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MAGNIFICENT HOTEL INVESTMENTS LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 201)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2015

RESULTS

The board of directors (the “Board”) of Magnificent Hotel Investments Limited (the “Company”) announces that the **consolidated net profit after tax attributable to owners of the Company** before revaluation gain of investment properties, gain on disposal of subsidiaries and depreciation and release of prepaid lease payment for land for the year ended 31st December, 2015 was HK\$214 million (2014: HK\$332 million). 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 Profit or Loss and Other Comprehensive Income

For the year ended 31st December, 2015

	NOTES	2015 HK\$'000	2014 HK\$'000 (Restated)
Continuing operations			
Revenue	3	444,506	538,558
Cost of sales		(4,296)	(4,245)
Other service costs		(228,750)	(222,692)
Depreciation of property, plant and equipment and release of prepaid lease payments for land		<u>(65,602)</u>	<u>(62,841)</u>
Gross profit		145,858	248,780
Decrease in fair value of investment properties		-	(8,000)
Other income and gains		14,845	13,281
Gain on disposal of subsidiaries		-	620,478
Administrative expenses			
- Depreciation		(3,680)	(1,999)
- Others		(26,294)	(27,137)
		(29,974)	(29,136)
Other expenses		(5,145)	-
Finance costs	5	<u>(9,328)</u>	<u>(7,804)</u>
Profit before taxation	6	116,256	837,599
Income tax expense	7	<u>(21,926)</u>	<u>(37,903)</u>
Profit for the year from continuing operations		<u>94,330</u>	<u>799,696</u>
Discontinued operations			
Profit for year from discontinued operations		<u>51,371</u>	<u>115,188</u>
Profit for the year		<u>145,701</u>	<u>914,884</u>

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)
For the year ended 31st December, 2015

	<i>NOTES</i>	2015 HK\$'000	2014 HK\$'000 (Restated)
Other comprehensive income (expense)			
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		(4,759)	(2,142)
Fair value gain on available-for-sale investments		<u>104,058</u>	<u>34,221</u>
Other comprehensive income for the year		<u>99,299</u>	<u>32,079</u>
Total comprehensive income for the year		<u>245,000</u>	<u>946,963</u>
Profit for the year attributable to owners of the Company			
- from continuing operations		94,330	799,696
- from discontinued operations		<u>49,726</u>	<u>105,976</u>
Profit for the year attributable to owners of the Company		144,056	905,672
Profit for the year from discontinued operations attributable to non-controlling interests		<u>1,645</u>	<u>9,212</u>
		<u>145,701</u>	<u>914,884</u>
Total comprehensive income attributable to:			
Owners of the Company		243,355	937,751
Non-controlling interests		<u>1,645</u>	<u>9,212</u>
		<u>245,000</u>	<u>946,963</u>
		HK cents	HK cents
Earnings per share			
From continuing and discontinued operations			
Basic	9	<u>1.61</u>	<u>10.12</u>
From continuing operations			
Basic	9	<u>1.05</u>	<u>8.94</u>

Consolidated Statement of Financial PositionAt 31st December, 2015

	<i>NOTES</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Non-Current Assets			
Property, plant and equipment		2,667,279	2,324,497
Prepaid lease payments for land		30,765	33,440
Investment properties		260,000	3,082,700
Properties under development		102,981	382,339
Available-for-sale investments		485,398	257,036
		<u>3,546,423</u>	<u>6,080,012</u>
Current Assets			
Inventories		946	891
Prepaid lease payments for land		852	901
Trade and other receivables	<i>10</i>	18,664	21,480
Other deposits and prepayments		8,068	7,912
Bank balances and cash		778,062	1,164,762
		<u>806,592</u>	<u>1,195,946</u>
Current Liabilities			
Trade and other payables and accruals	<i>11</i>	32,647	41,295
Rental and other deposits received		8,868	11,261
Advance from immediate holding company		12,721	145,203
Advance from an intermediate holding company		-	12,491
Advance from ultimate holding company		438	423
Tax liabilities		4,953	15,680
Bank loans		401,570	621,733
		<u>461,197</u>	<u>848,086</u>
Net Current Assets		<u>345,395</u>	<u>347,860</u>
Total Assets less Current Liabilities		<u>3,891,818</u>	<u>6,427,872</u>
Capital and Reserves			
Share capital		841,926	841,926
Reserves		2,953,944	5,316,920
Equity attributable to owners of the Company		3,795,870	6,158,846
Non-controlling interests		-	117,772
Total Equity		<u>3,795,870</u>	<u>6,276,618</u>
Non-Current Liabilities			
Rental deposits received		2,654	33,724
Deferred tax liabilities		93,294	117,530
		<u>95,948</u>	<u>151,254</u>
		<u>3,891,818</u>	<u>6,427,872</u>

Notes:

1. BASIS OF PREPARATION

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 with applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Companies Ordinance (Cap. 622). In addition, the requirements of Part 9 “Accounts and Audit” of the Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements. 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 financial information relating to the years ended 31st December, 2015 and 2014 included in this preliminary announcement of annual results 2015 do not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31st December, 2014 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance (Cap. 622) and will deliver the financial statements for the year ended 31st December, 2015 in due course.

The Company’s auditor has reported on the financial statements of the Group for both years. The auditor’s reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance (Cap. 622).

2. APPLICATION OF NEW AND REVISED HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to Hong Kong Accounting Standard (“HKAS”) 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 - 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 - 2013 Cycle

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
Continuing operations		
Income from operation of hotels	435,821	529,287
Income from property rental	6,639	9,044
Dividend income	<u>2,046</u>	<u>227</u>
	<u>444,506</u>	<u>538,558</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 - Best Western Plus Hotel Hong Kong
3. Hospitality services - Best Western Hotel Taipa, Macau (Note a)
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. Hospitality services - Grand City Hotel (Note b)
9. Property investment - Shops
10. Securities investment
11. Property development for hotel (Note b)

Notes:

- (a) The Group has disposed of the holding companies that hold Best Western Hotel Taipa, Macau during the year ended 31st December, 2014.
- (b) The hotel development was completed in August 2015 and accordingly transferred to the segment of "Hospitality services - Grand City Hotel".

On 25th March, 2015, the Company entered into the sale and purchase agreement with its immediate holding company, Shun Ho Technology Holdings Limited, for the disposal of 100% interest in Houston Venture Limited and its subsidiary, Tennyland Limited, and 68% interest in Trans-Profit Limited (collectively referred to as "Disposed Subsidiaries") together with its shareholder's loan due to the Company (the "Disposal"). Upon completion of the Disposal, the Disposed Subsidiaries ceased to be subsidiaries of the Company. The Disposed Subsidiaries are principally engaged in property investment in commercial buildings, namely, 633 King's Road and Shun Ho Tower. Accordingly, the segment information for the year ended 31st December, 2014 have been restated.

Information regarding the above segments is reported below.

4. SEGMENT INFORMATION (Continued)

Continuing operations

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 31 st December, 2015		Year ended 31 st December, 2015	
	HK\$'000	2014 HK\$'000 (Restated)	HK\$'000	2014 HK\$'000 (Restated)
Hospitality services	435,821	529,287	137,173	239,509
- Ramada Hotel Kowloon	60,093	76,647	18,768	36,588
- Beset Western Plus Hotel Hong Kong	78,052	95,218	27,604	47,301
- Best Western Hotel Taipa, Macau	-	14,258	-	7,038
- Magnificent International Hotel, Shanghai	22,253	21,318	3,785	3,456
- Best Western Hotel Causeway Bay	63,406	81,850	17,037	35,152
- Best Western Hotel Harbour View	91,792	111,235	37,444	57,716
- Best Western Grand Hotel	103,996	128,761	27,003	52,258
- Grand City Hotel	16,229	-	5,532	-
Property investment				
- Shops	6,639	9,044	6,639	1,044
Securities investment	2,046	227	2,046	227
Property development for hotel	-	-	-	-
	<u>444,506</u>	<u>538,558</u>	<u>145,858</u>	<u>240,780</u>
Other income and gains			14,845	13,281
Gain on disposal of subsidiaries			-	620,478
Central administration costs and directors' emoluments			(29,974)	(29,136)
Other expenses			(5,145)	-
Finance costs			<u>(9,328)</u>	<u>(7,804)</u>
Profit before taxation			<u>116,256</u>	<u>837,599</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:

	2015 HK\$'000	2014 HK\$'000 (Restated)
Hong Kong	422,253	502,212
Macau	-	15,028
The PRC	<u>22,253</u>	<u>21,318</u>
	<u>444,506</u>	<u>538,558</u>

5. FINANCE COSTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
Continuing operations		
Interests on :		
Bank loans wholly repayable within five years	7,923	8,265
Advance from ultimate holding company wholly repayable within five years	18	18
Advance from immediate holding company wholly repayable within five years	<u>2,820</u>	<u>1,758</u>
	10,761	10,041
Less: amount capitalised in properties under development (Note)	<u>(1,433)</u>	<u>(2,237)</u>
	<u>9,328</u>	<u>7,804</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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
Profit before taxation from continuing operations has been arrived at after charging (crediting):		
Auditor's remuneration	2,257	2,351
Staff costs including directors' emoluments	164,080	150,564
Depreciation of property, plant and equipment	68,430	63,939
Gain on disposal of property, plant and equipment	4,019	455
Release of prepaid lease payments for land	852	901
Operating lease rental in respect of rented equipment	2,350	2,184
Gross rental income from investment properties	(6,639)	(9,044)
Less: Direct operating expenses incurred for investment properties that generated rental income during the year	<u>-</u>	<u>-</u>
	<u>(6,639)</u>	<u>(9,044)</u>

7. INCOME TAX EXPENSE

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
Continuing operations		
The taxation charge comprises:		
Current tax		
Hong Kong	21,421	29,267
The PRC	780	660
Other jurisdiction	-	715
	<u>22,201</u>	<u>30,642</u>
(Over)underprovision in prior years		
Hong Kong	<u>(221)</u>	<u>18</u>
	21,980	30,660
Deferred tax	<u>(54)</u>	<u>7,243</u>
	<u><u>21,926</u></u>	<u><u>37,903</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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Dividend recognised as distribution during the year:		
Final dividend in respect of the year ended 31 st December, 2014 of HK0.575 cent (2014: Final dividend in respect of the year ended 31 st December, 2013 of HK0.575 cent) per share was paid to shareholders	51,446	51,446
Interim dividend in respect of the six months ended 30 th June, 2015 of HK0.2 cent (2014: Interim dividend in respect of the six months ended 30 th June, 2014 of HK0.2 cent) per share will be paid to shareholders	17,894	17,894
Special cash dividend in respect of the Disposal of HK3 cents per share was paid to shareholders	<u>268,412</u>	<u>-</u>
	<u><u>337,752</u></u>	<u><u>69,340</u></u>

The final dividend in respect of the year ended 31st December, 2015 of HK0.5cent per share amounting to HK\$44,735,000 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:

From continuing and discontinued operations

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	<u>144,056</u>	<u>905,672</u>
	2015 '000	2014 '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>8,947,051</u>	<u>8,947,051</u>

From continuing operations

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
Earnings figures are calculated as follows:		
Earnings for the year attributable to owners of the Company	144,056	905,672
Less: Profit for the year from discontinued operations attributable to owners of the Company	<u>(49,726)</u>	<u>(105,976)</u>
Earnings for the purpose of basic earnings per share from continuing operations	<u>94,330</u>	<u>799,696</u>

From discontinued operations

Basic earnings per share for the discontinued operations is HK0.56 cent per share (2014: HK1.18 cents per share) based on profit for the year from the discontinued operations of HK\$50 million (2014: HK\$106 million).

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

10. TRADE AND OTHER RECEIVABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Analysed for reporting as:		
Trade receivables	17,127	18,030
Other receivables	<u>1,537</u>	<u>3,450</u>
	<u>18,664</u>	<u>21,480</u>

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:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Not yet due	16,239	17,042
Overdue:		
0-30 days	855	937
31-60 days	23	51
61-90 days	<u>10</u>	<u>-</u>
	<u>17,127</u>	<u>18,030</u>

11. TRADE AND OTHER PAYABLES AND ACCRUALS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Analysed for reporting as:		
Trade payables	3,703	3,198
Other payables and accruals (Note)	<u>28,944</u>	<u>38,097</u>
	<u>32,647</u>	<u>41,295</u>

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:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0-30 days	2,953	2,812
31-60 days	722	380
61-90 days	<u>28</u>	<u>6</u>
	<u>3,703</u>	<u>3,198</u>

Note: Other payables and accruals include construction costs payable of HK\$5,182,000 (2014: HK\$13,445,000).

DIVIDEND

The Board recommends the payment of a final dividend of HK0.5 cent per share for the year ended 31st December, 2015 (2014: HK0.575 cent per share) and will be payable on 15th July, 2016 to shareholders whose names appear on the register of members of the Company on 30th June, 2016. With reference to the announcement of 2015 interim results of the Company dated 17th August, 2015, shareholders are reminded that an interim dividend of HK0.2 cent per share for the six months ended 30th June, 2015 is also payable on 15th July, 2016 to shareholders whose names appear on the register of members of the Company on 30th June, 2016. Therefore, shareholders whose names appear on the register of members of the Company on 30th June, 2016 will receive dividends for a total sum of HK0.7 cent per share.

Dividend Payout Ratio of Market Hotels Companies

	Payout Ratio	2015 Interim Dividend	2015 Final Dividend
Magnificent Hotel Investments Limited	43%	HK0.2 cent	HK0.5 cent
Sino Hotels (Holdings) Limited	39%		
The Hongkong and Shanghai Hotels Limited	30%		
Shangri-La Asia Limited	29%		
Miramar Hotel and Investment Co Limited	22%		
Asia Standard Hotel Group Limited	13%		
Far East Hotels and Entertainment Limited	Nil		

The Company's dividend payout ratio is approximately 59% above the average of the above well-known hotel companies. In future, the Company's payout ratio may follow its hotel performance trend and more in line with market average payout ratio.

For 2015, the annual dividend to be received by shareholders was equivalent to 4% 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 Friday, 17th June, 2016 ("AGM"), the register of members will be closed from Monday, 13th June, 2016 to Friday, 17th June, 2016, 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 Friday, 10th June, 2016.

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, 27th June 2016 to Thursday, 30th June, 2016, 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, 24th June, 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

From January to June 2015, the Group continued with its operations of property investment, property developments and operation of hotels.

From 17th July, 2015, the Company completed the reorganisation proposal to focus on hotel investment and development business thereafter and the disposal of commercial investment properties business, namely, 633 King's Road and Shun Ho Tower and change its name to Magnificent Hotel Investments Limited on 11th November, 2015.

Grand City Hotel in Hong Kong commenced business in August 2015 and contributed hotel income to the Group.

The consolidated net profit after tax attributed to owners of the Company before revaluation gain of investment properties, gain on disposal of subsidiaries and depreciation and release of prepaid lease payment for land for the year ended 31st December, 2015 was 214 million (2014: HK\$332 million), decreased by 36%. (See Note a)

	2014 HK\$'000	2015 HK\$'000	Change
Revaluation profit of investment properties	18,600	-	-100%
Profit from operation of hotels	230,472	122,700	-47%
Properties rental	115,729	67,009	-42%
Income from securities investment	227	5,640	+2,385%
Other income	13,976	12,113	-13%
	379,004	207,462	-45%
Administrative and other expenses	(30,358)	(30,609)	+1%
Gain on disposal of subsidiaries	620,478	-	-100%
Income tax expense	(54,240)	(31,152)	-43%
Profit after taxation	914,884	145,701	-84%
Non-controlling interests	(9,212)	(1,645)	-82%
Profit after taxation and non-controlling interests	905,672	144,056	-84%
Less: Revaluation profit of investment properties and its related deferred taxation	(18,600)	-	
Less: Gain on disposal of subsidiaries	(620,478)	-	
Add: Properties depreciation and release of prepaid lease payments for land	65,743	69,729	
Net profit after tax before revaluation of investment properties	332,337	213,785	-36% (Note a)

The net assets deducting non-controlling interests before revaluation on all asset properties and before deferred tax of the Group amounted to HK\$3,889 million (2014: HK\$6,276 million), HK\$0.43 (2014: HK\$0.70) per ordinary share as at 31st December, 2015.

The **net assets deducting non-controlling interests after revaluation** on all asset properties but before deferred tax of the Group amounted to **HK\$9,400 million** (2014: HK\$12,119 million), the **adjusted net assets value per ordinary share** is **HK\$1.05** (2014: HK\$1.36) as at 31st December, 2015. The asset properties of the Group are valued by DTZ Debenham Tie Leung Limited, the most well-known valuer worldwide. The decrease of the adjusted shareholders' fund was due to the special asset/cash distribution on 17th July, 2015.

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 benefited from the development of these hotels from good operating incomes, but most important was their capital value gain. The Group presently owns and operates seven hotels, including: (1) Best Western Plus Hotel Kowloon (formerly known as Ramada Hotel Kowloon), (2) Best Western Plus Hotel Hong Kong, (3) Best Western Grand Hotel, (4) Best Western Hotel Causeway Bay, (5) Best Western Hotel Harbour View, (6) Grand City Hotel and (7) Magnificent International Hotel, Shanghai with 2,037 rooms which is one of the largest hotel groups in Hong Kong.

PERFORMANCES

Revenue affecting the profit and loss in 2015:-

	Amount HK\$
After group reorganisation	
Losses of rental income	-\$46.6 m
Property management fee income	-\$7.2 m
No extraordinary profit from disposal of subsidiaries	-\$620 m
Sharp downturn of hotel business	-\$95.9 m
Further drop of cash deposit interest due to decrease in interest rate	-\$5.6 m
Hotel property non-cash depreciation	-\$65.6 m
Commencement business of Grand City Hotel in August 2015	+\$16.2 m

- For the year ended 31st December, 2015, 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:

Revenue	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	Change	Reasoning
Income from operation of hotels	529,287	435,821	-18%	Hotel market trend
Properties rental income	118,909	69,905	-41% (Note)	Disposal of properties due to group reorganisation
Income from securities investment	227	5,640	+2,385%	
Other income	28,882	19,641	-32%	Loss of property management fee income due to disposal of properties
Total	677,305	531,007	-22%	

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

HOTEL PERFORMANCES

	Best Western Plus Hotel Kowloon		Best Western Plus Hotel Hong Kong		Best Western Grand Hotel		Best Western Hotel Causeway Bay		Best Western Hotel Harbour View		Grand City Hotel		Magnificent International Hotel, Shanghai	
	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\$
2015														
Jan	98	865	98	722	99	756	98	734	98	603	N/A	N/A	66	312
Feb	99	905	99	736	99	839	99	802	99	657	N/A	N/A	67	333
Mar	97	781	98	681	98	676	95	720	96	565	N/A	N/A	82	359
Apr	94	758	98	624	96	629	96	660	99	567	N/A	N/A	92	381
May	100	605	99	546	99	540	99	513	100	486	N/A	N/A	88	371
Jun	99	610	99	537	99	525	99	515	100	467	N/A	N/A	81	354
Jul	99	633	98	545	99	585	99	519	100	467	N/A	N/A	93	383
Aug	99	707	99	586	99	651	98	610	100	479	19	433	95	398
Sep	100	701	98	565	99	594	97	565	99	466	77	540	89	374
Oct	99	926	99	778	99	820	98	842	99	706	98	706	92	400
Nov	100	864	99	732	99	787	99	780	100	635	100	686	87	364
Dec	100	887	99	713	99	810	99	699	100	607	99	640	80	333
Avg/yr	99	769	98	647	99	684	98	662	99	558	89	646	84	366
2015 Total	HK\$60,093,000	HK\$78,052,000	HK\$103,996,000	HK\$63,406,000	HK\$91,792,000	HK\$16,229,000	HK\$22,253,000							
Other incomes	HK\$4,119,000	HK\$2,520,000	N/A	N/A	N/A	N/A	N/A							
Total income	HK\$64,212,000	HK\$80,572,000	HK\$103,996,000	HK\$63,406,000	HK\$91,792,000	HK\$16,229,000	HK\$22,253,000							
Annual expenses	HK\$(33,436,000)	HK\$(46,861,000)	HK\$(46,755,000)	HK\$(34,226,000)	HK\$(47,329,000)	HK\$(8,702,000)	HK\$(15,737,000)							
EBITDA	HK\$30,776,000	HK\$33,711,000	HK\$57,241,000	HK\$29,180,000	HK\$44,463,000	HK\$7,527,000	HK\$6,516,000							
EBITDA Margin (Based on Revenue)	48%	42%	55%	46%	48%	46%	29%							

- Average occupancy rate in the Group's Hong Kong hotels was 98.43%.
- The Group's overall hotel revenue dropped by 18%.

OTHER INCOME amounted to HK\$19.6 million (2014: HK\$29 million) which was property management fee income of HK\$8.4 million (2014: HK\$16 million) with related expenses of HK\$8 million (2014: HK\$15 million), cash deposits interest income of HK\$7.2 million (2014: HK\$12.5 million) and gain on disposal of property, plant and equipment of HK\$4 million (2014: HK\$0.5 million).

From continuing and discontinued operations

	2014	2015	2015				
	HK\$'000	HK\$'000	Segment HK\$'000				
	Total	Total	Hotel	Hotel Shops	Office Rental	Securities Investment	Bank/Others
Revenue	648,423	507,772	435,821	6,639	63,266	2,046	-
Cost of sales	(4,245)	(4,296)	(4,296)	-	-	-	-
Other service costs	<u>(223,741)</u>	<u>(229,179)</u>	<u>(228,750)</u>	<u>-</u>	<u>(429)</u>	<u>-</u>	<u>-</u>
Gross profit	420,437	274,297	202,775	6,639	62,837	2,046	-
Non cash depreciation	(65,743)	(69,729)	(65,602)	-	-	-	(4,127)
Other income and gains	28,882	23,235	-	-	8,390	3,594	11,251
Increase in fair value of investment properties	18,600	-	-	-	-	-	-
Gain on disposal of subsidiaries	620,478	-	-	-	-	-	-
Other expenses	(14,906)	(12,673)	(5,145)	-	(7,528)	-	-
Finance costs	(11,161)	(11,795)	(9,328)	-	(2,467)	-	-
Income tax expense	<u>(50,650)</u>	<u>(25,839)</u>	<u>(16,613)</u>	<u>-</u>	<u>(9,226)</u>	<u>-</u>	<u>-</u>
Net profit after tax	945,937	177,496	106,087	6,639	52,006	5,640	7,124
Overall Administrative expenses	(27,463)	(26,482)					
Corporate income tax expense	<u>(3,590)</u>	<u>(5,313)</u>					
Profit for the year	914,884	145,701					
Add: Non cash depreciation	65,743	69,729					
Less: Non-controlling interests, increase in fair value of investment properties and gain on disposal of subsidiaries	<u>(648,290)</u>	<u>(1,645)</u>					
Profit for the year before non cash depreciation and extraordinary items attributable to owners of the Company	332,337	213,785	-36%				

COST

- The **SERVICE COSTS** was HK\$233.5 million (2014: HK\$228 million), in which approximately HK\$233 million (2014: HK\$227 million) was for the hotel operations including food and beverage and costs of sales and approximately HK\$0.5 million (2014: HK\$1 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	2014 <i>HK\$ million</i>	2015 <i>HK\$ million</i>	Change
Best Western Plus Hotel Kowloon	33.0	33.4	+1%
Best Western Plus Hotel Hong Kong	44.3	46.9	+6%
Best Western Grand Hotel	46.3	46.8	+1%
Best Western Hotel Causeway Bay	34.6	34.2	-1%
Best Western Hotel Harbour View	46.6	47.3	+2%
Grand City Hotel	-	8.7	N/A
		(since Aug 2015)	
Magnificent International Hotel, Shanghai	15.0	15.7	+5%
Subtotal amount for the year	219.8	233.0	+6% (Note)
Best Western Hotel Taipa, Macau	7.2	-	N/A
	(up to 20 th March, 2014)		
Total amount for the year	227.0	233.0	+3%

Note: The total operating cost for the year increased by 6% was mainly due to increase of salary and the commencement business of Grand City Hotel.

The **ADMINISTRATIVE EXPENSES** excluding depreciation was HK\$26 million (2014: HK\$27 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\$8 million (2014: HK\$15 million) and pre-operating expense of Grand City Hotel amounted to HK\$5 million (2014: Nil).

FUNDING

- At 31st December, 2015, the **OVERALL DEBT** of the Group was HK\$415 million (2014: HK\$780 million), of which HK\$402 million (2014: HK\$622 million) was assets secured bank borrowings and HK\$13 million (2014: HK\$158 million) was advances from shareholders.

The debt ratio was 4% (2014: 6%) in terms of overall debt of HK\$415 million (2014: HK\$780 million) against the fully revalued assets of the Group amounted to HK\$9,864 million (2014: HK\$12,936 million).

The gearing ratio was 11% (2014: 13%) in term of overall debt of HK\$415 million (2014: HK\$780 million) against funds employed of HK\$3,796 million (2014: HK\$6,159 million).

The overall debts was analysed as follows:

	2014 <i>HK\$ million</i>	2015 <i>HK\$ million</i>	Change <i>HK\$ million</i>	Interest Paid 2015 <i>HK\$ million</i>
Bank loans	622	402	-220	9.0
Shareholders' loans	158	13	-145	4.2
Overall debt	780	415	-365	13.2
Debt ratio (Based on Fully Revalued Assets)	6%	4%		

- FINANCE COST:** Of these loans, the total interest expenses amounted to HK\$13.2 million (2014: HK\$13.4 million), the bank loans interest expenses amounted to HK\$9.0 million (2014: HK\$10.4 million) and the shareholders loans interest expenses amounted to HK\$4.2 million (2014: HK\$3 million).

Out of these interests expenses totally paid, HK\$1.4 million (2014: HK\$2.2 million) was capitalised and HK\$11.8 million (2014: HK\$11.2 million) reflected in the expenses account. The decrease of interest expense amount was corresponding to the decrease of loan amount.

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 31st December, 2015, the Group's staffing level is about 9% more than that of 31st December, 2014 due to the commencement of the operation of Grand City Hotel in August 2015.

Cash flow of the Group

	2014 <i>HK\$ million</i>	2015 <i>HK\$ million</i>
Gross income	1,298	531
Less:		
Operating expenses	(270)	(273)
Interests expenses	(14)	(13)
Normal dividend paid out	(69)	(69)
Net repayment of bank loans	(55)	(45)
Acquisition of property, plant and equipment	(11)	(29)
Cash Inflow	879	102
Less:		
Special dividend paid out	-	(269)
Various construction expenses	(110)	(28)
Available-for-sale investments (Tradeable stock)	(6)	(183)
Cash Inflow/(Outflow)	763	(378)

- 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, 2015 and the valuation surplus (before accounting for any deferred taxes) not included in the consolidated statement of financial position at 31st December, 2015 are as follows:

Name of properties	Independent professional valuation report at 31.12.2015 <i>HK\$'000</i>	Carrying amounts (in the accounts under accounting standard) at 31.12.2015 <i>HK\$'000</i>	Valuation surplus not included in accounts (before accounting for any deferred taxes) at 31.12.2015 <i>HK\$'000</i>
Best Western Plus Hotel Kowloon	1,190,000	387,439	802,561
Best Western Plus Hotel Hong Kong	1,430,000	435,273	994,727
Best Western Grand Hotel	1,940,000	795,326	1,144,674
Best Western Hotel Harbour View	1,710,000	507,773	1,202,227
Best Western Hotel Causeway Bay	1,110,000	347,623	762,377
Grand City Hotel	700,000	390,282	309,718
Magnificent International Hotel, Shanghai	375,000	79,997	295,003
Total	8,455,000	2,943,713	5,511,287

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 (before deferred tax) of the Group	3,889,164
Add: Valuation surplus (before accounting for any deferred taxes) not recognised in the accounts	<u>5,511,287</u>
Net Assets Value of the Group	9,400,451

- (b) The accounting standards require hotel properties of the Group to provide **depreciation** which amounted to HK\$66 million (2014: HK\$63 million) for the year. The depreciation increased from HK\$63 million to HK\$66 million was mainly due to the commencement of business of Grand City Hotel during the year.

Depreciation of Hotel Properties

Name of Hotel	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	Change <i>HK\$'000</i>
Best Western Plus Hotel Kowloon	7,045	7,889	+844
Best Western Plus Hotel Hong Kong	3,634	3,587	-47
Best Western Grand Hotel	30,221	30,238	+17
Best Western Hotel Causeway Bay	12,100	12,142	+42
Best Western Hotel Harbour View	7,000	7,020	+20
Grand City Hotel	-	1,995	+1,995
Magnificent International Hotel, Shanghai	2,841	2,731	-110
Total amount for the year	62,841	65,602	+2,761

	Leasehold land <i>HK\$'000</i>	Hotel buildings <i>HK\$'000</i>	Furniture, fixtures and equipment and motor vehicles and vessels <i>HK\$'000</i>	Total <i>HK\$'000</i>
Depreciation	29,566	27,710	8,326	65,602

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%
Motor vehicles and vessels	20%

LOOKING AHEAD

- Looking ahead, the hotel industry will continue to suffer a decline of overnight visitors, less spending power, increase of supply of new hotel rooms, competing room rate and occupancy. This situation is probably due to China experiencing low economic cycle which is our largest visitors segment (70%). Short term prospects remain pessimistic. Therefore, hotel revenue this year may suffer further decline. Because of the dropping trend of hotel revenue, the management must replenish or increase overall revenue by acquisition of hotel income producing properties. The management continues to seek good opportunities to further increase operating profit by the acquisition of hotel properties or serviced apartment hotel, if successfully acquired will be financed by internal cash resources or bank lending.

For 2013, the total dividend was HK0.775 cent per share. For 2014, the total dividend was HK0.775 cent per share. For 2015, the total dividend was HK0.7 cent per share.

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 31st December, 2015, 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

Except an independent non-executive director, 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 31st December, 2015.

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 31st December, 2015 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, 11th March, 2016

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.