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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, 2016

RESULTS

The board of directors (the “Board”) of Magnificent Hotel Investments Limited (the “Company”) announces that the **net profit after tax attributable to owners of the Company** before depreciation of property, plant and equipment and release of prepaid lease payments for land for the year ended 31st December, 2016 was HK\$210 million (2015: HK\$213 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:

	2016	2015
	HK\$'000	HK\$'000
Profit after taxation and non-controlling interests	133,224	144,056
Add: Properties depreciation and release of prepaid lease payments for land	<u>76,923</u>	<u>69,282</u>
Net profit after tax before properties depreciation and release of prepaid lease payment for land	210,147	213,338

Consolidated Statement of Profit or Loss

For the year ended 31st December, 2016

	NOTES	2016 HK\$'000	2015 HK\$'000
Continuing operations			
Revenue	3	476,333	444,506
Cost of sales		(4,219)	(4,296)
Other service costs		(241,381)	(228,750)
Depreciation of property, plant and equipment and release of prepaid lease payments for land		<u>(71,209)</u>	<u>(65,602)</u>
Gross profit		159,524	145,858
Increase in fair value of investment properties		5,225	-
Other income and gains		31,284	14,845
Administrative expenses			
- Depreciation		(5,714)	(3,680)
- Others		(27,969)	(26,294)
		(33,683)	(29,974)
Other expenses		-	(5,145)
Finance costs	5	<u>(9,123)</u>	<u>(9,328)</u>
Profit before taxation	6	153,227	116,256
Income tax expense	7	<u>(20,003)</u>	<u>(21,926)</u>
Profit for the year from continuing operations		<u>133,224</u>	<u>94,330</u>
Discontinued operations			
Profit for year from discontinued operations		<u>-</u>	<u>51,371</u>
Profit for the year		<u>133,224</u>	<u>145,701</u>
Profit for the year attributable to owners of the Company			
- from continuing operations		133,224	94,330
- from discontinued operations		<u>-</u>	<u>49,726</u>
Profit for the year attributable to owners of the Company		133,224	144,056
Profit for the year from discontinued operations attributable to non-controlling interests		<u>-</u>	<u>1,645</u>
		<u>133,224</u>	<u>145,701</u>
		HK cents	HK cents
Earnings per share			
From continuing and discontinued operations			
Basic	9	<u>1.49</u>	<u>1.61</u>
From continuing operations			
Basic	9	<u>1.49</u>	<u>1.05</u>

Consolidated Statement of Total Comprehensive Income

For the year ended 31st December, 2016

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit for the year	<u>133,224</u>	<u>145,701</u>
Other comprehensive (expense) income		
Items that may be subsequently reclassified to profit or loss		
Exchange differences arising on translation of foreign operations	(101,339)	(4,759)
Fair value (loss) gain on available-for-sale investments	(5,574)	104,058
Securities revaluation reserve released upon disposal of available-for-sale investments	<u>(564)</u>	<u>-</u>
Other comprehensive (expense) income for the year	<u>(107,477)</u>	<u>99,299</u>
Total comprehensive income for the year	<u>25,747</u>	<u>245,000</u>
Total comprehensive income attributable to:		
Owners of the Company	25,747	243,355
Non-controlling interests	<u>-</u>	<u>1,645</u>
	<u>25,747</u>	<u>245,000</u>

Consolidated Statement of Financial Position

At 31st December, 2016

	<i>NOTES</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Non-Current Assets			
Property, plant and equipment		2,699,402	2,667,279
Prepaid lease payments for land		27,898	30,765
Investment properties		927,250	260,000
Properties under development		56,369	102,981
Available-for-sale investments		<u>356,071</u>	<u>485,398</u>
		<u>4,066,990</u>	<u>3,546,423</u>
Current Assets			
Inventories		1,067	946
Prepaid lease payments for land		795	852
Trade and other receivables	10	20,237	18,664
Other deposits and prepayments		7,943	8,068
Pledged bank deposit		173,265	-
Bank balances and cash		<u>331,074</u>	<u>778,062</u>
		<u>534,381</u>	<u>806,592</u>
Current Liabilities			
Trade and other payables and accruals	11	27,570	32,647
Rental and other deposits received		17,072	8,868
Advance from immediate holding company		4,898	12,721
Advance from ultimate holding company		-	438
Tax liabilities		3,385	4,953
Bank loans		<u>683,786</u>	<u>401,570</u>
		<u>736,711</u>	<u>461,197</u>
Net Current (Liabilities) Assets		<u>(202,330)</u>	<u>345,395</u>
Total Assets less Current Liabilities		<u>3,864,660</u>	<u>3,891,818</u>
Capital and Reserves			
Share capital		841,926	841,926
Reserves		<u>2,928,067</u>	<u>2,953,944</u>
Total Equity		<u>3,769,993</u>	<u>3,795,870</u>
Non-Current Liabilities			
Rental deposits received		1,880	2,654
Deferred tax liabilities		<u>92,787</u>	<u>93,294</u>
		<u>94,667</u>	<u>95,948</u>
		<u>3,864,660</u>	<u>3,891,818</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”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (“Listing Rules”) and by the Hong Kong Companies Ordinance (“CO”).

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group’s current liabilities exceeded its current assets by HK\$202 million as at 31st December, 2016. In the opinion of the directors of the Company, the Group has a number of sources of finance available to fund its operations, including internal resources, available unutilised banking facilities or obtain additional financing from financial institutions by taking into account the current value of the Group’s assets which have not been pledged. The ultimate holding company has also agreed to provide adequate funds to enable the Company to meet in full its financial obligation as they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

The financial information relating to the years ended 31st December, 2016 and 2015 included in this preliminary announcement of annual results 2016 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 is as follows:

The Company has delivered the financial statements for the year ended 31st December, 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31st December, 2016 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.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year.

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

Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 - 2014 Cycle

The application of the amendments to 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 disclosures set out in these consolidated financial statements.

3. REVENUE

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Continuing operations		
Income from operation of hotels	443,990	435,821
Income from property rental	20,743	6,639
Dividend income	<u>11,600</u>	<u>2,046</u>
	<u><u>476,333</u></u>	<u><u>444,506</u></u>

4. SEGMENT INFORMATION

The Group's operating and reportable segments under HKFRS 8 are therefore as follows:

1. Hospitality services - Best Western Plus Hotel Kowloon
2. Hospitality services - Best Western Plus Hotel Hong Kong
3. Hospitality services - Magnificent International Hotel, Shanghai
4. Hospitality services - Best Western Hotel Causeway Bay
5. Hospitality services - Best Western Hotel Harbour View
6. Hospitality services - Best Western Grand Hotel
7. Hospitality services - Grand City Hotel
8. Property investment - Shops
9. Property investment - Hotel
10. Securities investment

On 25th March, 2015, the Company entered into the sale and purchase agreement with its immediate holding company, Shun Ho Property Investments Limited (formerly known as 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.

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,		Year ended 31 st December,	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hospitality services	443,990	435,821	127,181	137,173
- Best Western Plus Hotel Kowloon	57,360	60,093	12,488	18,768
- Best Western Plus Hotel Hong Kong	73,989	78,052	27,564	27,604
- Magnificent International Hotel, Shanghai	21,455	22,253	4,667	3,785
- Best Western Hotel Causeway Bay	59,319	63,406	13,905	17,037
- Best Western Hotel Harbour View	87,199	91,792	32,494	37,444
- Best Western Grand Hotel	100,671	103,996	24,272	27,003
- Grand City Hotel	43,997	16,229	11,791	5,532
Property investment	20,743	6,639	25,968	6,639
- Shops	4,346	6,639	4,346	6,639
- Hotel	16,397	-	21,622	-
Securities investment	11,600	2,046	11,600	2,046
	<u>476,333</u>	<u>444,506</u>	<u>164,749</u>	<u>145,858</u>
Other income and gains			31,284	14,845
Central administration costs and directors' emoluments			(33,683)	(29,974)
Other expenses			-	(5,145)
Finance costs			(9,123)	(9,328)
Profit before taxation			<u>153,227</u>	<u>116,256</u>

Geographical information

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

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

	2016	2015
	HK\$'000	HK\$'000
Hong Kong	438,481	422,253
The PRC	21,455	22,253
The UK	16,397	-
	<u>476,333</u>	<u>444,506</u>

5. FINANCE COSTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Continuing operations		
Interests on :		
Bank loans	8,511	7,923
Advance from ultimate holding company	13	18
Advance from immediate holding company	<u>599</u>	<u>2,820</u>
	9,123	10,761
Less: amount capitalised in properties under development (Note)	<u>-</u>	<u>(1,433)</u>
	<u><u>9,123</u></u>	<u><u>9,328</u></u>

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

6. PROFIT BEFORE TAXATION

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit before taxation from continuing operations has been arrived at after charging (crediting):		
Auditor's remuneration	2,473	2,257
Staff costs including directors' emoluments	163,097	164,080
Depreciation of property, plant and equipment	76,128	68,430
Loss (gain) on disposal of property, plant and equipment	141	(4,019)
Release of prepaid lease payments for land	795	852
Operating lease rental in respect of rented equipment	3,731	2,350
Gross rental income from investment properties	(20,743)	(6,639)
Less: Direct operating expenses incurred for investment properties that generated rental income during the year	<u>-</u>	<u>-</u>
	<u><u>(20,743)</u></u>	<u><u>(6,639)</u></u>

7. INCOME TAX EXPENSE

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Continuing operations		
The taxation charge comprises:		
Current tax		
Hong Kong	19,188	21,421
The PRC	998	780
The UK	<u>466</u>	<u>-</u>
	20,652	22,201
Overprovision in prior years		
Hong Kong	<u>(142)</u>	<u>(221)</u>
	20,510	21,980
Deferred tax	<u>(507)</u>	<u>(54)</u>
	<u><u>20,003</u></u>	<u><u>21,926</u></u>

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

8. DIVIDENDS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Dividend recognised as distribution during the year:		
Final dividend in respect of the year ended 31 st December, 2015 of HK0.5 cent (2015: Final dividend in respect of the year ended 31 st December, 2014 of HK0.575 cent) per share was paid to shareholders	44,735	51,446
Interim dividend in respect of the six months ended 30 th June, 2016 of HK0.077 cent (2015: Interim dividend in respect of the six months ended 30 th June, 2015 of HK0.2 cent) per share will be paid to shareholders	6,889	17,894
Special cash dividend in respect of the Disposal of HK3 cents per share was paid to shareholders	<u>-</u>	<u>268,412</u>
	<u><u>51,624</u></u>	<u><u>337,752</u></u>

The final dividend in respect of the year ended 31st December, 2016 of HK0.563 cent per share amounting to HK\$50,372,000 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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	<u>133,224</u>	<u>144,056</u>

From continuing and discontinued operations

	2016 '000	2015 '000
Number of shares		
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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Earnings figures are calculated as follows:		
Earnings for the year attributable to owners of the Company	133,224	144,056
Less: Profit for the year from discontinued operations attributable to owners of the Company	<u>-</u>	<u>(49,726)</u>
Earnings for the purpose of basic earnings per share from continuing operations	<u>133,224</u>	<u>94,330</u>

From discontinued operations

For the year ended 31st December, 2015, basic earnings per share for the discontinued operations was HK0.56 cent per share based on the profit for the year from the discontinued operations of HK\$50 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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Analysed for reporting as:		
Trade receivables	18,641	17,127
Other receivables	<u>1,596</u>	<u>1,537</u>
	<u><u>20,237</u></u>	<u><u>18,664</u></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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Not yet due	17,698	16,239
Overdue:		
0-30 days	758	855
31-60 days	179	23
61-90 days	<u>6</u>	<u>10</u>
	<u><u>18,641</u></u>	<u><u>17,127</u></u>

11. TRADE AND OTHER PAYABLES AND ACCRUALS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Analysed for reporting as:		
Trade payables	3,194	3,703
Other payables and accruals (Note)	<u>24,376</u>	<u>28,944</u>
	<u><u>27,570</u></u>	<u><u>32,647</u></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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0-30 days	2,291	2,953
31-60 days	64	722
61-90 days	<u>839</u>	<u>28</u>
	<u><u>3,194</u></u>	<u><u>3,703</u></u>

Note: Other payables and accruals include construction costs payable of HK\$644,000 (2015: HK\$5,182,000).

DIVIDEND

The Board recommends the payment of a final dividend of HK0.563 cent per share for the year ended 31st December, 2016 (2015: HK0.5 cent per share) and will be payable on 18th July, 2017 to shareholders whose names appear on the register of members of the Company on 5th July, 2017. With reference to the announcement of 2016 interim results of the Company dated 30th August, 2016, shareholders are reminded that an interim dividend of HK0.077 cent per share for the six months ended 30th June, 2016 is also payable on 18th July, 2017 to shareholders whose names appear on the register of members of the Company on 5th July, 2017. Therefore, shareholders whose names appear on the register of members of the Company on 5th July, 2017 will receive dividends for a total sum of HK0.64 cent per share.

Dividend Payout Ratio of Market Hotels Companies

		2016	2016
	Payout Ratio	Interim Dividend	Final Dividend
Magnificent Hotel Investments Limited	43%	HK0.077 cent	HK0.563 cent
Sino Hotels (Holdings) Limited	49%		
The Hongkong and Shanghai Hotels Limited	31%		
Shangri-La Asia Limited	33%		
Miramar Hotel and Investment Co Limited	23%		
Asia Standard Hotel Group Limited	8%		
Far East Hotels and Entertainment Limited	Nil		

The Company's dividend payout ratio is approximately 48% 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 2016, the annual dividend to be received by shareholders was equivalent to 3.5% 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, 16th June, 2017 ("AGM"), the register of members will be closed from Monday, 12th June, 2017 to Friday, 16th June, 2017, 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, 9th June, 2017.

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 Thursday, 29th June 2017 to Wednesday, 5th July, 2017, 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 Wednesday, 28th June, 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year, the Group continued with its hotel investments, development and operation.

The consolidated net profit after tax attributed to owners of the Company before revaluation gain of investment properties and depreciation of property, plant and equipment and release of prepaid lease payment for land for the year ended 31st December, 2016 was 205 million (2015: HK\$214 million), decreased by 4%. (See Note a)

	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	Change
Revaluation profit of investment properties	-	5,225	+100%
Profit from operation of hotels	122,700	119,104	-3%
Properties rental	67,009	19,697	-71%
Income from securities investment	5,640	12,164	+116%
Other income	12,113	30,720	+154%
	207,462	186,910	-10%
Administrative and other expenses	(30,609)	(33,683)	+10%
Income tax expense	(31,152)	(20,003)	-36%
Profit after taxation	145,701	133,224	-9%
Non-controlling interests	(1,645)	-	N/A
Profit after taxation and non-controlling interests	144,056	133,224	-8%
Less: Revaluation profit of investment properties	-	(5,225)	
Add: Properties depreciation and release of prepaid lease payments for land	69,729	76,923	
Net profit after tax before revaluation of investment properties	213,785	204,922	-4% (Note a)

Overall net profit declined by of HK\$9 million and reasons for its reduction:

	<i>HK\$ million</i>
1) No rental income and property management fee income from commercial buildings after Group reorganisation	(50)
2) Contribution from the UK investment	45
3) Increase in administrative expense	(1)
4) Increase in dividend from available-for-sale investments	7
5) Decrease in interest income from bank deposits and decrease in gain on disposal of property, plant and equipment	(10)
	<u>(9)</u>

The net assets deducting non-controlling interests before revaluation on all asset properties and before deferred tax of the Group amounted to HK\$3,863 million (2015: HK\$3,889 million), HK\$0.43 (2015: HK\$0.43) per ordinary share as at 31st December, 2016.

The **net assets deducting non-controlling interests after revaluation** on all asset properties but before deferred tax of the Group amounted to **HK\$9,087 million** (2015: HK\$9,400 million), the **adjusted net assets value per ordinary share** is **HK\$1.02** (2015: HK\$1.05) as at 31st December, 2016. The asset properties of the Group are valued by DTZ Cushman & Wakefield Limited, the most well-known valuer worldwide and Allsop, an England valuer.

HOTEL PERFORMANCES

The Group presently owns eight hotels and operates seven hotels. The operating hotels include: (1) Best Western Plus 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. (8) Royal Scot Hotel in London was leased to a hotel management company, Travelodge. During the year, the Group continued with its hotel investments and operation.

	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\$
2016														
Jan	99	800	99	633	99	717	99	633	99	539	99	548	74	297
Feb	99	652	99	554	99	613	99	537	100	509	99	513	58	325
Mar	99	617	99	494	99	561	99	527	100	417	99	453	90	355
Apr	100	754	99	615	99	676	99	676	100	510	99	567	90	393
May	99	534	99	466	100	505	99	428	99	381	99	411	83	348
Jun	100	553	99	486	99	502	99	451	100	394	100	425	88	339
Jul	100	599	100	523	100	552	100	500	100	441	99	468	97	375
Aug	100	641	99	572	99	587	100	550	100	488	99	508	98	376
Sep	100	667	99	550	99	589	100	555	100	492	99	501	85	339
Oct	100	972	99	831	99	873	100	853	100	740	99	778	91	383
Nov	99	891	99	761	99	816	100	804	100	654	99	724	89	311
Dec	99	984	99	801	99	877	100	800	100	679	99	728	70	305
Avg/yr	99	722	99	607	99	656	100	610	100	520	99	552	84	349
2016 Total														
HK\$'000		57,360		73,989		100,671		59,319		87,199		43,997		21,455
Other incomes														
HK\$'000		1,826		2,520		N/A		N/A		N/A		N/A		N/A
Total income														
HK\$'000		59,186		76,509		100,671		59,319		87,199		43,997		21,455
Annual expenses														
HK\$'000		(34,394)		(42,782)		(46,131)		(33,862)		(47,676)		(26,438)		(14,317)
Net operating income														
HK\$'000		24,792		33,727		54,540		25,457		39,523		17,559		7,138

- **Average occupancy rate in the Group's Hong Kong hotels was 99%.**
- **The Group's overall hotel revenue increased by 2%.**

The Best Western Plus Hotel Kowloon is undergoing renovation to add approximately 40 hotel rooms and is expected to be completed in 2017.

During the year, the hotel industry has continued to suffer decline of overnight PRC visitors and their spending power. According to Hong Kong Tourism Board in 2016, there were 26,552,681 total overnight visitors which declined by 0.5% as compared to 2015, the visitors segments were analysed as follows:

	No. of Visitors	%
Mainland China	17,364,946	-3.5
Other Asia markets	5,469,741	+8.4
Long haul markets	3,134,518	+2.8
New markets	583,476	-1.5

From continuing and discontinued operations

	2015 HK\$'000	2016 HK\$'000	2016 Segment HK\$'000				
	Total	Total	Hotel	Hotel Shops	Hotel Rental	Securities Investment	Bank/ Others
Revenue	507,772	476,333	443,990	4,346	16,397	11,600	-
Cost of sales	(4,296)	(4,219)	(4,219)	-	-	-	-
Other service costs	<u>(229,179)</u>	<u>(241,381)</u>	<u>(241,381)</u>	-	-	-	-
	274,297	230,733	198,390	4,346	16,397	11,600	-
Non cash depreciation	(69,729)	(76,923)	(71,209)	-	-	-	(5,714)
Other income and gains	23,235	31,284	-	-	29,118	564	1,602
Increase in fair value of investment properties	-	5,225	-	-	5,225	-	-
Other expenses	(12,673)	-	-	-	-	-	-
Finance costs	(11,795)	(9,123)	(9,123)	-	-	-	-
Income tax expense	<u>(25,839)</u>	<u>(15,963)</u>	<u>(15,498)</u>	-	<u>(465)</u>	-	-
Net profit after tax	177,496	165,233	102,560	4,346	50,275	12,164	(4,112)
Overall administrative expenses	(26,482)	(27,969)					
Corporate income tax expenses	<u>(5,313)</u>	<u>(4,040)</u>					
Profit for the year	145,701	133,224					
Add: Non cash depreciation	69,729	76,923					
Less: Non-controlling interests and increase in fair value of investment properties	<u>(1,645)</u>	<u>(5,225)</u>					
Profit for the year before non cash depreciation and extraordinary items attributable to owners of the Company	213,785	204,922	-4%				

COST

- The **SERVICE COSTS** was HK\$245.6 million (2015: HK\$233 million), representing hotel operations. The HK\$12.6 million increase in service cost was derived from service cost of Grand City Hotel increased by HK\$17.7 million due to the full year operation and offset by **cost reduction from other Group hotels amounted to HK\$5.1 million.**

Name of Hotel	2015 <i>HK\$ million</i>	2016 <i>HK\$ million</i>	Change
Best Western Plus Hotel Kowloon	33.4	34.4	+3%
Best Western Plus Hotel Hong Kong	46.9	42.8	-9%
Best Western Grand Hotel	46.8	46.1	-1%
Best Western Hotel Causeway Bay	34.2	33.9	-1%
Best Western Hotel Harbour View	47.3	47.7	+1%
Grand City Hotel (since Aug 2015)	8.7	26.4	+203%
Magnificent International Hotel, Shanghai	<u>15.7</u>	<u>14.3</u>	-9%
Total amount for the year	233.0	245.6	+5%

Cost of sale of HK\$4 million (2015: HK\$4 million) was from cost of food and beverage.

The **ADMINISTRATIVE EXPENSES** excluding depreciation was HK\$28 million (2015: HK\$26 million) for corporate management office including directors' fees, salaries for executive staff and employees, rental, marketing expenses and office expenses.

FUNDING

- At 31st December, 2016, the **OVERALL DEBT** of the Group was HK\$689 million (2015: HK\$415 million), of which HK\$684 million (2015: HK\$402 million) was assets secured bank borrowings and HK\$5 million (2015: HK\$13 million) was advances from shareholders. The bank loan increased due to the acquisition of Royal Scot Hotel, London during the year.

The debt ratio was 7% (2015: 4%) in terms of overall debt of HK\$689 million (2015: HK\$415 million) against the fully revalued assets of the Group amounted to HK\$9,826 million (2015: HK\$9,864 million).

The gearing ratio was 18% (2015: 11%) in terms of overall debt of HK\$689 million (2015: HK\$415 million) against funds employed of HK\$3,770 million (2015: HK\$3,796 million).

The overall debts was analysed as follows:

	2015 <i>HK\$ million</i>	2016 <i>HK\$ million</i>	Change <i>HK\$ million</i>	Interest Paid 2016 <i>HK\$ million</i>
Bank loans	402	684	+282	8.5
Shareholders' loans	13	5	-8	0.6
Overall debt	415	689	+274	9.1
Debt ratio (Based on Fully Revalued Assets)	4%	7%		

- **FINANCE COST:** Of these loans, the total interest expenses amounted to HK\$9.1 million (2015: HK\$13.2 million), the bank loans interest expenses amounted to HK\$8.5 million (2015: HK\$ 9.0 million) and the shareholders loans interest expenses amounted to HK\$0.6 million (2015: HK\$4.2 million). The bank loan interest decreased due to the low interest rate for the newly raised bank loan during the year.

Out of these interests expenses totally paid, no amount was capitalised during the year (2015: HK\$1.4 million) and HK\$9.1 million (2015: HK\$11.8 million) reflected in the expenses account. The decrease of interest expense amount was corresponding to the decrease of shareholders' loans.

The Group's bank borrowings carry interest at floating rates and are mainly denominated in Hong Kong dollar and Pound Sterling. Accordingly, the Group explores to exchange risk and management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. As at 31st December, 2016, the Group's staffing level did not have material change when compared with that of 31st December, 2015. Remuneration and benefit were set with reference to the market.

Cash flow of the Group

	2015 <i>HK\$ million</i>	2016 <i>HK\$ million</i>
Gross income	531	478
Less:		
Operating expenses	(273)	(274)
Interests expenses	(13)	(9)
Normal dividend paid out	(69)	(63)
Net repayment of bank loans	(45)	(34)
Acquisition of property, plant and equipment	(29)	(8)
Cash Inflow	102	90
Less:		
Acquisition of investment properties, net of new bank loan raised	-	(461)
Various construction expenses	(28)	(12)
Available-for-sale investments (Tradeable stock)	(183)	-
Special dividend paid out	(269)	-
Cash Outflow	(378)	(383)

- 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:
 - The properties of the Group as valued by the independent professional valuer at market value as at 31st December, 2016 and the valuation surplus (before accounting for any deferred taxes) not included in the consolidated statement of financial position at 31st December, 2016 are as follows:

Name of properties	Independent professional valuation report at 31.12.2016 <i>HK\$'000</i>	Carrying amounts (in the accounts under accounting standard) at 31.12.2016 <i>HK\$'000</i>	Valuation surplus not included in accounts (before accounting for any deferred taxes) at 31.12.2016 <i>HK\$'000</i>
Best Western Plus Hotel Kowloon	1,106,000	391,877	714,123
Best Western Plus Hotel Hong Kong	1,405,000	427,080	977,920
Best Western Grand Hotel	1,620,000	766,940	853,060
Best Western Hotel Harbour View	1,870,000	502,671	1,367,329
Best Western Hotel Causeway Bay	1,045,000	337,037	707,963
Grand City Hotel	710,000	391,405	318,595
Magnificent International Hotel, Shanghai	358,000	72,340	285,660
Royal Scot Hotel	716,250	716,250	-
Total	8,830,250	3,605,600	5,224,650

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	3,862,780
Add: Valuation surplus (before accounting for any deferred taxes) not recognised in the accounts	5,224,650
Net Assets Value of the Group	9,087,430

- (b) The accounting standards require hotel properties of the Group to provide **depreciation** which amounted to HK\$71 million (2015: HK\$66 million) for the year. The depreciation increased from HK\$66 million to HK\$71 million was mainly due to the full year operation of Grand City Hotel and renovation of additional hotel guestrooms in Best Western Plus Hotel Kowloon during the year.

Depreciation of Hotel Properties

Name of Hotel	2015 HK\$'000	2016 HK\$'000	Change HK\$'000
Best Western Plus Hotel Kowloon	7,889	10,478	+2,589
Best Western Plus Hotel Hong Kong	3,587	3,644	+57
Best Western Grand Hotel	30,238	30,269	+31
Best Western Hotel Causeway Bay	12,142	11,552	-590
Best Western Hotel Harbour View	7,020	7,029	+9
Grand City Hotel	1,995	5,767	+3,772
Magnificent International Hotel, Shanghai	2,731	2,470	-261
Total amount for the year	65,602	71,209	+5,607

	Leasehold land HK\$'000	Hotel buildings HK\$'000	Furniture, fixtures and equipment and motor vehicles HK\$'000	Total HK\$'000
Depreciation	29,658	32,748	8,803	71,209

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	20%

During the year, the Group's overall hotel revenue increased by 2%.

During the year, the Group acquired the freehold property of Royal Scot Hotel situate at 100 King's Cross Road, London for the consideration of £70,300,000 (equivalent to approximately HK\$731,000,000). The current net income is £3,137,487 (equivalent to approximately HK\$32,912,000) per annum.

The Property comprises 408 rooms and is equipped with a restaurant and café and a car park providing approximately 40 car parking spaces. The internal area is approximately 133,532 sq.ft. The acquisition cost is equivalent to £172,300 (equivalent to approximately HK\$1,791,920) per room and £526 (equivalent to approximately HK\$5,470) per sq.ft. internal area. The management is confident that the total floor area of the Property can be further increased at a later stage through extensions and/or redevelopment.

TRAVELODGE ROYAL SCOT HOTEL



Extension proposal: Three additional stories to become one of the largest freehold hotels in London with over 700 rooms.



The management believes the above acquisition of a substantial landmark stable London hotel at very prime location at a very low cost with sound recurring income plus future extension and redevelopment potential.

LOOKING AHEAD

- Looking ahead, the hotel industry may have stabilized with increase of visitors from short haul markets and more PRC individual travellers. But the PRC visitor's less spending power, increase of supply of new hotel rooms, competing room rate and occupancy may still affect hotel industry adversely. Hotel revenue this coming year may experience small improvement. The management will try to 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.
- The Group formed a joint venture company to acquire a hotel building in Vancouver Canada. The acquisition cost is CA\$145 million (equivalent to approximately HK\$858.02 million). The building is a 5-star hotel, namely Rosewood Hotel Georgia, that is one of the most sought-after and legendary luxury downtown Vancouver hotels, offering unparalleled service in an ideal locale.

The hotel building was newly constructed in 2011 with a total gross floor area of 197,000 sq. ft. on a lot size of 29,924 sq. ft. and the rooms were modified from 312 rooms to 156 exceptionally large guest rooms. The acquisition price of CA\$736 (equivalent to approximately HK\$4,355) per sq. ft. is below the construction replacement costs. It is an excellent opportunity to enter the vibrant Vancouver real estate and hotel market at a low unit price for a new and most prestigious building on the most prominent location of the city centre with initial yield of 4%.

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, 2016, 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 two independent non-executive directors, 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, 2016.

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, consolidated statement of total comprehensive income and the related notes thereto for the year ended 31st December, 2016 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, 13th March, 2017

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.