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MAGNIFICENT ESTATES LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 201)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2013

RESULTS

The board of directors (the “Board”) of Magnificent Estates Limited (the “Company”) announces that the audited consolidated profit of the Company and its subsidiaries (together the “Group”) for the year ended 31st December, 2013 attributable to the owners of the Company amounted to HK\$622,770,000 (2012: HK\$536,347,000). The audited consolidated results of the Group for the year, together with comparative figures for the previous year, are as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st December, 2013

	NOTES	2013 HK\$'000	2012 HK\$'000
Revenue	3	688,736	520,503
Cost of sales		(4,435)	(3,560)
Other service costs		(227,552)	(154,235)
Depreciation of property, plant and equipment and release of prepaid lease payments for land		<u>(65,480)</u>	<u>(32,795)</u>
Gross profit		391,269	329,913
Increase in fair value of investment properties		299,213	298,220
Other income and gains		19,905	16,739
Gain on disposal of a subsidiary		40,140	-
Administrative expenses			
- Depreciation		(3,065)	(2,820)
- Others		(24,409)	(19,967)
		(27,474)	(22,787)
Other expenses		(14,973)	(21,823)
Finance costs	5	<u>(19,435)</u>	<u>(15,533)</u>
Profit before taxation	6	688,645	584,729
Income tax expense	7	<u>(62,514)</u>	<u>(48,382)</u>
Profit for the year		<u>626,131</u>	<u>536,347</u>

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)
For the year ended 31st December, 2013

	<i>NOTE</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		2,043	1,236
Fair value gain on available-for-sale investments		<u>31,323</u>	<u>54,341</u>
Other comprehensive income for the year		<u>33,366</u>	<u>55,577</u>
Total comprehensive income for the year		<u>659,497</u>	<u>591,924</u>
Profit for the year attributable to:			
Owners of the Company		622,770	536,347
Non-controlling interests		<u>3,361</u>	<u>-</u>
		<u>626,131</u>	<u>536,347</u>
Total comprehensive income attributable to:			
Owners of the Company		656,136	591,924
Non-controlling interests		<u>3,361</u>	<u>-</u>
		<u>659,497</u>	<u>591,924</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
Basic	9	<u>6.96</u>	<u>5.99</u>
Diluted		<u>N/A</u>	<u>N/A</u>

Consolidated Statement of Financial Position

At 31st December, 2013

	<i>NOTES</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Non-Current Assets			
Property, plant and equipment		2,381,561	2,537,105
Prepaid lease payments for land		35,014	60,177
Investment properties		3,064,000	2,925,100
Properties under development		263,276	237,338
Available-for-sale investments		<u>217,186</u>	<u>185,863</u>
		<u>5,961,037</u>	<u>5,945,583</u>
Current Assets			
Inventories		826	963
Properties held for sale		-	21,650
Prepaid lease payments for land		922	1,502
Trade and other receivables	10	23,855	30,574
Other deposits and prepayments		12,124	7,293
Pledged bank deposits		-	110
Bank balances and cash		<u>314,280</u>	<u>179,759</u>
		352,007	241,851
Assets classified as held for sale		<u>290,560</u>	-
		<u>642,567</u>	<u>241,851</u>
Current Liabilities			
Trade and other payables and accruals	11	31,177	59,864
Rental and other deposits received		18,804	15,162
Advance from immediate holding company		76,557	144,161
Advance from an intermediate holding company		5,973	-
Advance from ultimate holding company		405	51,072
Advance from a fellow subsidiary		4,745	4,745
Tax liabilities		18,525	20,210
Bank loans		<u>676,325</u>	<u>1,074,411</u>
		832,511	1,369,625
Liabilities associated with assets classified as held for sale		<u>202,030</u>	-
		<u>1,034,541</u>	<u>1,369,625</u>
Net Current Liabilities		<u>(391,974)</u>	<u>(1,127,774)</u>
Total Assets less Current Liabilities		<u>5,569,063</u>	<u>4,817,809</u>
Capital and Reserves			
Share capital		89,471	89,471
Share premium and reserves		<u>5,200,964</u>	<u>4,603,896</u>
Equity attributable to owners of the Company		5,290,435	4,693,367
Non-controlling interests		<u>144,539</u>	-
		<u>5,434,974</u>	<u>4,693,367</u>
Non-Current Liabilities			
Rental deposits received		25,762	22,625
Deferred tax liabilities		<u>108,327</u>	<u>101,817</u>
		<u>134,089</u>	<u>124,442</u>
		<u>5,569,063</u>	<u>4,817,809</u>

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited.

2. APPLICATION OF NEW AND REVISED HKFRSs

The Group has applied for the first time in the current year the following new and revised HKFRSs.

HKFRS 10	Consolidated Financial Statements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income

Except those mentioned above, the directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. REVENUE

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Income from operation of hotels	582,935	420,088
Income from property rental	<u>105,801</u>	<u>100,415</u>
	<u>688,736</u>	<u>520,503</u>

4. SEGMENT INFORMATION

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

1. Hospitality services - Ramada Hotel Kowloon
2. Hospitality services - Ramada Hong Kong Hotel
3. Hospitality services - Best Western Hotel Taipa, Macau (Note c)
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".
- (c) The Group has entered into an agreement to dispose of the holding companies that hold Best Western Hotel Taipa, Macau.

Information regarding the above segments is reported below.

4. SEGMENT INFORMATION (Continued)

Segment revenue and results

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

	Segment revenue		Segment profit	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Hospitality services	582,935	420,088	286,066	229,859
- Ramada Hotel Kowloon	78,512	81,333	38,985	41,933
- Ramada Hong Kong Hotel	95,635	102,928	51,541	62,757
- Best Western Hotel Taipa, Macau	64,304	64,936	33,943	36,184
- Magnificent International Hotel, Shanghai	18,733	19,781	1,729	3,239
- Best Western Hotel Causeway Bay	83,816	85,934	38,856	45,163
- Best Western Hotel Harbour View	112,314	60,579	63,549	38,800
- Best Western Grand Hotel	129,621	4,597	57,463	1,783
Property investment	105,801	100,415	404,416	398,274
- 633 King's Road	73,918	70,794	333,849	186,561
- Shun Ho Tower	19,565	18,203	23,849	89,094
- Shops	12,318	11,418	46,718	122,619
Securities investment and trading	-	-	-	-
Property development for hotel	-	-	-	-
- 239 Queen's Road West	-	-	-	-
- 23 Austin Avenue	-	-	-	-
- 338 Queen's Road West	-	-	-	-
	<u>688,736</u>	<u>520,503</u>	<u>690,482</u>	<u>628,133</u>
Other income and gains			19,905	16,739
Gain on disposal of a subsidiary			40,140	-
Central administration costs and directors' emoluments			(27,474)	(22,787)
Other expenses			(14,973)	(21,823)
Finance costs			(19,435)	(15,533)
Profit before taxation			<u>688,645</u>	<u>584,729</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:

	2013 HK\$'000	2012 HK\$'000
Hong Kong	602,204	432,713
Macau	67,799	68,009
The PRC	18,733	19,781
	<u>688,736</u>	<u>520,503</u>

5. FINANCE COSTS

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Interests on :		
Bank loans wholly repayable within five years	18,655	23,215
Advance from ultimate holding company wholly repayable within five years	693	2,132
Advance from immediate holding company wholly repayable within five years	2,772	4,689
Advance from an intermediate holding company wholly repayable within five years	<u>227</u>	<u>-</u>
	22,347	30,036
<i>Less:</i> amount capitalised in properties under development (Note)	<u>(2,912)</u>	<u>(14,503)</u>
	<u><u>19,435</u></u>	<u><u>15,533</u></u>

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

6. PROFIT BEFORE TAXATION

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	2,294	2,174
Staff costs including directors' emoluments	158,537	95,127
Depreciation of property, plant and equipment	66,932	34,113
Release of prepaid lease payments for land	1,613	1,502
Operating lease rental in respect of rented equipment	2,825	2,005
Gross rental income from investment properties	(105,801)	(100,415)
<i>Less:</i> Direct operating expenses incurred for investment properties that generated rental income during the year	<u>589</u>	<u>322</u>
	<u><u>(105,212)</u></u>	<u><u>(100,093)</u></u>

7. INCOME TAX EXPENSE

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
The taxation charge comprises:		
Current tax		
Hong Kong	43,555	30,057
The PRC	204	551
Other jurisdiction	<u>3,572</u>	<u>3,840</u>
	47,331	34,448
Overprovision in prior years		
Hong Kong	<u>(3,181)</u>	<u>(48)</u>
	<u>44,150</u>	<u>34,400</u>
Deferred tax		
Current year	12,615	13,982
Underprovision in prior years	<u>5,749</u>	-
	<u>18,364</u>	<u>13,982</u>
	<u><u>62,514</u></u>	<u><u>48,382</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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Dividend recognised as distribution during the year:		
Final dividend in respect of the year ended 31 st December, 2012 of HK0.5 cent (2012: Final dividend in respect of the year ended 31 st December, 2011 of HK0.3 cent) per share was paid to shareholders	44,735	26,841
Interim dividend in respect of the six months ended 30 th June, 2013 of HK0.2 cent (2012: Interim dividend in respect of the six months ended 30 th June, 2012 of HK0.15 cent) per share will be paid to shareholders	<u>17,894</u>	<u>13,421</u>
	<u><u>62,629</u></u>	<u><u>40,262</u></u>

The final dividend in respect of the year ended 31st December, 2013 of HK0.575 cent per share amounting to HK\$51,446,000 has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year attributable to the owners of the Company of HK\$622,770,000 (2012: HK\$536,347,000) and on 8,947,051,000 shares (2012: 8,947,051,000 shares) in issue during the year.

Diluted earnings per share for both years are not shown as there are no potential ordinary shares subsisted during both of the years presented.

10. TRADE AND OTHER RECEIVABLES

Except for a credit period of 30 to 60 days granted to travel agencies and certain customers of the hotels, the Group does not allow any credit period to customers. The following is an aged analysis of the Group's trade receivables presented based on the invoice date at the end of the reporting period:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Not yet due	20,210	25,883
Overdue:		
0-30 days	2,338	2,547
31-60 days	164	456
61-90 days	<u>13</u>	<u>195</u>
	<u>22,725</u>	<u>29,081</u>
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Analysed for reporting as:		
Trade receivables	22,725	29,081
Other receivables	<u>1,130</u>	<u>1,493</u>
	<u>23,855</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:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
0-30 days	2,349	3,923
31-60 days	190	349
61-90 days	<u>54</u>	<u>501</u>
	<u>2,593</u>	<u>4,773</u>
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Analysed for reporting as:		
Trade payables	2,593	4,773
Other payables and accruals (Note)	<u>28,584</u>	<u>55,091</u>
	<u>31,177</u>	<u>59,864</u>

Note : Other payables and accruals include construction costs payable of HK\$7,193,000 (2012: HK\$32,019,000) .

DIVIDEND

The Board recommends the payment of a final dividend of HK0.575 cent per share (+15%) for the year ended 31st December, 2013 (2012: HK0.5 cent per share), which is equivalent to 1.5% annual yield of the closing price of the Company's shares immediately before the date of the results announcement, payable on 18th July, 2014 to shareholders whose names appear on the register of members of the Company on 4th July, 2014. With reference to the announcement of 2013 interim results of the Company dated 30th August 2013, shareholders are reminded that an interim dividend of HK0.2 cent per share for the six months ended 30th June, 2013 is also payable on 18th July, 2014 to shareholders whose names appear on the register of members of the Company on 4th July, 2014. Therefore, shareholders whose names appear on the register of members of the Company on 4th July, 2014 will receive dividends for a total sum of HK0.775 cent per share which is 19% more than the total dividend of 2012. The Dividend Payout Ratio is 17%.

The annual dividend for the year 2007, 2009, 2010, 2011 and 2012 received by shareholders was approximately 1% of the closing price of the Company's share before the date of results announcement. **For 2013, the annual dividend to be received by shareholders was equivalent to 2% annual yield of the closing price of the Company's share on the date of results announcement.**

BOOK CLOSURE

To ascertain shareholders' eligibility to attend and vote at the Annual General Meeting to be held on Wednesday, 18th June, 2014 ("AGM"), the register of members will be closed from Wednesday, 11th June, 2014 to Wednesday, 18th June, 2014, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 10th June, 2014.

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, 30th June 2014 and Friday, 4th July, 2014, 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 27th June, 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

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

The audited **consolidated profit after tax** of the Group for the year ended 31st December, 2013 attributable to the owners of the Company amounted to HK\$622,770,000 (2012: HK\$536,347,000) increased by 16%. (*Note a*)

	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	Change
Revaluation profit of investment properties	298,220	299,213	+0.3%
Income from operation of hotels	209,678	268,008	+28%
Properties rental	97,337	103,826	+7%
Other income	2,281	4,932	+116%
	607,516	675,979	+11%
Administrative and other expenses	(22,787)	(27,474)	+21%
Gain on disposal of a subsidiary	-	40,140	N/A
Income tax expense	(48,382)	(62,514)	+29%
Profit after taxation	536,347	626,131	+17%
Non-controlling interests	-	(3,361)	
Profit after taxation and non-controlling interests	536,347	622,770	+16% (<i>Note a</i>)
Less: Revaluation profit of investment properties and its related deferred taxation	(296,540)	(299,838)	
Add: Properties depreciation and release of prepaid lease payments for land	35,576	68,545	
Operating profit after taxation	275,383	391,477	+42% (<i>Note b</i>)

The **operating profit after tax** of the Group for the year ended 31st December, 2013 is **HK\$391 million** (2012: HK\$275 million), **increased by 42%** (*Note b*).

The net assets excluding non-controlling interests before revaluation on all asset properties and before deferred tax of the Group amounted to HK\$5,399 million (2012: HK\$4,795 million), HK\$0.60 (2012: HK\$0.54) per ordinary share as at 31st December, 2013.

The **net assets excluding non-controlling interests after revaluation** on all asset properties but before deferred tax of the Group amounted to **HK\$12,070 million**, (2012: HK\$10,461 million), the **adjusted net assets value per ordinary share** is **HK\$1.35** (2012: HK\$1.17) as at 31st December, 2013. Most of the asset properties of the Group are valued by DTZ Debenham Tie Leung Limited, most well known valuer worldwide.

The **CORPORATE STRATEGY** of the Group is to build hotels on grade B commercial locations which are most suitable for hotel business in terms of low acquisition costs and high yields. The Group benefits from the development of these hotels from good operating incomes, but most important is their capital value gain. The Group presently owns and operates 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) Magnificent International Hotel, Shanghai and (7) Best Western Hotel Taipa, Macau, the completion of the disposal of which in March 2014, with 2,085 rooms, after the completion of the disposal of Best Western Hotel Taipa, Macau, and the completion of the new hotel under development in Sheung Wan, the Group will have about 2,037 hotel rooms which will be one of the largest hotel groups in Hong Kong. Such strategy has successfully helped to increase the value of the Group substantially:

	2010 <i>HK\$ million</i>	2011 <i>HK\$ million</i>	2012 <i>HK\$ million</i>	2013 <i>HK\$ million</i>
Adjusted Shareholders' Fund	6,397	7,715	10,461	12,070
Adjust net Assets Value Per Ordinary Share	HK\$1.07	HK\$0.86	HK\$1.17	HK\$1.35

PERFORMANCES

- For the year ended 31st December, 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:

Revenue	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	Change
Income from operation of hotels	420,088	582,935	+39%
Properties rental income	100,415	105,801	+5% (Note)
Other income	16,739	19,905	+19%
Total	537,242	708,641	+32%

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

The total income for the Group increased by 32% from HK\$537 million to HK\$709 million compared with last year. The increase of group revenue for the year was due to substantial improvement in hotel revenue.

The income from operation of hotels increased by 39% to HK\$583 million (2012: HK\$420 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		Total income Compared With 2012 Change
	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\$	
2013															
Jan	98	1,011	93	771	95	825	93	671	88	885	97	603	58	326	+42
Feb	98	994	91	806	96	832	91	714	92	905	93	812	60	330	+73
Mar	98	1,061	96	873	96	964	99	756	98	951	97	596	74	356	+75
Apr	98	1,098	96	917	97	954	97	846	96	957	96	628	78	351	+64
May	98	812	96	688	98	691	94	582	95	736	97	606	68	348	+70
Jun	98	850	97	700	98	722	96	587	98	740	98	604	78	328	+66
Jul	98	934	97	787	98	832	97	716	98	852	97	654	89	332	+48
Aug	97	1,137	99	883	98	983	100	763	98	1,037	99	713	87	336	+26
Sep	95	978	95	798	96	821	98	718	95	846	96	645	77	345	+27
Oct	97	1,200	92	903	96	989	92	798	92	1,001	93	743	85	374	+17
Nov	98	1,075	98	842	99	982	99	728	98	958	99	726	82	358	+18
Dec	98	1,226	98	892	98	1,045	99	760	99	1,113	99	834	66	335	+9
Avg/yr	98	1,032	96	822	97	887	96	721	95	916	97	679	75	344	
2013 Total	HK\$78,512,000		HK\$95,635,000		HK\$83,816,000		HK\$112,314,000		HK\$129,621,000		HK\$64,304,000		HK\$18,733,000		HK\$582,935,000 +39%
Other incomes	HK\$6,177,000		HK\$2,646,000		N/A		N/A		N/A		HK\$3,495,000		N/A		HK\$12,318,000
Total income	HK\$84,689,000		HK\$98,281,000		HK\$83,816,000		HK\$112,314,000		HK\$129,621,000		HK\$67,799,000		HK\$18,733,000		HK\$595,253,000
Annual expenses	HK\$(33,085,000)		HK\$(40,531,000)		HK\$(32,909,000)		HK\$(41,838,000)		HK\$(42,035,000)		HK\$(26,954,000)		HK\$(14,045,000)		HK\$(231,397,000)
EBITDA	HK\$51,604,000		HK\$57,750,000		HK\$50,907,000		HK\$70,476,000		HK\$87,586,000		HK\$40,845,000		HK\$4,688,000		HK\$363,856,000
EBITDA Margin (Based on Revenue)	66%		60%		61%		63%		68%		64%		25%		62%

The **PROPERTIES RENTAL INCOME** was derived from office buildings of Shun Ho Tower, 633 King's Road and shops from Ramada Hotel Kowloon, Ramada Hong Kong Hotel, Best Western Hotel Taipa, Macau and Best Western Grand Hotel amounted to HK\$106 million (2012: HK\$100 million). The growth was derived from 633 King's Road. At the date of this announcement, it provided an annual rental income of HK\$80 million (excluding rates and management fee).

The properties rental income was analysed as follows:–

	2012	2013	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	
633 King's Road	70,794	73,918	+4%
Shun Ho Tower	18,203	19,565	+7% (Note)
Shops	11,418	12,318	+8%
Total	100,415	105,801	+5%

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

OTHER INCOME amounted to HK\$20 million (2012: HK\$17 million) which was mostly property management fee income of HK\$16 million (2012: HK\$16 million) with related expenses of HK\$15 million (2012: HK\$14.5 million).

	2012	2013	
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Revenue	520,503	688,736	+32%
Cost of sales	(3,560)	(4,435)	
Other service costs	(154,235)	(227,552)	+48%
Depreciation of property, plant and equipment and release of prepaid lease payments for land	(32,795)	(65,480)	+100%
Gross profit	329,913	391,269	
Increase in fair value of investment properties	298,220	299,213	
Other income and gain	16,739	19,905	
Gain on disposal of a subsidiary	-	40,140	
Administrative expenses			
– Depreciation	(2,820)	(3,065)	
– Others	(19,967)	(24,409)	
	(22,787)	(27,474)	
Other expenses	(21,823)	(14,973)	
Finance costs	(15,533)	(19,435)	+25%
Profit before taxation	584,729	688,645	
Income tax expense	(48,382)	(62,514)	
Profit for the year	536,347	626,131	

For the year under review, the Group disposed of a wholly-owned subsidiary which holds the houses at Gold Coast, New Territories for the consideration of HK\$63 million and a gain of HK\$40 million is attributable to 2013. On 20th December, 2013, the Company entered into an agreement with an independent third party to dispose of subsidiaries holding interest in the Best Western Hotel Taipa, Macau at the consideration of HK\$900 million with completion of the disposal in March 2014. **The disposal will result in a reportable earning of approximately HK\$620 million for the first half of 2014.**

COST

- **OVERALL SERVICE COSTS** of the Group for the year was HK\$232 million (2012: HK\$157.8 million), in which HK\$231.4 million (2012: HK\$157.5 million) was for the hotel operations including food and beverage and costs of sales and HK\$0.6 million (2012: HK\$0.3 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 increase of hotel operation costs was mainly due to the full year operation of Best Western Hotel Harbour View and Best Western Grand Hotel.

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

Name of Hotel	2012 <i>HK\$ million</i> <i>Per month</i>	2013 <i>HK\$ million</i> <i>Per month</i>	Change
Ramada Hotel Kowloon	2.8	2.8	+0%
Ramada Hong Kong Hotel	3.0	3.4	+13%
Best Western Hotel Causeway Bay	2.4	2.7	+13%
Best Western Hotel, Macau	2.1	2.2	+5%
Magnificent International Hotel, Shanghai	1.1	1.2	+9%
Average expenses per month	11.4	12.3	+8%
Subtotal amount for the year	136.8	147.6	+8%
New Hotels during the year			
Best Western Hotel Harbour View	18.9 (Jul to Dec)	41.8	N/A
Best Western Grand Hotel	1.8 (Dec)	42.0	N/A
Total amount for the year	157.5	231.4	+47%

The total operating cost for the year increased by 47% was due to the commencement of business of the Best Western Hotel Harbour View and Best Western Grand Hotel. The operating costs of Ramada Hong Kong Hotel and Best Western Hotel Causeway Bay increased by 13% were due to substantial increase in their Government rates by approximately 40% for the year compared with 2012.

During the year, the **ADMINISTRATIVE EXPENSES** excluding depreciation was HK\$24 million (2012: HK\$20 million) for corporate management office including directors' fees, salaries for executive staff and employees, rental, marketing expenses and office expenses.

OTHER EXPENSES were HK\$15 million (2012: HK\$21.8 million). The decrease of HK\$6.8 million was mainly due to no pre-operating expenses were incurred during the year (2012: the pre-operating expense of Best Western Hotel Harbour View and Best Western Grand Hotel amounted to HK\$7.4 million). The property management expenses amounted to HK\$15 million (2012: HK\$14.5 million). The property management expenses were increased by HK\$0.5 million due to the increase of cost of staff and utilities while the management fee remained unchanged.

FUNDING

- At 31st December, 2013, the **OVERALL DEBT** of the Group was HK\$759 million (2012: HK\$1,269 million), of which HK\$676 million (2012: HK\$1,074 million) was bank borrowings and HK\$83 million (2012: HK\$195 million) was advance from shareholders.

The debt ratio was 6% (2012: 11%) in term of overall debt of HK\$759 million (2012: HK\$1,269 million) against the fully revalued assets of the Group amounted to HK\$13,162 million (2012: HK\$11,854 million).

The gearing ratio was approximately 14% (2012: 27%) in term of overall debt of HK\$759 million (2012: HK\$1,269 million) against funds employed of HK\$5,290 million (2012: HK\$4,693 million).

The overall debts was analysed as follows:

	2012	2013	Change	Interest Paid 2013
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Bank loans	1,074	676	-398	18.6
Shareholders' loans	195	83	-112	3.7
Overall debt	1,269	759	-510	22.3
Debt ratio (Based on Fully Revalued Assets)	11%	6%		

- **FINANCE COST:** Of these loans, the total interest expenses amounted to HK\$22.3 million (2012: HK\$30.0 million), the shareholders loans interest expenses amounted to HK\$3.7 million (2012:HK\$6.8 million).

Out of these interests totally paid, HK\$2.9 million (2012: HK\$14.5 million) was capitalised and HK\$19.4 million (2012: HK\$15.5 million) reflected in the expenses account. The increase of interest expense amount was due to the completion of the Best Western Hotel Harbour View and Best Western Grand Hotel.

- Regarding the **CASH FLOW** of the Group for the year, the gross income of the Group was HK\$749 million (2012: HK\$537 million) with operating expenses of HK\$271 million (2012: HK\$200 million), interests paid and dividend paid out of the Group of HK\$81 million (2012: HK\$57 million) and net repayment of bank loans of HK\$398 million (2012: HK\$37 million), various construction expenses and acquisition of property, plant and equipment of HK\$31 million (2012:HK\$155 million). With the HK\$180 million cash inflow from the deposit of disposal for Best Western Hotel Taipa, Macau, a positive cash flow amounted to HK\$148 million is cash reserve of the Group.

The Group's bank borrowings carry interest at floating rates and are mainly denominated in Hong Kong dollar. Accordingly, the exchange risk of the Group is minimal. During the year under review, there was no significant change in the Group's staffing level compared to 31st December 2012. Remuneration and benefit were set with reference to the market.

- The Hong Kong Financial Reporting Standards continue to have adverse impact on the results from hotel businesses, these hotels are now stated at cost less depreciation resulting in the following significant impact:

- (a) The properties of the Group as valued by the independent professional valuer at market value as at 31st December, 2013 and the valuation surplus (before accounting for any deferred taxes) not included in financial position at 31st December, 2013 are as follows:

Name of properties	Independent professional valuation report at 31.12.2013 HK\$'000	Carrying amounts (in the accounts under accounting standard) at 31.12.2013 HK\$'000	Valuation surplus not included in accounts (before accounting for any deferred taxes) at 31.12.2013 HK\$'000
Ramada Hotel Kowloon	1,286,000	402,536	883,464
Ramada Hong Kong Hotel	1,572,000	443,657	1,128,343
Best Western Hotel Causeway Bay	1,180,000	368,796	811,204
Best Western Hotel Harbour View	1,880,000	517,978	1,362,022
Best Western Grand Hotel	2,136,000	852,217	1,283,783
Best Western Hotel Taipa, Macau	900,000	280,223	619,777
Magnificent International Hotel, Shanghai	390,000	91,563	298,437
633 King's Road	2,160,000	2,160,000	-
338 Queen's Road West	518,000	263,276	254,724
Shun Ho Tower	569,000	539,514	29,486
Total	12,591,000	5,919,760	6,671,240

If the valuation of the Group's properties by the independent professional valuer was accounted for in the financial statements, the net asset value of the Group will be increased as follows:

	<i>HK\$'000</i>
Net Assets Value after non-controlling interest (before deferred tax) of the Group	5,398,762
Add: Valuation surplus (before accounting for any deferred taxes) not recognised in the accounts	<u>6,671,240</u>
Net Assets Value of the Group	12,070,002

- (b) The accounting standards require hotel properties of the Group to provide depreciation which amounted to HK\$66 million (2012: HK\$33 million) for the year. The depreciation increased from HK\$33 million to HK\$66 million was mainly due to the depreciation of Best Western Hotel Harbour View and Best Western Grand Hotel.

Depreciation of Hotel Properties

Name of Hotel	2012	2013	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Ramada Hotel Kowloon	6,657	6,442	-215
Ramada Hong Kong Hotel	3,498	3,564	+66
Best Western Hotel Causeway Bay	12,072	12,050	-22
Best Western Hotel Harbour View	3,029	6,927	+3,898
Best Western Grand Hotel	1,201	30,122	+28,921
Best Western Hotel, Macau	3,434	3,407	-27
Magnificent International Hotel, Shanghai	2,865	2,960	+95
Total amount for the year	32,756	65,472	+32,716

	Leasehold land	Hotel buildings	Furniture, fixture and equipment	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	30,251	29,069	6,152	65,472

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

Leasehold land	Over the remaining term of land lease
Hotel buildings	50 years or over the remaining term of land lease, whichever is the shorter
Furniture, fixtures and equipment	4%-33%

FUTURE PROSPECTS

- For the year under review, the investment properties such as Shun Ho Tower, 633 King's Road and shops in Ramada Hotel Kowloon, Ramada Hong Kong Hotel, Best Western Hotel Taipa, Macau and new shops in Best Western Grand Hotel remained almost fully let. It is expected that the rental revenue from these properties will have modest increase in 2014.

As at the date of this announcement, the leasing of the grade A office building at 633 King's Road achieved rental income of HK\$80 million (excluding rates and management fee incomes) per annum. The management envisages the office building will have modest rental increase in 2014 as most leases are due for renewal.

For the year under review, the travel industry have suffered lesser spending willingness from our largest PRC guests segment, probably due to the low economic cycle being encountered in the PRC. However, visitors coming to Hong Kong continue to grow by 12% from January to December 2013 according to the Hong Kong Tourist Board.

For the year under review, the turnover for the seven hotels amounted to HK\$583 million, increased by 39%. The 39% 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
	2013 HK\$
Ramada Hotel Kowloon	1,032
Ramada Hong Kong Hotel	822
Best Western Hotel Causeway Bay	887
Best Western Hotel Harbour View	721
Best Western Grand Hotel	916
Best Western Hotel Taipa, Macau	679
Magnificent International Hotel, Shanghai	344

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

The turnover of the Group's seven hotels for the period from 1st January to 18th February 2014 amounted to HK\$79 million representing 6.75% improvement compared with the corresponding period in 2013.

	Ramada Hotel Kowloon		Ramada Hong Kong Hotel		Best Western Hotel CausewayBay		Best Western Hotel Harbour View		Best Western Grand Hotel		Best Western Hotel Taipa, Macau		Magnificent International Hotel, Shanghai		Change
	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\$	
2014															
Jan	98	1,003	98	757	98	873	99	621	99	887	96	636	55	325	+5
1 to 18 Feb	99	1,194	99	871	99	1,002	100	663	99	971	96	1,018	70	327	+9

With the positive cash flow surplus of HK\$148 million for the year ended 31st December, 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 to fund any of the new property acquisitions.

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 2,085 rooms and after the disposal of Best Western Hotel Taipa, Macau and the hotel development sites in Sheung Wan will add an additional 214 rooms, the number of hotel rooms will soon be about 2,037 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.

The management will try the best endeavour to complete the construction of the new hotel to increase future earnings base and value for the Group.

Nos. 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.

LOOKING AHEAD, the management expects 2014 will be an outstanding improved year for the Group's hotel operation. The hotels occupancy remain high because of the increasing leisure traveling from the PRC and their further visa relaxation and devaluation of Hong Kong dollar against Renminbi. The improving hotel business will help to increase the Group's overall turnover.

The management is most excited with the commencing operation of the MTR Western line in 2014 which will significantly benefit our three hotels with about 1,000 rooms in terms of occupancies, room rates and hotel values.

The HK\$900 million sales proceed from the disposal of the Macau subsidiary and low debt ratio (6%) of the Company will be advantageous to future acquisition of hotel or commercial property assets to further increase the Group's income and value.

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.

Thus 2014 and onwards will be the **HARVESTING YEARS** for Magnificent Estates Limited after many years of development of the new hotels.

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 debt ratio (6%) 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 year.

CORPORATE GOVERNANCE

(a) Compliance with the Corporate Governance Code

During the year ended 31st December, 2013, the Company has complied with all the code provisions set out in the Corporate Governance Code of Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited with the exception of the following deviations:

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

The Company does not have separate appointments for Chairman and Chief Executive Officer. Mr. William Cheng Kai Man holds both positions. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person enables the Company to have a stable and consistent leadership. It also facilitates the planning and execution of the Company’s strategy and is hence, for the interests of the Company and its shareholders.

Code Provision A.4.1: non-executive directors should be appointed for a specific term.

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

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

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

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

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

(b) Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard set out in the Model Code during the year.

REVIEW BY THE AUDIT COMMITTEE

The audit committee has reviewed the audited financial results of the Group for the year ended 31st December, 2013.

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, 2013 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, 19th February, 2014

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.