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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, 2011

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, 2011 amounted to HK\$440,715,000 (2010: HK\$418,420,000). 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, 2011

	NOTES	2011 HK\$'000	2010 HK\$'000
Revenue	3	401,648	304,595
Cost of sales		(3,073)	(3,575)
Other service costs		(116,707)	(95,490)
Depreciation of property, plant and equipment and release of prepaid lease payments for land		<u>(23,443)</u>	<u>(17,953)</u>
Gross profit		258,425	187,577
Increase in fair value of investment properties		298,030	341,060
Other income		15,714	16,011
Fair value changes of investments held for trading		(3)	(1)
Loss on disposal of a subsidiary		-	(19)
Administrative expenses			
- Depreciation		(4,717)	(4,020)
- Others		(16,029)	(17,009)
		(20,746)	(21,029)
Other expenses		(17,909)	(12,971)
Finance costs	5	<u>(8,179)</u>	<u>(12,783)</u>
Profit before taxation	6	525,332	497,845
Income tax expense	7	<u>(84,617)</u>	<u>(79,425)</u>
Profit for the year attributable to owners of the Company		<u>440,715</u>	<u>418,420</u>

Consolidated Statement of Comprehensive Income (continued)
For the year ended 31st December, 2011

	<i>NOTE</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Other comprehensive (expense) income			
Exchange differences arising on translation of foreign operations		3,733	3,892
Fair value (loss) gain on available-for-sale investments		<u>(24,897)</u>	<u>47,860</u>
Other comprehensive (expense) income for the year		<u>(21,164)</u>	<u>51,752</u>
Total comprehensive income for the year attributable to owners of the Company		<u>419,551</u>	<u>470,172</u>
		HK cents	HK cents
Earnings per share	9		
Basic		<u>4.93</u>	<u>4.76</u>
Diluted		<u>N/A</u>	<u>N/A</u>

Consolidated Statement of Financial Position

At 31st December, 2011

	NOTES	2011 HK\$'000	2010 HK\$'000
Non-Current Assets			
Property, plant and equipment		1,133,012	730,392
Prepaid lease payments for land		61,049	60,767
Investment properties		2,626,880	2,328,850
Properties under development		1,517,390	1,680,680
Available-for-sale investments		131,522	156,419
Deposit for acquisition of property, plant and equipment		<u>-</u>	<u>2,591</u>
		<u>5,469,853</u>	<u>4,959,699</u>
Current Assets			
Inventories		660	520
Properties held for sale		21,650	21,650
Investments held for trading		-	6
Prepaid lease payments for land		1,502	1,502
Trade and other receivables	10	19,939	12,909
Other deposits and prepayments		6,938	4,026
Pledged bank deposits		110	110
Bank balances and cash		<u>99,540</u>	<u>40,586</u>
		<u>150,339</u>	<u>81,309</u>
Current Liabilities			
Trade and other payables and accruals	11	62,802	28,398
Rental and other deposits received		6,786	16,711
Advance from immediate holding company		104,245	79,354
Advance from ultimate holding company		59,960	61,211
Advance from a fellow subsidiary		4,745	4,745
Tax liabilities		14,164	9,502
Bank loans		1,110,957	1,034,792
Mandatory convertible bonds liability		<u>-</u>	<u>11,193</u>
		<u>1,363,659</u>	<u>1,245,906</u>
Net Current Liabilities		<u>(1,213,320)</u>	<u>(1,164,597)</u>
Total Assets less Current Liabilities		<u>4,256,533</u>	<u>3,795,102</u>
Capital and Reserves			
Share capital		89,471	59,651
Share premium and reserves		<u>3,735,442</u>	<u>3,372,582</u>
		<u>3,824,913</u>	<u>3,432,233</u>
Non-Current Liabilities			
Rental deposits received		26,993	18,888
Deferred tax liabilities		<u>404,627</u>	<u>343,981</u>
		<u>431,620</u>	<u>362,869</u>
		<u>4,256,533</u>	<u>3,795,102</u>

Notes:

1. BASIS OF PREPARATION

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.

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

In the current year, the Group has applied the following new and revised standard, amendments and interpretation ("new and revised HKFRSs") issued by the HKICPA:

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

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and /or on the disclosures set out in these consolidated financial statements.

3. REVENUE

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Income from operation of hotels	306,608	214,213
Property rental	<u>95,040</u>	<u>90,382</u>
	<u><u>401,648</u></u>	<u><u>304,595</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. Hospitality services - Best Western Hotel, Causeway Bay (Note)
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

Note: The hotel is newly operated in 2011.

4. SEGMENT INFORMATION (continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments for the years:

	Segment revenue		Segment profit /loss	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Hospitality services	306,608	214,213	164,283	97,795
- Ramada Hotel Kowloon	79,208	61,538	39,498	22,739
- Ramada Hong Kong Hotel	99,825	78,876	62,198	42,434
- Best Western Hotel Taipa, Macau	60,730	46,667	32,681	20,865
- Magnificent International Hotel, Shanghai	17,914	27,132	3,090	11,757
- Best Western Hotel, Causeway Bay	48,931	-	26,816	-
Property investment	95,040	90,382	392,172	430,842
- 633 King's Road	69,053	64,790	312,440	294,498
- Shun Ho Tower	16,287	16,474	23,532	73,526
- Shops	9,700	9,118	56,200	62,818
Securities investment and trading	-	-	(3)	(1)
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>401,648</u>	<u>304,595</u>	<u>556,452</u>	<u>528,636</u>
Other income			15,714	16,011
Other expenses			(17,909)	(12,971)
Loss of disposal of a subsidiary			-	(19)
Central administration costs and directors' salaries			(20,746)	(21,029)
Finance costs			(8,179)	(12,783)
Profit before taxation			<u>525,332</u>	<u>497,845</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:

	2011 HK\$'000	2010 HK\$'000
Hong Kong	320,092	228,230
Macau	63,642	49,233
The PRC	<u>17,914</u>	<u>27,132</u>
	<u>401,648</u>	<u>304,595</u>

5. FINANCE COSTS

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Interests on :		
Bank loans wholly repayable within five years	13,662	12,146
Effective interest expense on mandatory convertible bonds	702	7,056
Advance from ultimate holding company wholly repayable within five years	724	720
Advance from immediate holding company wholly repayable within five years	<u>1,034</u>	<u>757</u>
	16,122	20,679
<i>Less:</i> amount capitalised in properties under development (Note)	<u>(7,943)</u>	<u>(7,896)</u>
	<u><u>8,179</u></u>	<u><u>12,783</u></u>

Note: The amount capitalised in properties under development represents the borrowing costs directly attributed to the construction of properties under development.

6. PROFIT BEFORE TAXATION

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	1,663	1,548
Staff costs including directors' emoluments	82,318	74,568
Depreciation of property, plant and equipment	26,658	20,471
Release of prepaid lease payments for land	1,502	1,502
Operating lease rental in respect of rented equipment	1,181	1,176
Gross rental income from investment properties	(95,040)	(90,382)
<i>Less:</i> Direct operating expenses from investment properties that generated rental income during the year	<u>852</u>	<u>555</u>
	<u><u>(94,188)</u></u>	<u><u>(89,827)</u></u>

7. INCOME TAX EXPENSE

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
The taxation charge comprises:		
Current tax		
Hong Kong	24,621	17,399
The PRC	490	2,661
Other jurisdiction	<u>3,419</u>	<u>2,001</u>
	28,530	22,061
Overprovision in prior years:		
Hong Kong	(4,559)	(735)
Deferred tax		
Current year	<u>60,646</u>	<u>58,099</u>
	<u>84,617</u>	<u>79,425</u>

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

8. DIVIDEND

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Dividend recognised as distribution during the year:		
Final dividend in respect of the year ended 31 st December, 2010 of HK0.3 cents (2010: Final dividend in respect of the year ended 31 st December, 2009 of HK0.1 cent) per share was paid to shareholders	<u>26,841</u>	<u>5,965</u>

The final dividend in respect of the year ended 31st December, 2011 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 at 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:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
<u>Earnings</u>		
Profit for the year attributable to owners of the Company	440,715	418,420
Effective interest expense on mandatory convertible bonds	<u>702</u>	<u>7,056</u>
Earnings for the purpose of basic earnings per share	<u>441,417</u>	<u>425,476</u>
<u>Number of shares</u>	2011 <i>'000</i>	2010 <i>'000</i>
Weighted average number of ordinary shares in issue	8,113,728	5,964,719
Effect of ordinary shares to be issued upon the conversion of mandatory convertible bonds	<u>833,323</u>	<u>2,982,332</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>8,947,051</u>	<u>8,947,051</u>

Diluted earnings per share for both years are not shown as there are no potential ordinary shares subsisted 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 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 presented based on the invoice date at the end of the reporting period:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Not yet due	16,923	10,263
Overdue:		
1-30 days	596	464
31-60 days	56	87
61-90 days	<u>90</u>	<u>-</u>
	<u>17,665</u>	<u>10,814</u>
	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Analysed for reporting as:		
Trade receivables	17,665	10,814
Other receivables	<u>2,274</u>	<u>2,095</u>
	<u>19,939</u>	<u>12,909</u>

11. TRADE AND OTHER PAYABLES AND ACCURALS

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:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
0-30 days	2,611	1,780
31-60 days	299	620
Over 60 days	380	1,191
	<u>3,290</u>	<u>3,591</u>
	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Analysed for reporting as:		
Trade payables	3,290	3,591
Other payables and accruals	<u>59,512</u>	<u>24,807</u>
	<u>62,802</u>	<u>28,398</u>

DIVIDEND

The Board recommend the payment of a final dividend of HK0.3 cents per share for the year ended 31st December, 2011 (2010: HK0.3 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 20th July, 2012 to shareholders whose names appear on the register of members of the Company on 6th July, 2012.

The annual dividend for the year 2005, 2006, 2007, 2009 and 2010 received by shareholders was 1% of the last closing price of the date of announcement.

BOOK CLOSURE

To ascertain shareholders' eligibility to attend and vote at the Annual General Meeting to be held on Monday, 18th June, 2012 ("AGM"), the register of members will be closed from Tuesday, 12th June, 2012 to Friday, 15th June, 2012, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, 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 Monday, 11th June, 2012.

Subject to the approval of the shareholders at the AGM for the proposed final dividend, the register of members of the Company will be closed from Tuesday, 3rd July 2012 and Friday, 6th July, 2012, both dates inclusive, during which period no transfer of shares of the Company will be registered, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to qualify for the proposed final divided, all transfers of shares accompanied by the relevant share certificates must be lodged with Company's Share Registrars, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 29th June, 2012.

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, 2011 amounted to HK\$440,715,000 (2010: HK\$418,420,000), increased by 5%.

Before gain on revaluation of investment properties and its related deferred taxation, depreciation and release of prepaid lease payment for land, the after tax operating profit attributable to owners of the Company for year ended 31st December, 2011 is HK\$220 million (2010: HK\$156 million), increased by 41%.

The net assets before deferred tax and before revaluation on all asset properties of the Group amounted to HK\$4,229 million (HK\$0.47 per ordinary share) as at 31st December, 2011.

The net assets before deferred tax and after revaluation on all asset properties of the Group amounted to **HK\$7,715 million (HK\$0.86 per ordinary share)** as at 31st December, 2011.

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 Taipa, 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:–

	2008	2009	2010	2011
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Net Assets Value	4,976	5,187	6,397	7,715

- For the year ended 31st December, 2011, 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	2010	2011	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	%
Income from operation of hotels	214,213	306,608	+43
Properties rental	90,382	95,040	+5
Other income	<u>16,011</u>	<u>15,714</u>	-2
Total	320,606	417,362	+30

The total income for the Group increased by 30% from HK\$321 million to HK\$417 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 43% to HK\$307 million (2010: HK\$214 million).

	Ramada Hotel Kowloon		Ramada Hong Kong Hotel		Best Western Hotel Causeway Bay		Best Western Hotel Taipa, Macau		Magnificent International Hotel, Shanghai		Total income
	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\$	Avg Room Occupancy %	Avg Room Rate HK\$	Compared with 2010 Change %
2011											
Jan	98	938	91	790	N/A	N/A	97	493	51	326	+18
Feb	97	843	92	712	N/A	N/A	97	728	54	313	+23
Mar	97	927	93	846	N/A	N/A	98	482	73	371	+19
Apr	96	1,126	90	988	N/A	N/A	99	614	80	370	+25
May	97	828	90	697	N/A	N/A	98	541	75	359	+9
Jun	96	810	90	684	42	724	99	523	69	346	+24
Jul	99	1,026	95	833	94	832	98	617	79	341	+59
Aug	98	1,093	94	896	93	976	98	666	75	339	+64
Sep	96	978	88	850	85	855	94	578	67	376	+45
Oct	98	1,266	93	1,126	96	1,067	93	814	74	376	+51
Nov	99	1,256	95	1,097	98	1,110	98	683	65	362	+75
Dec	99	1,401	92	1,155	96	1,296	98	798	71	326	+79
Avg/yr	97	1,047	92	892	86	1,007	97	627	70	354	
2011 Total		HK\$79,208,000		HK\$99,825,000		HK\$48,931,000		HK\$60,730,000		HK\$17,914,000	HK\$306,608,000
Increased % compare to 2010		+29		+27		N/A		+30		-34*	
Other incomes		<u>HK\$4,807,000</u>		<u>HK\$1,981,000</u>		<u>N/A</u>		<u>HK\$2,912,000</u>		<u>N/A</u>	<u>HK\$9,700,000</u>
Total income		HK\$84,015,000		HK\$101,806,000		HK\$48,931,000		HK\$63,642,000		HK\$17,914,000	HK\$316,308,000
Annual expenses		(HK\$32,400,000)		(HK\$33,600,000)		(HK\$15,700,000)		(HK\$25,200,000)		(HK\$12,000,000)	(HK\$118,900,000)
EBITDA		HK\$51,615,000		HK\$68,206,000		HK\$33,231,000		HK\$38,442,000		HK\$5,914,000	HK\$197,408,000

*The decrease in revenue of Magnificent International Hotel, Shanghai for the year 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\$95 million (2010: HK\$90 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:–

	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	Change %
633 King's Road	64,790	69,053	+7
Shun Ho Tower	16,474	16,287	-1
Shops	<u>9,118</u>	<u>9,700</u>	+6
Total	90,382	95,040	+5

Other income amounted to HK\$16 million (2010: HK\$16 million) which was mostly property management fee income of HK\$15 million (2010: HK\$15 million).

- Overall service costs for the Group for the year was HK\$120 million (2010: HK\$99 million).

HK\$118.9 million (2010: HK\$97.2 million) was for the hotel operations including food and beverage and costs of sales and property improvements. Increase in operating expenses was result of the commencement of operation of Best Western Hotel, Causeway Bay in June 2011 (HK\$15.7 million) and due to implementation of minimum wages in Best Western Hotel, Macau and Magnificent International Hotel Shanghai, otherwise the increase was 6%.

HK\$1 million (2010: 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 <i>HK\$/month</i>	2011 <i>HK\$/month</i>
Ramada Hotel Kowloon	2.6 million	2.7 million
Ramada Hong Kong Hotel	2.6 million	2.8 million
Best Western Hotel, Macau	1.9 million	2.1 million
Magnificent International Hotel, Shanghai	<u>1.0 million</u>	<u>1.0 million</u>
Average expenses per month	HK\$8.1 million	HK\$8.6 million
Total amount for the year	HK\$97.2 million	HK\$103.2 million + 6%
Total expenses of Best Western Hotel, Causeway Bay	<u>N/A</u>	<u>HK\$15.7 million</u> ^(Since June)
Total amount for the year	HK\$97.2 million	HK\$118.9 million

Administrative expenses of HK\$16 million (2010: HK\$17 million) and HK\$1.3 million (2010: HK\$1.4 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\$14 million (2010: HK\$13 million). For the year under review, HK\$4 million was for pre-opening expense of the Best Western Hotel, Causeway Bay.

- At 31st December, 2011, the overall debt was HK\$1,275 million (2010: HK\$1,175 million), of which HK\$1,111 million (2010: HK\$1,035 million) was bank borrowings and HK\$164 million (2010: HK\$140 million) was advance from shareholders.

In December 2011, the outlook of the European debt crisis seem to threaten global banking orders and economies. In view of the Group's most substantial construction expenses for 2012, the management took the prudent step to increase cash reserve by drawing a short-term construction loan of HK\$82.5 million. As of the date of announcement, the same amount has not been needed and remained in bank deposit. The unused amount for construction cost will be repaid once the construction of hotels is completed.

The debt ratio was 14% (2010: 15%) in term of overall debt of HK\$1,275 million (2010: HK\$1,175 million) against the fully revalued assets of HK\$9,106 million (2010: HK\$7,661 million).

The gearing ratio was approximately 33% (2010: 34%) against funds employed of HK\$3,825 million (2010: HK\$3,432 million).

The overall debts was analysed as follows:–

	2010	2011	Change	Interest Paid
	HK\$ million	HK\$ million	HK\$ million	2011 HK\$ million
Overall debt	1,175	1,275	+100	16.0
– bank loans	1,035	1,111	+76	13.6
– shareholders' loans	140	164	+24	1.7
Debt ratio (Based on Fully Revalued Assets)	15%	14%		
Mandatorily convertible bonds (The maturity date was 13 th April 2011)	477	-	-477	0.7

- Of these loans, the total interest expenses amounted to HK\$16 million (2010: HK\$21 million), of which HK\$13.6 million (2010: HK\$12 million) was paid to bank borrowings, HK\$1.7 million (2010: HK\$2 million) was paid to shareholder loans and HK\$0.7 million (2010: HK\$7 million) was paid to bondholders.

Out of these interests totally paid, HK\$8 million (2010: HK\$8 million) was capitalized and HK\$8 million (2010: HK\$13 million) reflected in the expenses account.

Regarding the cash flow of the Group for the year, the gross income of the Group was HK\$417 million (2010: HK\$321 million) with operating expenses of HK\$154 million (2010: HK\$129 million), interest expenses and dividend paid out of the Group of HK\$52 million (2010: HK\$42 million), the positive cash flow was therefore HK\$211 million (2010: HK\$150 million) which was spent on various construction expenses and acquisition of property, plant and equipment.

All the Group's bank loans are floating rate borrowings, which carry interests at HIBOR plus a margin approximately 1% (2010: HIBOR plus a margin of approximately 1%) per annum. The bank loans are secured over certain properties of the Group.

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 about 10% increase in the Group's staffing level compared to 31st December 2010. Remuneration and benefit were set with reference to the market.

- The Hong Kong Financial Reporting 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, 2011 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 31.12.2011 <i>HK\$'000</i>	Carrying amounts (in the accounts under accounting standard) at 31.12.2011 <i>HK\$'000</i>	Valuation surplus not included in accounts (before accounting for any deferred taxes) at 31.12.2011 <i>HK\$'000</i>
Ramada Hotel Kowloon	900,000	327,715	572,285
Ramada Hong Kong Hotel	1,194,000	400,141	793,859
Best Western Hotel, Causeway Bay	941,000	401,802	539,198
Best Western Hotel Taipa, Macau	647,000	278,102	368,898
Magnificent International Hotel, Shanghai 633 King's Road	356,000	93,052	262,948
239-251 Queen's Road West	1,784,000	1,784,000	-
338-346 Queen's Road West	973,000	483,406	489,594
19-23 Austin Avenue	328,000	226,348	101,652
Shun Ho Tower	1,115,000	807,636	307,364
Properties at Gold Coast	485,000	474,935	10,065
	<u>61,600</u>	<u>21,650</u>	<u>39,950</u>
Total	8,784,600	5,298,787	3,485,813

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:—

	HK\$'000
Total net assets (before deferred tax) of the Group	4,229,540
Add: Valuation surplus (before accounting for any related taxes) not recognised in the accounts	<u>3,485,813</u>
Net Assets Value of the Company	7,715,353

- (b) Reduction of hotel operating profits due to non-cash depreciation of the hotel properties amounted to HK\$23 million (2010: HK\$18 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	9,497	11,974	1,972	23,443

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 2012.

The slight drop in rental of 1% 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 2012.

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 five hotels amounted to HK\$307 million, increased by 43%.

Name of Hotel	Avg Room Rates		
	2010 HK\$	2011 HK\$	Change %
Ramada Hotel Kowloon	795	1,047	+32
Ramada Hong Kong Hotel	678	892	+32
Best Western Hotel, Causeway Bay	N/A	1,007	N/A
Best Western Hotel Taipa, Macau	478	627	+31
Magnificent International Hotel, Shanghai	466	354	-24

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 for the first three months up to 27th March of 2012 from the five hotels amounted to HK\$81,545,000, representing 53% improvement compared with 2011.

	Ramada Hotel Kowloon		Ramada Hong Kong Hotel		Best Western Hotel Causeway Bay		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\$	Avg Room Occupancy %	Avg Room Rate HK\$
2012										
Jan	98	1,147	89	977	90	1,038	94	837	63	298
Feb	98	923	93	783	94	833	97	603	70	321
1 st -27 th Mar	98	986	93	873	94	945	97	622	85	340
Change %	+15		+13		N/A		+20		+19	

With the positive cash flow surplus of HK\$212 million for the year ended 31st December, 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 substantial real estate capital gain potential. 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 1,043 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 Harbour View
Nos. 239 - 251 Queen's Road West
Hotel Development**

The building Occupation Permit was issued in February 2012 and is awaiting issuance of hotel operation permit for commencement of business. The 432-room hotel has been named Best Western Hotel Harbour View. The construction of the Western MTR Line will improve future value of this property significantly.

**Best Western Grand Hotel
Nos. 19-23 Austin Avenue, Tsimshatsui
Hotel Development**

The 397-room Best Western Grand Hotel development in the excellent shopping location in Tsimshatsui, superstructure construction is nearly completed. Operation commencement is expected in 2012.

**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.

Looking ahead, the management expects 2012 will be a modestly improved year for hotel operation. The hotels occupancy remain high because of the increasing leisure traveling 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 travelers and prospects of further multiple visa relaxation in China and rapid middle class population growth in China will result in room rates and revenue increment. 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 432-room Best Western Hotel Harbour View and the 397-room 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. 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.

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 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, 2011.

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, 2011 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, 28th March, 2012

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.