0.63 per ordinary share) as at 31st December, 2010.

The net assets before deferred tax and **after** revaluation on all asset properties of the Group amounted to **HK\$6,397 million (HK\$1.07 per ordinary share)** as at 31st December, 2010.

The corporate strategy 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 Causeway Bay, Best Western Hotel, Macau and Magnificent International Hotel, Shanghai with 1,258 rooms together with three new hotels under development in Tsimshatsui and Sheung Wan, 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:-

	2007 <i>HK\$ million</i>	2008 <i>HK\$ million</i>	2009 <i>HK\$ million</i>	2010 <i>HK\$ million</i>
Net Assets Value	4,729	4,976	5,187	6,397

- For the year ended 31st December, 2010, the Group's income was mostly derived from the aggregate of income from operation of hotels and properties rental income, which is analysed as follows:-

Revenue	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	Change %
Income from operation of hotels	162,397	214,213	+32
Properties rental	87,109	90,382	+4
Other income	<u>15,186</u>	<u>16,011</u>	+5
Total	264,692	320,606	+21

The total income for the Group increased by 21% from HK\$265 million to HK\$321 million compared with last year. The increase of group revenue for the year was due to substantial hotel improvement in hotel revenue.

The income from operation of hotels increased by 32% to HK\$214 million (2009: HK\$162 million).

2010	Ramada Hotel Kowloon		Ramada Hong Kong Hotel		Best Western Hotel Taipa, Macau		Magnificent International Hotel, Shanghai	
	Avg Room	Avg Room	Avg Room	Avg Room	Avg Room	Avg Room	Avg Room	Avg Room
	Occupancy %	Rate HK\$	Occupancy %	Rate HK\$	Occupancy %	Rate HK\$	Occupancy %	Rate HK\$
Jan	99	731	94	621	97	424	64	283
Feb	95	684	90	594	95	600	52	285
Mar	98	760	97	654	97	399	76	318
Apr	95	864	93	752	98	459	85	335
May	97	654	89	569	97	448	87	542
Jun	97	622	92	510	97	415	95	581
Jul	98	679	97	568	96	443	97	591
Aug	96	730	94	623	97	494	93	572
Sep	93	768	91	653	91	458	94	573
Oct	97	1,053	95	916	97	528	89	597
Nov	99	938	96	796	99	490	71	338
Dec	99	1,040	94	861	98	584	58	322
Avg/yr	97	795	93	678	97	478	80	466
2010 Total	HK\$61,538,000		HK\$78,876,000		HK\$46,667,000		HK\$27,132,000	
2009 Total	HK\$49,095,000		HK\$60,994,000		HK\$38,213,000		HK\$14,095,000	
Increased %	+25		+29		+22		+92	

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\$90 million (2009: HK\$87 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:-

	2009 HK\$'000	2010 HK\$'000	Change %
633 King's Road	61,264	64,790	+6
Shun Ho Tower	16,952	16,474	-3
Shops	<u>8,893</u>	<u>9,118</u>	+3
Total	<u>87,109</u>	<u>90,382</u>	+4

Other income amounted to HK\$16million (2009: HK\$15 million) which was mostly property management fee income of HK\$15 million (2009: HK\$14 million).

- Overall service costs for the Group for the year was HK\$99 million (2009: HK\$95 million).

HK\$98 million (2009: HK\$94 million) was for the hotel operations including food and beverage and costs of sales and property improvements. Increase in operating expenses was result of Best Western Hotel, Macau and Magnificent International Hotel, Shanghai and due to implementation of minimum wages in Macau and doubling of business turnover in Shanghai. HK\$1 million was professional architecture fee for additional rooms renovation of Ramada Hotel Kowloon.

HK\$1 million (2009: HK\$1 million) was mainly for 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 costs, food and beverage and improvement costs for each operating hotel were as follows:-

Name of Hotel	2010 HK\$	2009 HK\$
Centralized sales office	0.4 million per month	0.4 million per month
Ramada Hotel Kowloon	2.2 million per month	2.2 million per month
Ramada Hong Kong Hotel	2.6 million per month	2.6 million per month
Best Western Hotel, Macau	1.9 million per month	1.8 million per month
Magnificent International Hotel, Shanghai	1.0 million per month	0.8 million per month
Total	HK\$8.1million per month (HK\$97 million per year)	HK\$7.8million per month (HK\$94 million per year)

Administrative expenses of HK\$17 million (2009: HK\$15 million) for the year or HK\$1.42 million (2009: HK\$1.25 million) per month was for corporate management office including directors' fees, salaries for executive staff and employees, rental, marketing expenses and office expenses.

Other expenses were property management expenses of HK\$13 million (2009: HK\$12 million).

- At 31st December, 2010, the overall debt was HK\$1,175 million (2009: HK\$ 1,159 million) of which, HK\$1,035 million (2009: HK\$1,043 million) was bank borrowings and HK\$140 million (2009: HK\$116 million) was advance from shareholders.

The debt ratio was 15% (2009: 18%) in term of overall debt of HK\$1,175 million (2009: HK\$1,159 million) against the fully revalued assets of HK\$7,661 million (2009: HK\$6,442 million).

The gearing ratio was approximately 34% (2009: 39%) against funds employed of HK\$3,432 million (2009: HK\$2,968 million).

The overall debts was analysed as follows:-

	2009	2010	Change	Interest Paid 2010
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Overall debt	1,159	1,175	+16	21
- bank loans	1,043	1,035	-8	12
- shareholders' loans	116	140	+24	2
Debt ratio (Based on Fully Revalued Assets)	18%	15%	-3%	-
Mandatorily convertible bonds (The bonds will be mandatorily converted to share capital on 13 th April 2011)	477	477	-	7

- Of these loans, the total interest expenses amounted to HK\$21 million (2009: HK\$32 million), of which HK\$12 million (2009: HK\$18 million) was paid to bank borrowings, HK\$2 million (2009: HK\$1 million) was paid to shareholder loans and HK\$7 million (2009: HK\$13 million) was paid to bondholders.

Out of these interests totally paid, HK\$8 million (2009: HK\$11 million) was capitalized and HK\$13 million (2009: HK\$21 million) reflected in the expenses account.

Regarding the cash flow of the Group for the year, the gross income of the Group was HK\$321 million (2009: HK\$265 million) with operating expenses of HK\$142 million (2009: HK\$138 million), repayment of bank loan of HK\$9 million and interests and dividend paid out of the Group of HK\$42 million (2009: HK\$42 million), the positive cash flow was therefore HK\$128 million (2009: HK\$84 million) which was spent on various construction expenses.

All the Group's bank loans are floating rate borrowings, which carry interests at HIBOR plus 0.8% to 1.2% (2009: 0.65% to 1.2%) per annum. The bank loans are secured over certain of the Group's properties.

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 year under review, there was no significant change in the Group's staffing level, remuneration and benefit. Remuneration and benefit were set with reference to the market.

- The accounting standards continue to have adverse impact on the results from hotel businesses, these hotels are now stated at cost less depreciation resulting in the following significant impact:

- (a) The properties of the Group as valued by the independent professional valuer at market value as at 31st December, 2010 and the valuation surplus (before accounting for any deferred taxes) not included in accounts are as follows:

Name of properties	Independent professional valuation report (from Dudley Surveyors Limited) at 31.12.2010 <i>HK\$'000</i>	Carrying amounts (in the accounts under accounting standard) at 31.12.2010 <i>HK\$'000</i>	Valuation surplus not included in accounts (before accounting for any deferred taxes) at 31.12.2010 <i>HK\$'000</i>
Ramada Hotel Kowloon	818,000	317,454	500,546
Ramada Hong Kong Hotel	1,086,000	387,233	698,767
Best Western Hotel Taipa, Macau	409,000	267,341	141,659
Magnificent International Hotel, Shanghai	317,000	91,425	225,575
633 King's Road	1,540,000	1,540,000	-
239-251 Queen's Road West	800,000	376,300	423,700
338-346 Queen's Road West	281,000	212,152	68,848
19-23 Austin Avenue	865,000	709,722	155,278
30-40 Bowrington Road	750,000	382,507	367,493
Shun Ho Tower	477,000	467,875	9,125
Properties at Gold Coast	<u>51,000</u>	<u>21,650</u>	<u>29,350</u>
Total	7,394,000	4,773,659	2,620,341

If the valuation of the Group's properties by the independent professional valuer was accounted for in the financial statements, the net asset value of the Group will be increased as follows:-

	<i>HK\$'000</i>
Total net assets (before deferred tax) of the Group	3,776,214
Add: Valuation surplus (before accounting for any related taxes) not recognised in the accounts	<u>2,620,341</u>
Net Assets Value of the Company	6,396,555

- (b) Reduction of hotel operating profits due to non-cash depreciation of the hotel properties amounted to HK\$18 million (2009: HK\$23 million) for the year under review.

	Land and buildings <i>HK\$'000</i>	Hotel buildings <i>HK\$'000</i>	Furniture, fixture and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Depreciation	6,253	8,791	2,864	17,908

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:-

Hotel buildings and land and buildings	50 years or over the remaining term of land lease, whichever is the shorter
Furniture, fixtures and equipment	20%-33%

FUTURE PROSPECTS

- For the year 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 let. It is expected that the rental revenue from these properties will have modest increase in 2011.

The slight drop in rental of 3% of Shun Ho Tower was due to time taken to refill many expired tenancy.

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

For the year 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 year under review, the turnover for the four hotels amounted to HK\$214 million, increased by 32%.

Name of Hotel	Avg Room Rates		Change %
	2009 HK\$	2010 HK\$	
Ramada Hotel Kowloon	565	795	+41
Ramada Hong Kong Hotel	535	678	+27
Best Western Hotel Taipa, Macau	388	478	+23
Magnificent International Hotel, Shanghai	286	466	+63

In the coming year, the Hong Kong Tourism Board forecast 40 million visitors are expected to visit Hong Kong +12%, up from 36 million last year. In the first 2 months of 2011, the actual increase of visitors has been 22% year on year, including 30% more mainlanders. The introduction of Multiple Individual Visits Scheme to both Guangdong residents and non-Guangdong residents residency in Shenzhen and prospects of extending to other cities in China, coupled with economic recovery in USA could bring even greater momentum to the growth of Mainland and Western arrivals.

The hotel turnover for the first two months of 2011 from the four hotels amounted to HK\$36,068,000, representing 21% improvement compared with 2010 (The turnover for the first two months of 2010 of the four hotels was 7% increase compared with 2009).

	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\$
2011								
Jan	98	938	91	779	97	491	51	319
Feb	97	843	92	703	97	719	54	307
2011 Total (Jan to Feb) Change		HK\$10,977,000		HK\$13,741,000		HK\$9,396,000		HK\$1,954,000
		+24%		+22%		+19%		+1%

With the positive cash flow surplus of HK\$128 million for the year ended 31st December, 2010, 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 new hotels under development in Tsimshatsui and Sheung Wan will provide an additional 1,042 rooms. The number of hotel rooms will soon be about 2,300 rooms. The Group will 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.

Best Western Hotel, Causeway Bay

Hotel Occupation Permit has been issued in January 2011 and is awaiting issuance of hotel operation permit for commencement of business. The 258 rooms hotel has been luxuriously decorated for commercial visitors. The excellent shopping location will ensure future high occupancy and room rates at about HK\$1,000/night. Management is confident with its future business prospect.

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

The Hotel has been named Best Western Hotel Harbour View. Superstructure construction has reached the 25th floor on the date of this announcement. The construction of the Western MTR Line will improve future value of this property significantly.

Nos. 19-23 Austin Avenue, Tsimshatsui

The 400 rooms hotel development in the excellent shopping location in Tsimshatsui, superstructure construction has commenced.

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

A 214 serviced apartments hotel development is approved to be built. Foundation contract was already awarded. 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 of this property significantly.

Looking ahead, the management expects 2011 will be a much improved year for hotel operation. The hotels occupancy will remain high because of the increasing leisure travellers from China with their further visa relaxation. The hotels room rates will increase due to the return of higher yield commercial travellers resulting from global economic recovery. The first two months of 2011 of the hotels revenue have increased by 21% compared with last year 2010. Further substantial growth from USA economic recovery, and prospects of further multiple visa relaxation in China and rapid middle class population growth in China. 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 recovery.

The improvement in hotel business will help to increase the Group's overall turnover.

The rental incomes of the commercial buildings and shops are expected to enjoy modest increase since most leases are due for renewal in 2010/2011.

The low interest rate environment and tight land supply government policy 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 15% debt ratio ensures the Group's stability over any further unforeseeable global financial turmoils.

The management will continue to adopt a conservative approach and to make best endeavour to complete the construction of the four 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 2010 to 2011, the management will 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 year.

CORPORATE GOVERNANCE

(a) Compliance with the Code on Corporate Governance Practices

During the year, 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 Listing Rules 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 throughout the year.

REVIEW BY THE AUDIT COMMITTEE

The audit committee has reviewed the audited financial results of the Group for the year ended 31st December, 2010.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st December, 2010 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

By Order of the Board

William Cheng Kai Man
Chairman

Hong Kong, 22nd March, 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.