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MAGNIFICENT ESTATES LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 201)

2013 INTERIM RESULTS

RESULTS

The board of directors (the “Board”) of Magnificent Estates Limited (the “Company”) announces that the unaudited consolidated profit of the Company and its subsidiaries (together the “Group”) for the six months ended 30th June, 2013 amounted to HK\$338,632,000 (six months ended 30th June, 2012: HK\$222,778,000) and the unaudited consolidated profit after non-controlling interests of the Group for the six months ended 30th June, 2013 amounted to HK\$338,136,000 (six months ended 30th June, 2012: HK\$222,778,000). The unaudited consolidated results of the Group for the period, together with comparative figures for the previous period, are as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30th June, 2013

		Six months ended	
		30.6.2013	30.6.2012
	<i>NOTES</i>	HK\$'000	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Revenue	3	322,994	214,888
Cost of sales		(2,052)	(1,571)
Other service costs		(111,966)	(66,060)
Depreciation of property, plant and equipment and release of prepaid lease payments for land		<u>(32,748)</u>	<u>(14,209)</u>
Gross profit		176,228	133,048
Increase in fair value of investment properties		207,600	129,820
Other income and gains		9,379	8,315
Administrative expenses		(13,466)	(10,748)
- Depreciation		(1,535)	(1,485)
- Others		(11,931)	(9,263)
Other expenses		(6,869)	(11,047)
Finance costs	5	<u>(11,686)</u>	<u>(5,886)</u>
Profit before taxation		361,186	243,502
Income tax expense	6	<u>(22,554)</u>	<u>(20,724)</u>
Profit for the period	7	<u>338,632</u>	<u>222,778</u>

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
(Continued)

For the six months ended 30th June, 2013

		Six months ended	
		30.6.2013	30.6.2012
	<i>NOTES</i>	HK\$'000	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Other comprehensive (expense) income			
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		1,055	(1,191)
Fair value (loss) gain on available-for-sale investments		<u>(3,922)</u>	<u>8,139</u>
Other comprehensive (expense) income for the period		<u>(2,867)</u>	<u>6,948</u>
Total comprehensive income for the period		<u><u>335,765</u></u>	<u><u>229,726</u></u>
Profit for the period attributable to:			
Owners of the Company		338,136	222,778
Non-controlling interests		<u>496</u>	<u>-</u>
		<u><u>338,632</u></u>	<u><u>222,778</u></u>
Total comprehensive income attributable to:			
Owners of the Company		335,269	229,726
Non-controlling interests		<u>496</u>	<u>-</u>
		<u><u>335,765</u></u>	<u><u>229,726</u></u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
Basic	9	<u><u>3.78</u></u>	<u><u>2.49</u></u>

Condensed Consolidated Statement of Financial Position
At 30th June, 2013

	<i>NOTES</i>	As at 30.6.2013 <i>HK\$'000</i> (unaudited)	As at 31.12.2012 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		2,506,759	2,537,105
Prepaid lease payments for land		59,535	60,177
Investment properties		3,132,700	2,925,100
Properties under development		245,846	237,338
Available-for-sale investments		<u>181,941</u>	<u>185,863</u>
		<u>6,126,781</u>	<u>5,945,583</u>
Current assets			
Inventories		1,014	963
Properties held for sale		-	21,650
Prepaid lease payments for land		1,600	1,502
Trade and other receivables	10	18,157	30,574
Other deposits and prepayments		7,978	7,293
Pledged bank deposits		110	110
Bank balances and cash		<u>331,283</u>	<u>179,759</u>
		360,142	241,851
Assets classified as held for sale		<u>21,993</u>	-
		<u>382,135</u>	<u>241,851</u>
Current liabilities			
Trade and other payables and accruals	11	54,160	59,864
Rental and other deposits received		18,016	15,162
Advance from immediate holding company		65,798	144,161
Advance from an intermediate holding company		6,778	-
Advance from ultimate holding company		397	51,072
Advance from a fellow subsidiary		4,745	4,745
Tax liabilities		31,377	20,210
Secured bank loans		<u>1,061,427</u>	<u>1,074,411</u>
		1,242,698	1,369,625
Liability associated with assets classified as held for sale		<u>12,600</u>	-
		<u>1,255,298</u>	<u>1,369,625</u>
Net current liabilities		<u>(873,163)</u>	<u>(1,127,774)</u>
Total assets less current liabilities		<u>5,253,618</u>	<u>4,817,809</u>
Capital and reserves			
Share capital		89,471	89,471
Share premium and reserves		<u>4,897,991</u>	<u>4,603,896</u>
Equity attributable to owners of the Company		4,987,462	4,693,367
Non-controlling interests		<u>141,674</u>	-
		<u>5,129,136</u>	<u>4,693,367</u>
Non-current liabilities			
Rental deposits received		17,562	22,625
Deferred tax liabilities		<u>106,920</u>	<u>101,817</u>
		<u>124,482</u>	<u>124,442</u>
		<u>5,253,618</u>	<u>4,817,809</u>

Notes:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed 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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2012.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA:

HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

3. REVENUE

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

	Six months ended	
	30.6.2013	30.6.2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Income from operation of hotels	271,308	165,103
Property rental	<u>51,686</u>	<u>49,785</u>
	<u><u>322,994</u></u>	<u><u>214,888</u></u>

4. SEGMENT INFORMATION

The Group's operating and reportable segments, based on information reported to the chief operating decision maker, Chairman of the Company, for the purpose of resources allocation and performance assessment are as follows:

1. Hospitality services - Ramada Hotel Kowloon
2. Hospitality services - Ramada Hong Kong Hotel
3. Hospitality services - Best Western Hotel Taipa, Macau
4. Hospitality services - Magnificent International Hotel, Shanghai
5. Hospitality services - Best Western Hotel Causeway Bay
6. Hospitality services - Best Western Hotel Harbour View (Note a)
7. Hospitality services - Best Western Grand Hotel (Note b)
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 - 239 Queen's Road West (Note a)
13. Property development for hotel - 23 Austin Avenue (Note b)
14. Property development for hotel - 338 Queen's Road West

Notes:

- (a) The hotel development was completed in July, 2012 and accordingly transferred to the segment of "Hospitality services - Best Western Hotel Harbour View".
- (b) The hotel development was completed in December, 2012 and accordingly transferred to the segment of "Hospitality services - Best Western Grand Hotel".

Information regarding the above segments is reported below.

4. SEGMENT INFORMATION (Continued)

The following is an analysis of the Group's revenue and results by operating and reportable segment for the periods under review:

	Segment revenue Six months ended		Segment profit Six months ended	
	30.6.2013 HK\$'000 (unaudited)	30.6.2012 HK\$'000 (unaudited)	30.6.2013 HK\$'000 (unaudited)	30.6.2012 HK\$'000 (unaudited)
Hospitality services	271,308	165,103	124,773	83,381
- Ramada Hotel Kowloon	36,764	37,304	16,496	16,816
- Ramada Hong Kong Hotel	45,337	47,960	23,333	28,562
- Best Western Hotel Taipa, Macau	29,731	31,145	14,925	16,870
- Magnificent International Hotel, Shanghai	8,429	9,742	178	1,454
- Best Western Hotel Causeway Bay	38,722	38,952	16,132	19,679
- Best Western Hotel Harbour View	52,635	-	28,971	-
- Best Western Grand Hotel	59,690	-	24,738	-
Property investment	51,686	49,785	259,055	179,487
- 633 King's Road	35,882	35,223	195,724	101,152
- Shun Ho Tower	9,701	8,993	9,629	32,166
- Shops	6,103	5,569	53,702	46,169
Securities investment and trading	-	-	-	-
Property development for hotel	-	-	-	-
- 239 Queen's Road West	-	-	-	-
- 23 Austin Avenue	-	-	-	-
- 338 Queen's Road West	-	-	-	-
	<u>322,994</u>	<u>214,888</u>	<u>383,828</u>	<u>262,868</u>
Other income and gains			9,379	8,315
Central administration costs and directors' emoluments			(13,466)	(10,748)
Other expenses			(6,869)	(11,047)
Finance costs			<u>(11,686)</u>	<u>(5,886)</u>
Profit before taxation			<u>361,186</u>	<u>243,502</u>

5. FINANCE COSTS

	Six months ended	
	30.6.2013 HK\$'000 (unaudited)	30.6.2012 HK\$'000 (unaudited)
Interests on:		
Bank loans wholly repayable within five years	10,717	11,713
Advance from immediate holding company wholly repayable within five years	2,011	1,723
Advance from an intermediate holding company wholly repayable within five years	61	-
Advance from ultimate holding company wholly repayable within five years	<u>685</u>	<u>994</u>
	13,474	14,430
Less: amounts capitalised in properties under development	<u>(1,788)</u>	<u>(8,544)</u>
	<u>11,686</u>	<u>5,886</u>

6. INCOME TAX EXPENSE

	Six months ended	
	30.6.2013 HK\$'000 (unaudited)	30.6.2012 HK\$'000 (unaudited)
Current tax		
Hong Kong	19,435	12,242
The People's Republic of China ("PRC")	-	252
Other jurisdiction	<u>1,519</u>	<u>1,751</u>
	20,954	14,245
Over provision in prior years		
Hong Kong	(3,160)	-
Deferred tax		
Current period	<u>4,760</u>	<u>6,479</u>
	<u>22,554</u>	<u>20,724</u>

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The annual tax rate used is 16.5% for the six months ended 30th June, 2013 (six months ended 30th June, 2012: 16.5%).

Taxation arising in the PRC and other jurisdiction is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year prevailing in the relevant jurisdictions.

7. PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2013	30.6.2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting):		
Release of prepaid lease payments for land	800	784
Depreciation of property, plant and equipment	33,483	14,910
Pre-operating expenses (included in other expenses)	-	4,236
Interest on bank deposits (included in other income and gains)	(619)	(362)
Gain on disposal of property, plant and equipment (included in other income and gains)	<u>(1,050)</u>	<u>-</u>

8. DIVIDEND

During the six months ended 30th June, 2013, a final dividend of HK0.5 cent per share amounting to HK\$44,735,000 was declared and payable to shareholders for the year ended 31st December, 2012 (six months ended 30th June, 2012: a final dividend of HK0.3 cent per share amounting to HK\$26,841,000 was paid to shareholders for the year ended 31st December, 2011).

The interim dividend in respect of the six months ended 30th June, 2013 of HK0.2 cent per share amounting to HK\$17,894,000 has been declared by the Board (six months ended 30th June, 2012: HK0.15 cent per share amounting to HK\$13,421,000).

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the period attributable to the owners of the Company of HK\$338,136,000 (six months ended 30th June, 2012: HK\$222,778,000) and on 8,947,051,000 shares (six months ended 30th June, 2012: 8,947,051,000 shares) in issue during the period.

Diluted earnings per share for both periods are not presented as there are no potential ordinary shares subsisted during both of the periods 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 its 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:

	As at 30.6.2013 <i>HK'000</i> (unaudited)	As at 31.12.2012 <i>HK\$'000</i> (audited)
Not yet due	16,770	25,883
Overdue:		
0 - 30 days	536	2,547
31 - 60 days	-	456
61 - 90 days	-	195
	<u>17,306</u>	<u>29,081</u>
Analysed for reporting as:		
Trade receivables	17,306	29,081
Other receivables	<u>851</u>	<u>1,493</u>
	<u>18,157</u>	<u>30,574</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:

	As at 30.6.2013 <i>HK'000</i> (unaudited)	As at 31.12.2012 <i>HK'000</i> (audited)
0 - 30 days	3,813	3,923
31 - 60 days	54	349
61 - 90 days	<u>523</u>	<u>501</u>
	<u>4,390</u>	<u>4,773</u>
Analysed for reporting as:		
Trade payables	4,390	4,773
Other payables and accruals (Note)	<u>49,770</u>	<u>55,091</u>
	<u>54,160</u>	<u>59,864</u>

Note: Other payables and accruals include construction costs payable of HK\$9,578,000 (31st December, 2012: HK\$32,019,000).

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK0.2 cent per share for the six months ended 30th June, 2013 (six months ended 30th June, 2012: HK0.15 cent per share) payable on 18th July, 2014 to shareholders whose names appear on the register of members of the Company on 4th July, 2014.

BOOK CLOSURE

The register of members will be closed from Monday, 30th June, 2014 to Friday, 4th July, 2014, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. Friday, 27th June, 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

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

The unaudited **consolidated profit** of the Group for the six months ended 30th June, 2013 amounted to HK\$338,632,000 (six months ended 30th June, 2012: HK\$222,778,000), increased by 52% and the unaudited consolidated profit after non-controlling interests of the Group for the six months ended 30th June, 2013 amounted to HK\$338,136,000 (six months ended 30th June, 2012: HK\$222,778,000), increased by 52%. (Note a)

	Six months ended		Change
	30.6.2012	30.6.2013	
	HK\$'000	HK\$'000	
	(unaudited)	(unaudited)	
Revaluation profit of investment properties	129,820	207,600	+60%
Income from operation of hotels	74,636	114,564	+53%
Properties rental income	48,290	49,978	+3%
Other income	1,504	2,510	+67%
	254,250	374,652	+47%
Administrative and other expenses	(10,748)	(13,466)	+25%
Income tax expense	<u>(20,724)</u>	<u>(22,554)</u>	+9%
Profit after taxation	222,778	338,632	+52%
Non-controlling interests	<u>-</u>	<u>(496)</u>	N/A
Profit after taxation and non-controlling interests	222,778	338,136	+52%
			(Note a)
Less: Revaluation profit of investment properties	(129,820)	(207,600)	
Add: Properties depreciation and release of prepaid lease payments for land	<u>15,694</u>	<u>34,283</u>	
Operating profit after taxation	108,652	164,819	+52%
			(Note b)

Before revaluation profit of all investment properties, depreciation and release of prepaid lease payments for land, the **operating profit** of the Group for the six months ended 30th June, 2013 is HK\$165 million (six months ended 30th June, 2012: HK\$109 million), increased by 52%. (Note b)

As at 30th June, 2013, the net assets including non-controlling interests **before** revaluation on all asset properties and before deferred tax of the Group amounted to HK\$5,236 million (31st December, 2012: HK\$4,795 million), the net asset value per ordinary share is HK\$0.59 (31st December, 2012: HK\$0.54).

As at 30th June, 2013, the **NET ASSETS INCLUDING NON-CONTROLLING INTERESTS AFTER REVALUATION** on all asset properties but before deferred tax of the Group amounted to **HK\$11,707 million** (31st December, 2012: HK\$10,461 million), the **ADJUSTED NET ASSET VALUE PER ORDINARY SHARE** is **HK\$1.31** (31st December, 2012: HK\$1.17).

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 importantly is their capital value gain. The Group presently owns and operates seven hotels including: (1) Ramada Hotel Kowloon, (2) Ramada Hong Kong Hotel, (3) Best Western Hotel Causeway Bay, (4) Best Western Hotel Harbour View, (5) Best Western Grand Hotel, (6) Best Western Hotel Taipa, Macau and (7) Magnificent International Hotel, Shanghai, with 2,085 rooms together with new hotel at Queen's Road West under development, the Group will have about 2,300 hotel rooms which will be one of the largest hotel groups in Hong Kong. Such strategy has successfully helped to increase the value of the Group substantially:

	31.12.2010	31.12.2011	31.12.2012	30.06.2013
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Adjusted Shareholders' Fund	6,397	7,715	10,461	11,707
Adjusted Net Asset Value Per Ordinary Share	HK\$1.07	HK\$0.86	HK\$1.17	HK\$1.31

PERFORMANCES

- For the six months ended 30th June, 2013, 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:

	Six months ended		Change
	30.6.2012	30.6.2013	
	<i>HK\$'000</i>	<i>HK\$'000</i>	
	(unaudited)	(unaudited)	
Income from operation of hotels	165,103	271,308	+64%
Properties rental income	49,785	50,639	+2%
Other income	<u>8,315</u>	<u>9,379</u>	+13%
Total	223,203	331,326	+48%

The total income for the Group increased by 48% from HK\$223 million to HK\$331 million for the same period compared with last year. The increase of revenue for the period was due to substantial improvement in hotel revenue.

The income from operation of hotels increased by 64% to HK\$271 million (six months ended 30th June, 2012 : HK\$165 million) .

	Ramada Hotel Kowloon		Ramada Hong Kong Hotel		Best Western Hotel Causeway Bay		Best Western Hotel Harbour View		Best Western Grand Hotel		Best Western Hotel Taipa, Macau		Magnificent International Hotel, Shanghai		Income compare with 2012 Change
	Avg Room Occupancy %	Avg Room Rate HK\$	Avg Room Occupancy %	Avg Room Rate HK\$	Avg Room Occupancy %	Avg Room Rate HK\$	Avg Room Occupancy %	Avg Room Rate HK\$	Avg Room Occupancy %	Avg Room Rate HK\$	Avg Room Occupancy %	Avg Room Rate HK\$	Avg Room Occupancy %	Avg Room Rate HK\$	
2013															
Jan	98	1,011	93	771	95	825	93	671	88	885	96	603	58	324	+ 42%
Feb	98	994	91	806	96	832	91	714	92	905	93	812	60	328	+ 74%
Mar	98	1,061	96	873	96	964	99	756	98	952	97	596	74	354	+ 76%
Apr	98	1,098	96	917	97	954	97	846	96	957	96	628	78	349	+ 64%
May	98	812	96	688	98	691	94	582	95	736	97	606	68	346	+ 70%
Jun	98	850	97	700	98	722	96	587	98	740	98	604	78	327	+ 66%
Total	HK\$36,764,000		HK\$45,337,000		HK\$38,722,000		HK\$52,635,000		HK\$59,690,000		HK\$29,731,000		HK\$8,429,000		
Jan to Jun 2012 Total	HK\$37,304,000		HK\$47,960,000		HK\$38,952,000		N/A		N/A		HK\$31,145,000		HK\$9,742,000		
Change	-1%		-5%		-1%		N/A		N/A		-5%		-13%		
Jan to Jun 2013 EBITDA Margin (Based on Revenue)	54%		55%		57%		62%		67%		62%		20%		

The **PROPERTIES RENTAL INCOME** was derived from office buildings of Shun Ho Tower, 633 King's Road and shops from Ramada Hotel Kowloon, Ramada Hong Kong Hotel and Best Western Hotel Taipa, Macau amounted to HK\$51 million (six months ended 30th June, 2012: HK\$50 million). At the date of this announcement, 633 King's Road provided an annual rental income of HK\$74 million (excluding rates and management fee incomes).

The properties rental income was analysed as follows:

	Six months ended		Change
	30.6.2012 <i>HK\$'000</i> (unaudited)	30.6.2013 <i>HK\$'000</i> (unaudited)	
633 King's Road	35,223	35,882	+2%
Shun Ho Tower	8,993	8,654	-4%
Shops	<u>5,569</u>	<u>6,103</u>	+10%
Total	49,785	50,639	+2%

OTHER INCOME amounted to HK\$9.4 million (six months ended 30th June 2012: HK\$8.3 million) which was mostly property management fee incomes of HK\$7.7 million (six months ended 30th June 2012: HK\$7.7 million) with related expenses of HK\$6.9 million (six months ended 30th June 2012: HK\$6.8 million).

	Six months ended		Change
	30.6.2012 <i>HK\$'000</i> (unaudited)	30.6.2013 <i>HK\$'000</i> (unaudited)	
Revenue	214,888	322,994	+50%
Cost of sales	(1,571)	(2,052)	
Other service costs	(66,060)	(111,966)	+130%
Depreciation of property, plant and equipment and release of prepaid lease payments for land	<u>(14,209)</u>	<u>(32,748)</u>	
Gross profit	133,048	176,228	
Increase in fair value of investment properties	129,820	207,600	+60%
Other income	8,315	9,379	
Administrative expenses	(10,748)	(13,466)	
- Depreciation	(1,485)	(1,535)	
- Others	(9,263)	(11,931)	
Other expenses	(11,047)	(6,869)	
Finance costs	<u>(5,886)</u>	<u>(11,686)</u>	+99%
Profit before taxation	243,502	361,186	
Income tax expense	<u>(20,724)</u>	<u>(22,554)</u>	
Profit for the period	222,778	338,632	

COSTS

- **OVERALL SERVICE COSTS** of the Group for the period was HK\$114 million (six months ended 30th June, 2012: HK\$67.6 million), which HK\$113.7 million (six months ended 30th June, 2012: HK\$67.5 million) was for the hotel operations including food and beverage and cost of sales and HK\$0.3 million (six months ended 30th June, 2012: HK\$0.1 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 COST** including food and beverage and costs of sales for each operating hotel were as follows:

Name of Hotel	Six months ended		Change
	30.6.2012 <i>HK\$ million</i> <i>per month</i>	30.6.2013 <i>HK\$ million</i> <i>per month</i>	
Ramada Hotel Kowloon	2.86	2.84	-1%
Ramada Hong Kong Hotel	2.95	3.37	+14%
Best Western Hotel Causeway Bay	2.22	2.76	+24%
Best Western Hotel Taipa, Macau	2.09	2.18	+4%
Magnificent International Hotel, Shanghai	1.13	1.12	-1%
Average expenses per month	11.25	12.27	+9%
Best Western Hotel Harbour View	N/A	3.36	N/A
Best Western Grand Hotel	N/A	3.32	N/A
Average expenses per month	11.25	18.95	+68%
Total amount for the period	67.50	113.70	+68%

During the period, the **ADMINISTRATIVE EXPENSES** excluding depreciation was HK\$11.9 million (six months ended 30th June, 2012: HK\$9.3 million) for corporate management office including directors' fees, salaries for executive staff and employees, rental, marketing expenses and office expenses.

OTHER EXPENSES were HK\$6.9 million (six months ended 30th June, 2012: HK\$11 million), the decrease of HK\$4.1 million was mainly due to no pre-operating expenses were incurred during the period (six months ended 30th June, 2012: HK\$4.2 million). The property management expenses amounted to HK\$6.9 million (six months ended 30th June, 2012: HK\$6.8 million). The property management expenses were increased by HK\$0.1 million due to the increase of cost of staff and utilities while the management fee income remained unchanged.

The accounting standards require hotel properties of the Group to provide **DEPRECIATION** which amounted to HK\$32.7 million (six months ended 30th June, 2012: HK\$14.2 million) for the period. The depreciation increased from HK\$14.2 million to HK\$32.7 million was wholly due to the aggregate of the depreciation of Best Western Hotel Harbour View amounted to HK\$3.5 million (six months ended 30th June, 2012: Nil) and the depreciation of Best Western Grand Hotel amounted to HK\$15 million (six month ended 30th June, 2012: Nil).

DEPRECIATION OF HOTEL PROPERTIES

Name of Hotel	Six months ended		Change HK\$ million
	30.6.2012 HK\$ million	30.6.2013 HK\$ million	
Ramada Hotel Kowloon	3.3	3.3	-
Ramada Hong Kong Hotel	1.8	1.8	-
Best Western Hotel Taipa, Macau	1.7	1.7	-
Magnificent International Hotel, Shanghai	1.5	1.5	-
Best Western Hotel Causeway Bay	<u>5.9</u>	<u>5.9</u>	-
	14.2	14.2	
Best Western Hotel Harbour View	-	3.5	+3.5
Best Western Grand Hotel	<u>-</u>	<u>15.0</u>	+15.0
Total amount for the period	14.2	32.7	+18.5

FUNDING

- As at 30th June, 2013, the **OVERALL DEBTS** of the Group were HK\$1,133 million (31st December, 2012: HK\$1,269 million), of which HK\$1,061 million (31st December, 2012: HK\$1,074 million) was bank borrowings and HK\$72 million (31st December, 2012: HK\$195 million) was advance from shareholders.

The debt ratio was 9% (31st December, 2012: 11%) in term of overall debts of HK\$1,133 million (31st December, 2012: HK\$1,269 million) against the fully revalued assets of the Group amounted to HK\$12,980 million (31st December, 2012: HK\$11,854 million).

The gearing ratio was approximately 22% (31st December, 2012: 27%) in term of overall debts of HK\$1,133 million (31st December, 2012: HK\$1,269 million) against funds employed of HK\$5,129 million (31st December, 2012: HK\$4,693 million).

The overall debts was analysed as follows:

	For the year ended 31.12.2012 HK\$ million	For the six months ended 30.06.2013 HK\$ million	Change HK\$ million	Interest Paid
				For the six months ended 30.06.2013 HK\$ million
Bank loans	1,074	1,061	-13	10.7
Shareholders' loans	<u>195</u>	<u>72</u>	<u>-123</u>	<u>2.8</u>
Overall debts	1,269	1,133	-136	13.5
Debt ratio (Based on Fully Revalued Assets)	11%	9%		

FINANCE COST: Of these loans, the bank interest expenses amounted to HK\$10.7 million (six months ended 30th June, 2012: HK\$11.7 million), the shareholders' loans interest expenses amounted to HK\$2.8 million (six months ended 30th June, 2012: HK\$2.7 million).

Out of these interests totally paid, HK\$1.8 million (six months ended 30th June, 2012: HK\$8.5 million) was capitalized and HK\$11.7 million (six months ended 30th June, 2012: HK\$5.9 million) reflected in the expenses account. The increase of interest expense account was due to the completion of the construction of the Best Western Hotel Harbour View and Best Western Grand Hotel during the period.

- Regarding the **CASH FLOW** of the Group for the period, the gross income was HK\$332 million (six months ended 30th June, 2012: HK\$223 million) with operating expenses of HK\$133 million (six months ended 30th June, 2012: HK\$88 million), interests paid of HK\$11 million (six months ended 30th June, 2012: HK\$12 million), repayment of bank loans of HK\$13 million (six months ended 30th June, 2012: HK\$7 million) and expenditure on various construction expenses and acquisition of property, plant and equipment of HK\$31 million (six months ended 30th June, 2012: HK\$103 million). The remaining **positive cash flow amounted to HK\$144 million** (six months ended 30th June, 2012: HK\$13 million) is in 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. During the period under review, the Group's staffing level is almost the same as that of 31st December, 2012. Remuneration and benefit were set with reference to the market.

FUTURE PROSPECTS

- For the period under review, the investment properties such as Shun Ho Tower, 633 King's Road and shops in Ramada Hotel Kowloon, Ramada Hong Kong Hotel and Best Western Hotel Taipa, Macau remained fully letted. It is expected that the shops in Best Western Grand Hotel will contribute rental revenue in the second half of 2013 and the rental revenue from these properties will have modest increase in 2013.

As at the date of this announcement, the leasing of the grade A office building at 633 King's Road achieved HK\$74 million (excluding rates and management fee incomes) per annum. The management envisages the office building will have modest rental increase in 2013 as most leases are due for renewal.

An agreement was entered in January 2013 by the Group to dispose of a wholly-owned subsidiary for the consideration of HK\$63 million and an estimate profit of HK\$40 million will be attributable to the second half of 2013. The subsidiary holds the houses at Gold Coast, New Territories. The transaction was completed in July 2013.

For the period 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 continue to grow by 14% from January to June 2013 according to the Hong Kong Tourist Board. The turnover for the seven group hotels was amounted to HK\$271 million, increased by 64%. The significant 64% increase of hotel incomes was attributable from newly opened Best Western Hotel Harbour View and Best Western Grand Hotel, while other Group hotels have suffered minor decrease of revenue due to room rate reductions.

Name of Hotel	Avg Room Rates		
	Jan to Jun	Jan to Jun	Change
	2012	2013	
	HK\$	HK\$	
Ramada Hotel Kowloon	992	971	-2%
Ramada Hong Kong Hotel	854	792	-7%
Best Western Hotel Causeway Bay	877	830	-5%
Best Western Hotel Harbour View	N/A	693	N/A
Best Western Grand Hotel	N/A	861	N/A
Best Western Hotel Taipa, Macau	654	634	-3%
Magnificent International Hotel, Shanghai	338	339	0%

The Best Western Hotel Harbour View and Best Western Grand Hotel achieved remarkable performance, the nearly full occupancies has significantly increased hotel revenues.

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 14% and the competitive Hong Kong dollar will ensure the high hotels occupancies. The gradual improvement of the PRC economy and high local inflations 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.

The hotel turnover from 1st July to 29th August, 2013 of the Group's seven hotels amounted to HK\$99,820,000 million, representing 37% improvement for the same period compared with 2012.

	Ramada Hotel Kowloon		Ramada Hong Kong Hotel		Best Western Hotel Causeway Bay		Best Western Hotel Harbour View		Best Western Grand Hotel		Best Western Hotel Taipa, Macau		Magnificent International Hotel, Shanghai		Change
	Avg Room	Avg Rate	Avg Room	Avg Rate	Avg Room	Avg Rate	Avg Room	Avg Rate	Avg Room	Avg Rate	Avg Room	Avg Rate	Avg Room	Avg Rate	
	Occupancy %	Rate HK\$	Occupancy %	Rate HK\$	Occupancy %	Rate HK\$	Occupancy %	Rate HK\$	Occupancy %	Rate HK\$	Occupancy %	Rate HK\$	Occupancy %	Rate HK\$	
2013															
Jul	98	934	97	787	98	832	97	716	98	852	97	654	89	331	+48%
1-29															
Aug	98	1,156	99	892	99	999	100	772	99	1,053	99	708	88	334	+28%
Total	HK\$13,051,000		HK\$16,333,000		HK\$14,256,000		HK\$19,261,000		HK\$22,649,000		HK\$10,781,000		HK\$3,489,000		

With the positive cash flow surplus of HK\$144 million for the six months ended 30th June, 2013, the forecasted increase of rental incomes and additional hotel operations will ensure stronger future annual cash flow surplus which will pay for the construction costs required to build the new hotel and further debts reductions.

It is the intention of the Group to build a portfolio of 3-4 stars hotels with significant market shares in Hong Kong. The expected annual operating return on these hotels will exceed 10% on development cost and real estate capital gain potential of 50%. The Board believes these opportunities are readily available. The current seven hotels owned by the Group offer about 2,085 rooms and the hotel development sites in Sheung Wan will add an additional 214 rooms. The number of hotel rooms will soon be about 2,300 rooms to become a leading hotel room supplier in Hong Kong. Such strategy has and will continue to increase the value and recurring income of the Group substantially.

No. 338 Queen's Road West Hotel Development

A 214 room service apartments hotel development was approved to be built. Approval has been obtained to increase the plot ratio from 12 to 13.2 with no premium payment required. Superstructure construction has commenced with completion expected in 2014. The construction of the Western MTR Line will improve future value and business of this property significantly.

The management is most pleased with the commencement of operation of the 432 rooms Best Western Hotel Harbour View and 396 rooms Best Western Grand Hotel in July and December 2012 respectively and their immediate remarkable nearly full occupancies since their commencement of operation.

Both Best Western Hotel Harbour View and Best Western Grand Hotel's hotel revenue assisted to increase the Group's hotels revenue by 64% for the period compared with the same period in 2012 and assisted to increase the Group's hotels revenue by 37% for the period from 1st July to 29th August, 2013 compared with the same period in 2012.

The rental incomes of the commercial buildings and shops are expected to enjoy modest increase. The low interest rate environment, weakness Hong Kong dollar and inflation back the demand in the local property market that benefits the Group's property portfolio especially the office buildings in Central and North Point. The conservative 9% debt ratio ensures the Group's stability over any further unforeseeable global financial turmoils.

The management will take best advantage of the improving rental incomes of the commercial buildings and shops, strong growth of the hotels revenue, low interest rate environment, competitive Hong Kong dollar, inflation and low 9% debt ratio in order to continue to reduce overall debts and also to identify undervalued property asset acquisition with the aim to enhance the Group's incomes and values which will benefit the increase of future dividend policy.

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 period.

CORPORATE GOVERNANCE

(a) Compliance with the Corporate Governance Code

During the period ended 30th June, 2013, the Company has complied with all the code provisions of the Corporate Governance Code set out in 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 period.

REVIEW BY THE AUDIT COMMITTEE

The audit committee has reviewed the unaudited financial results of the Group for the six months ended 30th June, 2013.

By Order of the Board

William CHENG Kai Man
Chairman

Hong Kong, 30th August, 2013

As at the date hereof, the Board comprises six Directors, of which two are Executive Directors, namely Mr. William Cheng Kai Man and, Mr. Albert Hui Wing Ho; one is Non-executive Director, Madam Mabel Lui Fung Mei Yee; and three are Independent Non-executive Directors, namely Mr. Vincent Kwok Chi Sun, Mr. Chan Kim Fai and Mr. Hui Kin Hing.