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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 31<sup>ST</sup> DECEMBER, 2014

### RESULTS

The board of directors (the “Board”) of Magnificent Estates Limited (the “Company”) announces that the audited consolidated profit of the Company and its subsidiaries (together the “Group”) for the year ended 31<sup>st</sup> December, 2014 attributable to the owners of the Company amounted to HK\$905,672,000 (2013: HK\$622,770,000). The audited consolidated results of the Group for the year, together with comparative figures for the previous year, are as follows:

### Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31<sup>st</sup> December, 2014

	<i>NOTES</i>	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Revenue	3	<b>648,423</b>	688,736
Cost of sales		<b>(4,245)</b>	(4,435)
Other service costs		<b>(223,741)</b>	(227,552)
Depreciation of property, plant and equipment and release of prepaid lease payments for land		<b><u>(62,848)</u></b>	<u>(65,480)</u>
Gross profit		<b>357,589</b>	391,269
Increase in fair value of investment properties		<b>18,600</b>	299,213
Other income and gains		<b>28,882</b>	19,905
Gain on disposal of subsidiaries		<b>620,478</b>	40,140
Administrative expenses			
- Depreciation		<b>(2,895)</b>	(3,065)
- Others		<b>(27,463)</b>	(24,409)
		<b>(30,358)</b>	(27,474)
Other expenses		<b>(14,906)</b>	(14,973)
Finance costs	5	<b><u>(11,161)</u></b>	<u>(19,435)</u>
Profit before taxation	6	<b>969,124</b>	688,645
Income tax expense	7	<b><u>(54,240)</u></b>	<u>(62,514)</u>
Profit for the year		<b><u>914,884</u></b>	<u>626,131</u>

**Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)**  
For the year ended 31<sup>st</sup> December, 2014

	<i>NOTES</i>	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>Other comprehensive income</b>			
<b>Items that may be subsequently reclassified to profit or loss</b>			
Exchange differences arising on translation of foreign operations		<b>(2,142)</b>	2,043
Fair value gain on available-for-sale investments		<u><b>34,221</b></u>	<u>31,323</u>
Other comprehensive income for the year		<u><b>32,079</b></u>	<u>33,366</u>
Total comprehensive income for the year		<u><b>946,963</b></u>	<u>659,497</u>
Profit for the year attributable to:			
Owners of the Company		<b>905,672</b>	622,770
Non-controlling interests		<u><b>9,212</b></u>	<u>3,361</u>
		<u><b>914,884</b></u>	<u>626,131</u>
Total comprehensive income attributable to:			
Owners of the Company		<b>937,751</b>	656,136
Non-controlling interests		<u><b>9,212</b></u>	<u>3,361</u>
		<u><b>946,963</b></u>	<u>659,497</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	9		
Basic		<u><b>10.12</b></u>	<u>6.96</u>

## Consolidated Statement of Financial Position

At 31<sup>st</sup> December, 2014

	<i>NOTES</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>Non-Current Assets</b>			
Property, plant and equipment		2,324,497	2,381,561
Prepaid lease payments for land		33,440	35,014
Investment properties		3,082,700	3,064,000
Properties under development		382,339	263,276
Available-for-sale investments		<u>257,036</u>	<u>217,186</u>
		<b><u>6,080,012</u></b>	<b><u>5,961,037</u></b>
<b>Current Assets</b>			
Inventories		891	826
Prepaid lease payments for land		901	922
Trade and other receivables	10	21,480	23,855
Other deposits and prepayments		7,912	12,124
Bank balances and cash		<u>1,164,762</u>	<u>314,280</u>
		<b>1,195,946</b>	352,007
Assets classified as held for sale		<u>-</u>	<u>290,560</u>
		<b><u>1,195,946</u></b>	<b><u>642,567</u></b>
<b>Current Liabilities</b>			
Trade and other payables and accruals	11	41,295	31,177
Rental and other deposits received		11,261	18,804
Advance from immediate holding company		145,203	76,557
Advance from an intermediate holding company		12,491	5,973
Advance from ultimate holding company		423	405
Advance from a fellow subsidiary		-	4,745
Tax liabilities		15,680	18,525
Bank loans		<u>621,733</u>	<u>676,325</u>
		<b>848,086</b>	832,511
Liabilities associated with assets classified as held for sale		<u>-</u>	<u>202,030</u>
		<b><u>848,086</u></b>	<b><u>1,034,541</u></b>
<b>Net Current Assets (Liabilities)</b>		<b><u>347,860</u></b>	<b><u>( 391,974)</u></b>
<b>Total Assets less Current Liabilities</b>		<b><u>6,427,872</u></b>	<b><u>5,569,063</u></b>
<b>Capital and Reserves</b>			
Share capital		841,926	89,471
Share premium and reserves		<u>5,316,920</u>	<u>5,200,964</u>
Equity attributable to owners of the Company		<b>6,158,846</b>	5,290,435
Non-controlling interests		<u>117,772</u>	<u>144,539</u>
		<b><u>6,276,618</u></b>	<b><u>5,434,974</u></b>
<b>Non-Current Liabilities</b>			
Rental deposits received		33,724	25,762
Deferred tax liabilities		<u>117,530</u>	<u>108,327</u>
		<b><u>151,254</u></b>	<b><u>134,089</u></b>
		<b><u>6,427,872</u></b>	<b><u>5,569,063</u></b>

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 (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit”, which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. 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.

## 2. APPLICATION OF NEW AND REVISED HKFRSs

In the current year, the Group has applied, for the first time, the following new or revised HKFRSs issued by the HKICPA.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) - Int 21	Levies

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

## 3. REVENUE

	<b>2014</b>	2013
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Income from operation of hotels	<b>529,287</b>	582,935
Income from property rental	<b>118,909</b>	105,801
Dividend income	<b>227</b>	-
	<b><u>648,423</u></b>	<u>688,736</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 (Note)
4. Hospitality services - Magnificent International Hotel, Shanghai
5. Hospitality services - Best Western Hotel Causeway Bay
6. Hospitality services - Best Western Hotel Harbour View
7. Hospitality services - Best Western Grand Hotel
8. Property investment - 633 King's Road
9. Property investment - Shun Ho Tower
10. Property investment - Shops
11. Securities investment and trading
12. Property development for hotel - 338 Queen's Road West

Note : The Group has disposed of the holding companies that hold Best Western Hotel Taipa, Macau during the year.

Information regarding the above segments is reported below.

#### 4. SEGMENT INFORMATION (Continued)

##### Segment revenue and results

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

	Segment revenue		Segment profit	
	Year ended 2014 HK\$'000	2013 HK\$'000	Year ended 2014 HK\$'000	2013 HK\$'000
Hospitality services	529,287	582,935	239,509	286,066
- Ramada Hotel Kowloon	76,647	78,512	36,588	38,985
- Ramada Hong Kong Hotel	95,218	95,635	47,301	51,541
- Best Western Hotel Taipa, Macau	14,258	64,304	7,038	33,943
- Magnificent International Hotel, Shanghai	21,318	18,733	3,456	1,729
- Best Western Hotel Causeway Bay	81,850	83,816	35,152	38,856
- Best Western Hotel Harbour View	111,235	112,314	57,716	63,549
- Best Western Grand Hotel	128,761	129,621	52,258	57,463
Property investment	118,909	105,801	136,453	404,416
- 633 King's Road	89,404	73,918	98,582	333,849
- Shun Ho Tower	20,461	19,565	36,826	23,849
- Shops	9,044	12,318	1,045	46,718
Securities investment and trading	227	-	227	-
Property development for hotel - 338 Queen's Road West	-	-	-	-
	<u>648,423</u>	<u>688,736</u>	<u>376,189</u>	690,482
Other income and gains			28,882	19,905
Gain on disposal of subsidiaries			620,478	40,140
Central administration costs and directors' emoluments			(30,358)	(27,474)
Other expenses			(14,906)	(14,973)
Finance costs			<u>(11,161)</u>	<u>(19,435)</u>
Profit before taxation			<u>969,124</u>	<u>688,645</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:

	2014 HK\$'000	2013 HK\$'000
Hong Kong	612,077	602,204
Macau	15,028	67,799
The PRC	21,318	18,733
	<u>648,423</u>	<u>688,736</u>

## 5. FINANCE COSTS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Interests on :		
Bank loans wholly repayable within five years	10,389	18,655
Advance from ultimate holding company wholly repayable within five years	18	693
Advance from immediate holding company wholly repayable within five years	2,722	2,772
Advance from an intermediate holding company wholly repayable within five years	<u>269</u>	<u>227</u>
	13,398	22,347
<i>Less:</i> amount capitalised in properties under development (Note)	<u>(2,237)</u>	<u>(2,912)</u>
	<u><u>11,161</u></u>	<u><u>19,435</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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	2,568	2,294
Staff costs including directors' emoluments	150,564	158,537
Depreciation of property, plant and equipment	64,842	66,932
Gain on disposal of property, plant and equipment	455	1,050
Release of prepaid lease payments for land	901	1,613
Operating lease rental in respect of rented equipment	2,184	2,825
Gross rental income from investment properties	(118,909)	(105,801)
<i>Less:</i> Direct operating expenses incurred for investment properties that generated rental income during the year	<u>1,049</u>	<u>589</u>
	<u><u>(117,860)</u></u>	<u><u>(105,212)</u></u>

## 7. INCOME TAX EXPENSE

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
The taxation charge comprises:		
Current tax		
Hong Kong	43,664	43,555
The PRC	660	204
Other jurisdiction	<u>715</u>	<u>3,572</u>
	45,039	47,331
Overprovision in prior years		
Hong Kong	<u>(2)</u>	<u>(3,181)</u>
	<u>45,037</u>	<u>44,150</u>
Deferred tax		
Current year	9,203	12,615
Underprovision in prior years	<u>-</u>	<u>5,749</u>
	<u>9,203</u>	<u>18,364</u>
	<u><u>54,240</u></u>	<u><u>62,514</u></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 the rates prevailing in the relevant jurisdiction.

## 8. DIVIDEND

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Dividend recognised as distribution during the year:		
Final dividend in respect of the year ended 31 <sup>st</sup> December, 2013 of HK0.575 cent (2013: Final dividend in respect of the year ended 31 <sup>st</sup> December, 2012 of HK0.5 cent) per share was paid to shareholders	51,446	44,735
Interim dividend in respect of the six months ended 30 <sup>th</sup> June, 2014 of HK0.2 cent (2013: Interim dividend in respect of the six months ended 30 <sup>th</sup> June, 2013 of HK0.2 cent) per share will be paid to shareholders	<u>17,894</u>	<u>17,894</u>
	<u><u>69,340</u></u>	<u><u>62,629</u></u>

The final dividend in respect of the year ended 31<sup>st</sup> December, 2014 of HK0.575 cent per share amounting to HK\$51,446,000 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 is based on the profit for the year attributable to the owners of the Company of HK\$905,672,000 (2013: HK\$622,770,000) and on 8,947,051,000 shares (2013: 8,947,051,000 shares) in issue during the year.

Diluted earnings per share for both years are not presented as there are no potential ordinary shares exist 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:

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Not yet due	<b>17,042</b>	20,210
Overdue:		
0-30 days	<b>937</b>	2,338
31-60 days	<b>51</b>	164
61-90 days	<u>-</u>	<u>13</u>
	<u><b>18,030</b></u>	<u>22,725</u>
Analysed for reporting as:		
Trade receivables	<b>18,030</b>	22,725
Other receivables	<u><b>3,450</b></u>	<u>1,130</u>
	<u><b>21,480</b></u>	<u>23,855</u>

## 11. TRADE AND OTHER PAYABLES AND ACCRUALS

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:

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
0-30 days	<b>2,812</b>	2,349
31-60 days	<b>380</b>	190
61-90 days	<b><u>6</u></b>	<u>54</u>
	<b><u><u>3,198</u></u></b>	<u><u>2,593</u></u>

Analysed for reporting as:

Trade payables	<b>3,198</b>	2,593
Other payables and accruals (Note)	<b><u>38,097</u></b>	<u>28,584</u>
	<b><u><u>41,295</u></u></b>	<u><u>31,177</u></u>

Note : Other payables and accruals include construction costs payable of HK\$13,445,000 (2013: HK\$7,193,000).

## DIVIDEND

The Board recommends the payment of a final dividend of HK0.575 cent per share for the year ended 31<sup>st</sup> December, 2014 (2013: HK0.575 cent per share) and will be payable on 17<sup>th</sup> July, 2015 to shareholders whose names appear on the register of members of the Company on 3<sup>rd</sup> July, 2015. With reference to the announcement of 2014 interim results of the Company dated 14<sup>th</sup> August 2014, shareholders are reminded that an interim dividend of HK0.2 cent per share for the six months ended 30<sup>th</sup> June, 2014 is also payable on 17<sup>th</sup> July, 2015 to shareholders whose names appear on the register of members of the Company on 3<sup>rd</sup> July, 2015. Therefore, shareholders whose names appear on the register of members of the Company on 3<sup>rd</sup> July, 2015 will receive dividends for a total sum of HK0.775 cent per share which is the same as the total dividend of 2013. **The Dividend Payout Ratio is 21%.**

The annual dividend for the year 2009, 2010, 2011 and 2012 received by shareholders was approximately 1% and that for the year 2013 was approximately 2% of the closing price of the Company's share before the date of results announcement. **For 2014, the annual dividend to be received by shareholders was equivalent to 2.54% annual yield of the closing price of the Company's share immediately before the date of results announcement.**

## BOOK CLOSURE

To ascertain shareholders' eligibility to attend and vote at the Annual General Meeting to be held on Thursday, 18<sup>th</sup> June, 2015 ("AGM"), the register of members will be closed from Thursday, 11<sup>th</sup> June, 2015 to Thursday, 18<sup>th</sup> June, 2015, 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, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 10<sup>th</sup> June, 2015.

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 Monday, 29<sup>th</sup> June 2015 to Friday, 3<sup>rd</sup> July, 2015, 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 dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with Company's Share Registrars, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 26<sup>th</sup> June, 2015.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

The audited **consolidated profit after tax** of the Group for the year ended 31<sup>st</sup> December, 2014 attributable to the owners of the Company amounted to HK\$905,672,000 (2013: HK\$622,770,000) increased by 45%. (See Note a)

	2013 HK\$'000	2014 HK\$'000	Change
Revaluation profit of investment properties	299,213	18,600	-94%
Income from operation of hotels	268,008	230,472	-14%
Properties rental	103,826	115,729	+11%
Other income	4,932	14,203	+188%
	675,979	379,004	-44%
Administrative and other expenses	(27,474)	(30,358)	+10%
Gain on disposal of subsidiaries	40,140	620,478	+1,446%
Income tax expense	(62,514)	(54,240)	-13%
Profit after taxation	626,131	914,884	+46%
Non-controlling interests	(3,361)	(9,212)	+174%
Profit after taxation and non-controlling interests	622,770	905,672	+45% (Note a)
Less: Revaluation profit of investment properties and its related deferred taxation	(299,838)	(18,600)	
Add: Properties depreciation and release of prepaid lease payments for land	68,545	65,743	
Net profit after tax before revaluation of investment properties	391,477	952,815	+143% (Note b)

The **net profit after tax** before revaluation of investment properties of the Group for the year ended 31<sup>st</sup> December, 2014 was **HK\$953 million** (2013: HK\$391 million), **increased by 143%**. (See Note b)

The operating profit for the year was decreased by HK\$19 million. It was mainly due to the disposal of Best Western Hotel Taipa, Macau during the year which contributed to the reduction of operating profit for the year amounted to HK\$27 million.

The net assets excluding non-controlling interests before revaluation on all asset properties and before deferred tax of the Group amounted to HK\$6,276 million (2013: HK\$5,399 million), HK\$0.70 (2013: HK\$0.60) per ordinary share as at 31st December, 2014.

The **net assets excluding non-controlling interests after revaluation** on all asset properties but before deferred tax of the Group amounted to **HK\$12,119 million**, (2013: HK\$12,070 million), the **adjusted net assets value per ordinary share** is **HK\$1.36** (2013: HK\$1.35) as at 31st December, 2014. The asset properties of the Group are valued by DTZ Debenham Tie Leung Limited, the most well-known valuer worldwide.

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 important is their capital value gain. The Group presently owns and operates six hotels, including: (1) Ramada Hotel Kowloon, (2) Ramada Hong Kong Hotel, (3) Best Western Grand Hotel, (4) Best Western Hotel Causeway Bay, (5) Best Western Hotel Harbour View, and (6) Magnificent International Hotel, Shanghai with 1,823 rooms together with the new Grand City Hotel at Queen's Road West, the Group will have 2,037 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:

	2011 <i>HK\$ million</i>	2012 <i>HK\$ million</i>	2013 <i>HK\$ million</i>	2014 <i>HK\$ million</i>
Adjusted Shareholders' Fund	7,715	10,461	12,070	<b>12,119</b>
Adjust Net Assets Value Per Ordinary Share	HK\$0.86	HK\$1.17	HK\$1.35	<b>HK\$1.36</b>

## PERFORMANCES

- For the year ended 31st December, 2014, 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:

<b>Revenue</b>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	Change
Income from operation of hotels	582,935	<b>529,287</b>	-9%
Properties rental income	105,801	<b>118,909</b>	+12% (Note)
Other income	19,905	<b>29,109</b>	+46%
<b>Total</b>	708,641	<b>677,305</b>	-4%

Note: Non-controlling interest will be deducted in consolidated statement of profit or loss and other comprehensive income.

The total income for the Group decreased by 4% from HK\$709 million to HK\$677 million compared with last year. The decrease of group revenue for the year was due to the income from operation of hotels that decreased by 9% to HK\$529 million (2013: HK\$583 million). The decrease was due to the lost of income from the Macau hotel since its disposal in March 2014. Revenue of other hotels decreased by 0.7% for the year.

	Ramada Hotel Kowloon		Ramada Hong Kong Hotel		Best Western Grand Hotel		Best Western Hotel Causeway Bay		Best Western Hotel Harbour View		Best Western Hotel Taipa, Macau		Magnificent International Hotel, Shanghai		Total
	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	Avg Room Occupancy	Avg Room Rate	Avg Room Occupancy	Avg Room Rate	
	%	HK\$	%	HK\$	%	HK\$	%	HK\$	%	HK\$	%	HK\$	%	HK\$	
<b>2014</b>															
Jan	98	1003	98	757	99	887	98	873	99	621	96	647	55	328	
Feb	99	1098	99	811	99	918	99	926	100	632	97	859	76	332	
Mar	99	1065	98	872	99	937	99	982	99	759	98	555	82	344	
Apr	98	1018	98	851	99	922	98	904	98	775	N/A	N/A	90	358	
May	99	824	98	684	97	757	98	746	98	579	N/A	N/A	87	354	
Jun	99	860	98	683	99	745	99	703	99	577	N/A	N/A	88	333	
Jul	99	990	99	814	99	870	100	855	100	723	N/A	N/A	95	347	
Aug	99	1074	99	852	99	947	99	908	99	755	N/A	N/A	96	354	
Sep	98	932	95	765	96	794	96	781	95	641	N/A	N/A	86	351	
Oct	99	1069	97	916	98	941	98	966	97	815	N/A	N/A	91	381	
Nov	99	897	99	770	99	797	100	819	99	673	N/A	N/A	91	379	
Dec	99	983	99	786	100	854	100	808	100	688	N/A	N/A	73	329	
Avg/yr	99	984	98	797	98	866	99	856	99	687	N/A	N/A	84	351	
<b>2014 Total</b>	<b>HK\$76,647,000</b>		<b>HK\$95,218,000</b>		<b>HK\$128,761,000</b>		<b>HK\$81,850,000</b>		<b>HK\$111,235,000</b>		<b>HK\$14,258,000</b>		<b>HK\$21,318,000</b>		<b>HK\$529,287,000</b>
Other incomes	HK\$5,734,000		HK\$2,540,000		N/A		N/A		N/A		HK\$770,000		N/A		HK\$9,044,000
<b>Total income</b>	<b>HK\$82,381,000</b>		<b>HK\$97,758,000</b>		<b>HK\$128,761,000</b>		<b>HK\$81,850,000</b>		<b>HK\$111,235,000</b>		<b>HK\$15,028,000</b>		<b>HK\$21,318,000</b>		<b>HK\$538,331,000</b>
Annual expenses	HK\$(33,013,000)		HK\$(44,282,000)		HK\$(46,283,000)		HK\$(34,597,000)		HK\$(46,519,000)		HK\$(7,220,000)		HK\$(15,022,000)		HK\$(226,936,000)
<b>EBITDA</b>	<b>HK\$49,368,000</b>		<b>HK\$53,476,000</b>		<b>HK\$82,478,000</b>		<b>HK\$47,253,000</b>		<b>HK\$64,716,000</b>		<b>HK\$7,808,000</b>		<b>HK\$6,296,000</b>		<b>HK\$311,395,000</b>
<b>EBITDA Margin (Based on Revenue)</b>	<b>60%</b>		<b>55%</b>		<b>64%</b>		<b>58%</b>		<b>58%</b>		<b>52%</b>		<b>30%</b>		<b>58%</b>

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, Best Western Grand Hotel and Best Western Hotel Taipa, Macau (up to 20<sup>th</sup> March, 2014) amounted to HK\$119 million (2013: HK\$106 million). The growth was derived from 633 King's Road. At the date of this announcement, it provided an annual rental income of HK\$96 million (excluding rates and management fee).

The properties rental income was analysed as follows:–

	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	Change
633 King's Road	73,918	<b>89,404</b>	+21%
Shun Ho Tower	19,565	<b>20,461</b>	+5% (Note)
Shops	12,318	<b>9,044</b>	-27%
Total	105,801	<b>118,909</b>	+12%

Note: Non-controlling interest will be deducted in consolidated statement of profit or loss and other comprehensive income.

**OTHER INCOME** amounted to HK\$29 million (2013: HK\$20 million) which was property management fee income of HK\$16 million (2013: HK\$16 million) with related expenses of HK\$15 million (2013: HK\$15 million) and interest income of HK\$13 million (2013: HK\$2 million) from cash deposits.

	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	
<b>Revenue</b>	<b>688,736</b>	<b>648,423</b>	<b>-6%</b>
Cost of sales	(4,435)	(4,245)	
<b>Other service costs</b>	<b>(227,552)</b>	<b>(223,741)</b>	<b>-2%</b>
<b>Depreciation of property, plant and equipment and release of prepaid lease payments for land</b>	<b>(65,480)</b>	<b>(62,848)</b>	<b>-4%</b>
Gross profit	391,269	<b>357,589</b>	
Increase in fair value of investment properties	299,213	<b>18,600</b>	
Other income and gains	19,905	<b>28,882</b>	
Gain on disposal of subsidiaries	40,140	<b>620,478</b>	
Administrative expenses			
– Depreciation	(3,065)	<b>(2,895)</b>	
– Others	(24,409)	<b>(27,463)</b>	
	(27,474)	<b>(30,358)</b>	
Other expenses	(14,973)	<b>(14,906)</b>	
<b>Finance costs</b>	<b>(19,435)</b>	<b>(11,161)</b>	<b>-43%</b>
Profit before taxation	688,645	<b>969,124</b>	
Income tax expense	(62,514)	<b>(54,240)</b>	
Profit for the year	626,131	<b>914,884</b>	

For the year under review, the Group has disposed the subsidiaries holding interest in the Best Western Hotel Taipa, Macau at the consideration of HK\$900 million. **The disposal resulted in a reportable earning of approximately HK\$620 million for the year.**

## COST

- **OVERALL SERVICE COSTS** of the Group for the year was HK\$228 million (2013: HK\$232 million), in which HK\$227 million (2013: HK\$231.4 million) was for the hotel operations including food and beverage and costs of sales and HK\$1 million (2013: HK\$0.6 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 three years of the rental period.

The approximate **OPERATING COSTS**, food and beverage and costs of sales for each operating hotel were as follows:–

Name of Hotel	2013 <i>HK\$ million</i> <i>Per month</i>	2014 <i>HK\$ million</i> <i>Per month</i>	Change
Ramada Hotel Kowloon	2.76	<b>2.76</b>	-
Ramada Hong Kong Hotel	3.38	<b>3.68</b>	+9%
Best Western Grand Hotel	3.49	<b>3.86</b>	+11%
Best Western Hotel Causeway Bay	2.74	<b>2.88</b>	+5%
Best Western Hotel Harbour View	3.50	<b>3.88</b>	+11%
Magnificent International Hotel, Shanghai	1.17	<b>1.25</b>	+6%
<b>Average expenses per month</b>	17.04	<b>18.31</b>	+7%
<b>Subtotal amount for the year</b>	204.48	<b>219.72</b>	+7%
Best Western Hotel Taipa, Macau	26.92	<b>7.24</b> (up to 20 <sup>th</sup> March, 2014)	-73%
<b>Total amount for the year</b>	231.40	<b>226.96</b>	-2%



The total operating cost for the year decreased by 2% was due to the disposal of Best Western Hotel Taipa, Macau during the year.

During the year, the **ADMINISTRATIVE EXPENSES** excluding depreciation was HK\$27 million (2013: HK\$24 million) 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 amounted to HK\$15 million (2013: HK\$15 million).

## FUNDING

- At 31st December, 2014, the **OVERALL DEBT** of the Group was HK\$780 million (2013: HK\$759 million), of which HK\$622 million (2013: HK\$676 million) was bank borrowings and HK\$158 million (2013: HK\$83 million) was advance from shareholders.

The debt ratio was 6% (2013: 6%) in term of overall debt of HK\$780 million (2013: HK\$759 million) against the fully revalued assets of the Group amounted to HK\$12,936 million (2013: HK\$13,162 million).

The gearing ratio was 13% (2013: 14%) in term of overall debt of HK\$780 million (2013: HK\$759 million) against funds employed of HK\$6,159 million (2013: HK\$5,290 million).

The overall debts was analysed as follows:

	2013	2014	Change	Interest Paid 2014
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Bank loans	676	622	-54	10.4
Shareholders' loans	83	158	+75	3.0
Overall debt	759	780	+21	13.4
Debt ratio (Based on Fully Revalued Assets)	6%	6%		

- **FINANCE COST:** Of these loans, the total interest expenses amounted to HK\$13.4 million (2013: HK\$22.3 million), the shareholders loans interest expenses amounted to HK\$3 million (2013: HK\$3.7 million).

Out of these interests expenses totally paid, HK\$2.2 million (2013: HK\$2.9 million) was capitalised and HK\$11.2 million (2013: HK\$19.4 million) reflected in the expenses account. The decrease of interest expense amount was due to the repayment of bank loans amounted to HK\$55 million and decrease in interest rate during the year.

- Regarding the **CASH FLOW** of the Group for the year, the gross income (including gain on disposal of subsidiaries) of the Group was HK\$1,298 million (2013: HK\$749 million) with operating expenses of HK\$270 million (2013: HK\$271 million), interests expenses paid and dividend paid out of the Group of HK\$83 million (2013: HK\$81 million) and net repayment of bank loans of HK\$55 million (2013: HK\$398 million), various construction expenses and acquisition of property, plant and equipment and available-for-sale investments of HK\$127 million (2013: HK\$31 million). The **positive cash flow amounted to HK\$763 million** (2013: HK\$148 million) is cash reserve 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. As at 31<sup>st</sup> December, 2014, the Group's staffing level is about 15% less than that of 31<sup>st</sup> December, 2013 due to the disposal of Best Western Hotel Taipa, Macau. 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)

	Independent professional valuation report at 31.12.2014 <i>HK\$'000</i>	Carrying amounts (in the accounts under accounting standard) at 31.12.2014 <i>HK\$'000</i>	Valuation surplus not included in accounts (before accounting for any deferred taxes) at 31.12.2014 <i>HK\$'000</i>
<b>Total:</b>	11,572,000	5,729,407	5,842,593

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>
Net Assets Value after non-controlling interest (before deferred tax) of the Group	6,276,376
Add: Valuation surplus (before accounting for any deferred taxes) not recognised in the accounts	5,842,593
<b>Net Assets Value of the Group</b>	<b>12,118,969</b>

- (b) The accounting standards require hotel properties of the Group to provide depreciation which amounted to HK\$63 million (2013: HK\$66 million) for the year. The depreciation decreased from HK\$66 million to HK\$63 million was mainly due to the disposal of Best Western Hotel Taipa, Macau during the year.

### Depreciation of Hotel Properties

Name of Hotel	2013	2014	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Ramada Hotel Kowloon	6,442	<b>7,045</b>	+603
Ramada Hong Kong Hotel	3,564	<b>3,634</b>	+70
Best Western Hotel Causeway Bay	12,050	<b>12,100</b>	+50
Best Western Hotel Harbour View	6,927	<b>7,000</b>	+73
Best Western Grand Hotel	30,122	<b>30,221</b>	+99
Best Western Hotel, Macau	3,407	-	-3,407
Magnificent International Hotel, Shanghai	2,960	<b>2,841</b>	-119
<b>Total amount for the year</b>	65,472	<b>62,841</b>	-2,631

	Leasehold land	Hotel buildings	Furniture, fixture and equipment	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	29,540	26,447	6,854	62,841

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

Leasehold land	Over the remaining term of land lease
Hotel buildings	50 years or over the remaining term of land lease, whichever is the shorter
Furniture, fixtures and equipment	4%-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, Best Western Grand Hotel and Best Western Hotel Taipa, Macau (up to 20<sup>th</sup> March, 2014) remained almost fully let. It is expected that the rental revenue from these properties will have modest increase in 2015.

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\$96 million (excluding rates and management fee incomes) per annum. The management envisages the office building will have modest rental increase in 2015 as most leases are due for renewal.

For the year under review, the travel industry have suffered lesser spending willingness from our largest PRC guests segment, probably due to the low economic cycle being encountered in the PRC. However, visitors coming to Hong Kong continued to grow by 12% in 2014 according to the Hong Kong Tourist Board. The turnover for the seven group hotels was amounted to HK\$529 million, decreased by 9%. The decrease of revenue is due to the disposal of Best Western Hotel Taipa, Macau in March 2014. Existing hotels turnover for the year decreased by 0.7%.

Name of Hotel	Avg Room Rates
	2014 HK\$
Ramada Hotel Kowloon	984
Ramada Hong Kong Hotel	797
Best Western Hotel Causeway Bay	856
Best Western Hotel Harbour View	687
Best Western Grand Hotel	866
Magnificent International Hotel, Shanghai	351

In the coming year, it is envisaged that the hotel business would be affected by the cash tight economic situation of our major guests segment, the PRC. However, the continuing increase of the number of visitors to Hong Kong by 12% and the competitive Hong Kong dollar will ensure the high hotels occupancies. The gradual improvement of the PRC economy and high local inflation will help to improve room rates. The management of the hotels will endeavour to maintain the high occupancy and will also focus on obtaining higher room rates.

### **Nos. 338 Queen's Road West Hotel Development**

The 214 rooms hotel development is named the Grand City Hotel. The new hotel is waiting hotel license to be issued. The connection of the Western MTR Line will improve future value and business of this property significantly.

## LOOKING AHEAD

Magnificent Estates has a magnificent portfolio of well performing recurring income portfolio of commercial and hotel properties with cash deposit in excess of HK\$1 billion.

**The management is most excited with the connection of the MTR Western line in the end of first quarter of 2015 which will significantly benefit three of our group hotels in the Western District with about 1,000 rooms in terms of occupancies, room rates and hotel values.**

However, both commercial and hotel segments are showing strong signs of difficulties with more supplies and lesser demand. The disposed Macau hotel has the effect of reducing operating profit by HK\$37 million per year. Stable operating profit and growth of the Group are therefore at risk from adverse market conditions and Macau hotel disposal. The new Grand City Hotel once commenced business may contribute about the same operating profit per year to replenish the profit reduced by the disposed Macau hotel. The management aims to increase dividend payout through the increase of annual operating profit. The management is most eager to make use of our cash deposit to increase operating profit by another HK\$50 million per annum through the acquisition of hotel investment/developments.

For 2013, the total dividend was HK0.775 cent per share and the dividend payout ratio was 17%. For 2014, the total dividend was HK0.775 cent per share and **the dividend payout ratio was 21%**.

## **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 Corporate Governance Code**

During the year ended 31<sup>st</sup> December, 2014, the Company has complied with all the code provisions set out in the Corporate Governance Code of Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited with the exception of the following deviations:

*Code Provision A.2.1: chairman and chief executive should not be performed by the same individual*

The Company does not have separate appointments for 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 also facilitates 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 should be appointed for a specific term.*

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

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

The terms of reference of the nomination committee adopted by the Company are in compliance with the code provision A.5.2 except that it is not the duty of the nomination committee to select individuals nominated for directorships. The nomination committee comprises a majority of independent non-executive directors who are not involved in the daily operation of the Company and may not have sufficient knowledge of industry practice. Such duty should be performed by the board.

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

The terms of reference of the remuneration committee adopted by the Company are in compliance with the code provision B.1.2 except that it is not the duties of the remuneration committee to approve the management's remuneration proposals, compensation payable to executive directors and senior management for any loss or termination of office or appointment and compensation arrangements relating to dismissal or removal of directors for misconduct. The remuneration committee comprises a majority of independent non-executive directors who are not involved in the daily operation of the Company and may not have sufficient knowledge of industry practice. Such duties should be performed by the board.

## **(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 year.

## **REVIEW BY THE AUDIT COMMITTEE**

The audit committee has reviewed the audited financial results of the Group for the year ended 31<sup>st</sup> December, 2014.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31<sup>st</sup> December, 2014 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, 12<sup>th</sup> March, 2015

*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, namely 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.*