

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



MAGNIFICENT ESTATES LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 201)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2012

RESULTS

The board of directors (the “Board”) of Magnificent Estates Limited (the “Company”) announces that the audited consolidated profit attributable to owners of the Company for the year ended 31st December, 2012 amounted to HK\$536,347,000 (2011: HK\$487,819,000 (restated)). The audited consolidated results of the Company and its subsidiaries (together the “Group”) for the year, together with comparative figures for the previous year, are as follows:

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2012

	NOTES	2012 HK\$'000	2011 HK\$'000 (Restated)
Revenue	3	520,503	401,648
Cost of sales		(3,560)	(3,073)
Other service costs		(154,235)	(116,707)
Depreciation of property, plant and equipment and release of prepaid lease payments for land		<u>(32,795)</u>	<u>(23,443)</u>
Gross profit		329,913	258,425
Increase in fair value of investment properties		298,220	298,030
Other income		16,739	15,714
Fair value changes of investments held for trading		-	(3)
Administrative expenses			
- Depreciation		(2,820)	(4,717)
- Others		(19,967)	(16,029)
		(22,787)	(20,746)
Other expenses		(21,823)	(17,909)
Finance costs	5	<u>(15,533)</u>	<u>(8,179)</u>
Profit before taxation	6	584,729	525,332
Income tax expense	7	<u>(48,382)</u>	<u>(37,513)</u>
Profit for the year attributable to owners of the Company		<u>536,347</u>	<u>487,819</u>

Consolidated Statement of Comprehensive Income (Continued)*For the year ended 31st December, 2012*

	<i>NOTE</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i> <i>(Restated)</i>
Other comprehensive income (expense)			
Exchange differences arising on translation of foreign operations		1,236	3,733
Fair value gain (loss) on available-for-sale investments		<u>54,341</u>	<u>(24,897)</u>
Other comprehensive income (expense) for the year		<u>55,577</u>	<u>(21,164)</u>
Total comprehensive income for the year attributable to owners of the Company		<u>591,924</u>	<u>466,655</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	9		
Basic		<u>5.99</u>	<u>5.46</u>
Diluted		<u>N/A</u>	<u>N/A</u>

Consolidated Statement of Financial Position

At 31st December, 2012

	NOTES	31 st December, 2012 HK\$'000	31 st December, 2011 HK\$'000 (Restated)	1 st January, 2011 HK\$'000 (Restated)
Non-Current Assets				
Property, plant and equipment		2,537,105	1,133,012	730,392
Prepaid lease payments for land		60,177	61,049	60,767
Investment properties		2,925,100	2,626,880	2,328,850
Properties under development		237,338	1,517,390	1,680,680
Available-for-sale investments		185,863	131,522	156,419
Deposit for acquisition of property, plant and equipment		-	-	2,591
		<u>5,945,583</u>	<u>5,469,853</u>	<u>4,959,699</u>
Current Assets				
Inventories		963	660	520
Properties held for sale		21,650	21,650	21,650
Investments held for trading		-	-	6
Prepaid lease payments for land		1,502	1,502	1,502
Trade and other receivables	10	30,574	19,939	12,909
Other deposits and prepayments		7,293	6,938	4,026
Pledged bank deposits		110	110	110
Bank balances and cash		<u>179,759</u>	<u>99,540</u>	<u>40,586</u>
		<u>241,851</u>	<u>150,339</u>	<u>81,309</u>
Current Liabilities				
Trade and other payables and accruals	11	59,864	62,802	28,398
Rental and other deposits received		15,162	6,786	16,711
Advance from immediate holding company		144,161	104,245	79,354
Advance from ultimate holding company		51,072	59,960	61,211
Advance from a fellow subsidiary		4,745	4,745	4,745
Tax liabilities		20,210	14,164	9,502
Bank loans		1,074,411	1,110,957	1,034,792
Mandatory convertible bonds liability		-	-	11,193
		<u>1,369,625</u>	<u>1,363,659</u>	<u>1,245,906</u>
Net Current Liabilities		<u>(1,127,774)</u>	<u>(1,213,320)</u>	<u>(1,164,597)</u>
Total Assets less Current Liabilities		<u>4,817,809</u>	<u>4,256,533</u>	<u>3,795,102</u>
Capital and Reserves				
Share capital		89,471	89,471	59,651
Share premium and reserves		<u>4,603,896</u>	<u>4,052,234</u>	<u>3,642,270</u>
		<u>4,693,367</u>	<u>4,141,705</u>	<u>3,701,921</u>
Non-Current Liabilities				
Rental deposits received		22,625	26,993	18,888
Deferred tax liabilities		<u>101,817</u>	<u>87,835</u>	<u>74,293</u>
		<u>124,442</u>	<u>114,828</u>	<u>93,181</u>
		<u>4,817,809</u>	<u>4,256,533</u>	<u>3,795,102</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 by 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. PRINCIPAL ACCOUNTING POLICIES

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKFRS 7	Financial instruments: Disclosures - Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets
Amendments to HKAS 1	As part of the Annual Improvements to HKFRSs 2009-2011 Cycle issued in 2012

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group’s and the Company’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets

The Group has applied for the first time the amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets* in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment property portfolios and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore the directors have determined that the ‘sale’ presumption set out in the amendments to HKAS 12 is not rebutted.

The application of the amendments to HKAS 12 has resulted in the Group not recognising any deferred taxes on changes in fair value of investment properties located in Hong Kong as the Group is not subject to any income taxes on disposal of those investment properties. For the property situated in Macau, the Group is subject to income tax on disposal of the property. Previously, the Group recognised deferred taxes on changes in fair value of investment properties based on the tax consequences that would follow the manner in which the Group expected to recover the carrying amount of the investment properties.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)
Amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets* (Continued)

The amendments to HKAS 12 have been applied retrospectively, resulting in the Group's deferred tax liabilities being decreased by HK\$269,688,000 as at 1st January, 2011 with the corresponding credit being recognised in retained profits. Similarly, the deferred tax liabilities have been decreased by HK\$316,792,000 as at 31st December, 2011.

The change in accounting policy has resulted in the Group's income tax expense for the years ended 31st December, 2012 and 31st December, 2011 being reduced by HK\$46,880,000 and HK\$47,104,000 respectively and hence resulted in profit for the years ended 31st December, 2012 and 31st December, 2011 being increased by HK\$46,880,000 and HK\$47,104,000 respectively.

Amendments to HKAS 1 *Presentation of Financial Statements* (as part of the Annual Improvements to HKFRSs 2009-2011 Cycle issued in June 2012)

Various amendments to HKFRSs were issued in June 2012, the title of which is Annual Improvements to HKFRSs (2009-2011 Cycle). The effective date of these amendments is annual periods beginning on or after 1st January, 2013.

In current year, the Group has applied for the first time the amendments to HKAS 1 in advance of the effective date (annual periods beginning on or after 1st January, 2013).

HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

In the current year, the Group has applied the amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets* for the first time, which has resulted in a material effect on the information in the consolidated statement of financial position as at 1st January, 2011. In accordance with the amendments to HKAS 1, the Group has not presented the related notes of the third statement of financial position as at 1st January, 2011.

Summary of the effects of the above changes in accounting policies

The effect of the changes in accounting policies described above on the results for the current and prior years by line items are as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Decrease in income tax expense and increase in profit for the year	<u>46,880</u>	<u>47,104</u>

2. PRINCIPAL ACCOUNTING POLICIES (Continued)
Summary of the effects of the above changes in accounting policies (Continued)

The effects of changes in accounting policy on the financial position of the Group as at 1st January, 2011 and 31st December, 2011 is as follows:

	As at 1 st January, 2011 (Originally <i>stated</i>) HK\$ '000	Adjustments HK\$ '000	As at 1 st January, 2011 (Restated) HK\$ '000	As at 31 st December, 2011 (Originally <i>stated</i>) HK\$ '000	Adjustments HK\$ '000	As at 31 st December, 2011 (Restated) HK\$ '000
Effects on net assets:						
Deferred tax liabilities	<u>343,981</u>	<u>(269,688)</u>	<u>74,293</u>	<u>404,627</u>	<u>(316,792)</u>	<u>87,835</u>
Effects on equity:						
Retained profits	<u>1,876,368</u>	<u>269,688</u>	<u>2,146,056</u>	<u>2,290,242</u>	<u>316,792</u>	<u>2,607,034</u>

The effects of the above changes in accounting policies on the financial positions of the Group as at 31st December, 2012 is as follows:

	As at 31 st December, 2012 HK\$ '000
Effects on net assets:	
Decrease in deferred tax liabilities	<u>(363,672)</u>
Effects on equity:	
Increase in retained profits	<u>363,672</u>

The effects of the above changes in accounting policies on the Group's basic earnings per share for the current and prior year are as follows:

Impact on basic earnings per share

	2012 HK cents	2011 HK cents
Figures before adjustments	5.47	4.93
Adjustments arising from change in the Group's accounting policies in relation to:		
- application of amendments to HKAS 12 in respect of deferred taxes on investment properties	<u>0.52</u>	<u>0.53</u>
Figures after adjustments	<u>5.99</u>	<u>5.46</u>

3. REVENUE

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Income from operation of hotels	420,088	306,608
Property rental	<u>100,415</u>	<u>95,040</u>
	<u><u>520,503</u></u>	<u><u>401,648</u></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
4. Hospitality services - Magnificent International Hotel, Shanghai
5. Hospitality services - Best Western Hotel Causeway Bay (Note a)
6. Hospitality services - Best Western Hotel Harbour View (Note b)
7. Hospitality services - Best Western Grand Hotel (Note c)
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 b)
13. Property development for hotel - 23 Austin Avenue (Note c)
14. Property development for hotel - 38 Bowrington Road (Note a)
15. Property development for hotel - 338 Queen's Road West

Notes : a. The hotel development was completed in 2011 and accordingly transferred to the segment of "Hospitality services - Best Western Hotel Causeway Bay".
b. The hotel development was completed in 2012 and accordingly transferred to the segment of "Hospitality services - Best Western Hotel Harbour View".
c. The hotel development was completed in 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)
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 /loss	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Hospitality services	420,088	306,608	229,859	164,283
- Ramada Hotel Kowloon	81,333	79,208	41,933	39,498
- Ramada Hong Kong Hotel	102,928	99,825	62,757	62,198
- Best Western Hotel Taipa, Macau	64,936	60,730	36,184	32,681
- Magnificent International Hotel, Shanghai	19,781	17,914	3,239	3,090
- Best Western Hotel Causeway Bay	85,934	48,931	45,163	26,816
- Best Western Hotel Harbour View	60,579	-	38,800	-
- Best Western Grand Hotel	4,597	-	1,783	-
Property investment	100,415	95,040	398,274	392,172
- 633 King's Road	70,794	69,053	186,561	312,440
- Shun Ho Tower	18,203	16,287	89,094	23,532
- Shops	11,418	9,700	122,619	56,200
Securities investment and trading	-	-	-	(3)
Property development for hotel	-	-	-	-
- 239 Queen's Road West	-	-	-	-
- 23 Austin Avenue	-	-	-	-
- 38 Bowrington Road	-	-	-	-
- 338 Queen's Road West	-	-	-	-
	<u>520,503</u>	<u>401,648</u>	<u>628,133</u>	<u>556,452</u>
Other income			16,739	15,714
Other expenses			(21,823)	(17,909)
Central administration costs and directors' emoluments			(22,787)	(20,746)
Finance costs			<u>(15,533)</u>	<u>(8,179)</u>
Profit before taxation			<u>584,729</u>	<u>525,332</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:

	2012 HK\$'000	2011 HK\$'000
Hong Kong	432,713	320,092
Macau	68,009	63,642
The PRC	<u>19,781</u>	<u>17,914</u>
	<u>520,503</u>	<u>401,648</u>

5. FINANCE COSTS

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Interests on :		
Bank loans wholly repayable within five years	23,215	13,662
Effective interest expense on mandatory convertible bonds	-	702
Advance from ultimate holding company wholly repayable within five years	2,132	724
Advance from immediate holding company wholly repayable within five years	<u>4,689</u>	<u>1,034</u>
	30,036	16,122
<i>Less:</i> amount capitalised in properties under development (Note)	<u>(14,503)</u>	<u>(7,943)</u>
	<u><u>15,533</u></u>	<u><u>8,179</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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	2,174	1,663
Staff costs including directors' emoluments	95,127	82,318
Depreciation of property, plant and equipment	34,113	26,658
Release of prepaid lease payments for land	1,502	1,502
Operating lease rental in respect of rented equipment	2,005	1,181
Gross rental income from investment properties	(100,415)	(95,040)
<i>Less:</i> Direct operating expenses incurred for investment properties that generated rental income during the year	<u>322</u>	<u>852</u>
	<u><u>(100,093)</u></u>	<u><u>(94,188)</u></u>

7. INCOME TAX EXPENSE

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i> <i>(Restated)</i>
The taxation charge comprises:		
Current tax		
Hong Kong	30,057	24,621
The PRC	551	490
Other jurisdiction	<u>3,840</u>	<u>3,419</u>
	34,448	28,530
Overprovision in prior years:		
Hong Kong	(48)	(4,559)
Deferred tax		
Current year	<u>13,982</u>	<u>13,542</u>
	<u><u>48,382</u></u>	<u><u>37,513</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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Dividend recognised as distribution during the year:		
Final dividend in respect of the year ended 31 st December, 2011 of HK0.3 cent (2011: Final dividend in respect of the year ended 31 st December, 2010 of HK0.3 cent) per share was paid to shareholders	26,841	26,841
Interim dividend in respect of the six months ended 30 th June, 2012 of HK0.15 cent (2011: No interim dividend in respect of the six months ended 30 th June, 2011) per share will be paid to shareholders	<u>13,421</u>	<u>-</u>
	<u><u>40,262</u></u>	<u><u>26,841</u></u>

The final dividend in respect of the year ended 31st December, 2012 of HK0.5 cent per share amounting to HK\$44,735,000 has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i> <i>(Restated)</i>
<u>Earnings</u>		
Profit for the year attributable to owners of the Company	536,347	487,819
Effective interest expense on mandatory convertible bonds	<u>-</u>	<u>702</u>
Earnings for the purpose of basic earnings per share	<u>536,347</u>	<u>488,521</u>
<u>Number of shares</u>		
	2012 <i>'000</i>	2011 <i>'000</i>
Weighted average number of ordinary shares in issue	8,947,051	8,113,728
Effect of ordinary shares to be issued upon the conversion of mandatory convertible bonds	<u>-</u>	<u>833,323</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>8,947,051</u>	<u>8,947,051</u>

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:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Not yet due	25,883	16,923
Overdue:		
0-30 days	2,547	596
31-60 days	456	56
61-90 days	<u>195</u>	<u>90</u>
	<u>29,081</u>	<u>17,665</u>
	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Analysed for reporting as:		
Trade receivables	29,081	17,665
Other receivables	<u>1,493</u>	<u>2,274</u>
	<u>30,574</u>	<u>19,939</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:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
0-30 days	3,923	2,611
31-60 days	349	299
61-90 days	<u>501</u>	<u>380</u>
	<u>4,773</u>	<u>3,290</u>
	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Analysed for reporting as:		
Trade payables	4,773	3,290
Other payables and accruals (Note)	<u>55,091</u>	<u>59,512</u>
	<u>59,864</u>	<u>62,802</u>

Note : Other payables and accruals include construction costs payable of HK\$32,019,000 (2011: HK\$44,624,000) .

DIVIDEND

The Board recommends the payment of a final dividend of HK0.5 cent per share for the year ended 31st December, 2012 (2011: HK0.3 cent per share), which is equivalent to about 1% of the closing price of the Company's shares immediately before the date of this announcement, payable on 19th July, 2013 to shareholders whose names appear on the register of members of the Company on 5th July, 2013. With reference to the announcement of 2012 interim results of the Company dated 28th August 2012, shareholders are reminded that an interim dividend of HK0.15 cent per share for the six months ended 30th June, 2012 is also payable on 19th July, 2013 to shareholders whose names appear on the register of members of the Company on 5th July, 2013. Therefore, shareholders whose names appear on the register of members of the Company on 5th July, 2013 will collect dividends for a total sum of HK0.65 cent per share.

The annual dividend for the year 2006, 2007, 2009, 2010 and 2011 received by shareholders was 1% of the last closing price of the Company's share 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 Tuesday, 18th June, 2013 ("AGM"), the register of members will be closed from Tuesday, 11th June, 2013 to Tuesday, 18th June, 2013, 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, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 10th June, 2013.

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 Tuesday, 2nd July 2013 and Friday, 5th July, 2013, 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, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 28th June, 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

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

The audited consolidated profit attributable to owners of the Company for the year ended 31st December, 2012 amounted to HK\$536,347,000 (2011: HK\$487,819,000), increased by 10% (*Note a*).

	2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	Change
Revaluation profit of investment properties	298,030	298,220	+0%
Income from operation of hotels	154,477	209,678	+36%
Properties rental	91,623	97,337	+6%
Other income	<u>1,951</u>	<u>2,281</u>	+17%
	546,081	607,516	
Administrative and other expenses	(20,749)	(22,787)	+10%
Income tax expense	<u>(37,513)</u>	<u>(48,382)</u>	+29%
Profit after taxation	487,819	536,347	+10% (<i>Note a</i>)
Less: Revaluation profit of investment properties and its related deferred taxation	(295,959)	(296,540)	-
Add: Properties depreciation and release of prepaid lease payment for land	<u>28,266</u>	<u>35,576</u>	
Operating profit after taxation	220,126	275,383	+25% (<i>Note b</i>)

Before revaluation profit of all investment properties and its related taxation, depreciation and release of prepaid lease payment for land, the **operating profit** attributable to owners of the Company for the year ended 31st December, 2012 is **HK\$275 million** (2011: HK\$220 million), **increased by 25%** (*Note b*).

The net assets before revaluation on all asset properties and before deferred tax of the Group amounted to HK\$4,795 million (2011: HK\$4,230 million), HK\$0.54 (2011: HK\$0.47) per ordinary share as at 31st December, 2012.

The **net assets after revaluation** on all asset properties but before deferred tax of the Group amounted to **HK\$10,461 million**, (2011: HK\$7,715 million), **HK\$1.17** (2011: HK\$0.86) **per ordinary share** as at 31st December, 2012.

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 the 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 and Magnificent International Hotel, Shanghai with 2,086 rooms together with one new hotel under development in Sheung Wan, 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:–

	2009	2010	2011	2012
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Adjusted Shareholders' Fund	5,187	6,397	7,715	10,461
Net Assets Value Per Ordinary Share	HK\$0.87	HK\$1.07	HK\$0.86	HK\$1.17

PERFORMANCES

- For the year ended 31st December, 2012, 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	2011	2012	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Income from operation of hotels	306,608	420,088	+37%
Properties rental income	95,040	100,415	+6%
Other income	<u>15,714</u>	<u>16,739</u>	+7%
Total	417,362	537,242	+29%

The total income for the Group increased by 29% from HK\$417million to HK\$537 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 37% to HK\$420 million (2011: HK\$307 million).

	Ramada Hotel Kowloon		Ramada Hong Kong Hotel		Best Western Hotel CausewayBay		Best Western Hotel Harbour View		Best Western Hotel Taipa, Macau		Magnificent International Hotel, Shanghai		Best Western Grand Hotel		Total income Compared With 2011 Change %
	Avg Room Occupancy	Avg Rate HK\$	Avg Room Occupancy	Avg Rate HK\$	Avg Room Occupancy	Avg Rate HK\$	Avg Room Occupancy	Avg Rate HK\$	Avg Room Occupancy	Avg Rate HK\$	Avg Room Occupancy	Avg Rate HK\$	Avg Room Occupancy	Avg Rate HK\$	
	%	HK\$	%	HK\$	%	HK\$	%	HK\$	%	HK\$	%	HK\$	%	HK\$	
2012															
Jan	98	1,147	89	977	90	1,038	N/A	N/A	94	837	63	304	N/A	N/A	+70
Feb	98	923	93	783	94	833	N/A	N/A	97	603	70	328	N/A	N/A	+42
Mar	98	1,007	93	887	94	946	N/A	N/A	97	630	86	346	N/A	N/A	+47
Apr	97	1,166	91	1,023	94	1,017	N/A	N/A	95	707	90	362	N/A	N/A	+39
May	96	839	91	711	90	711	N/A	N/A	97	578	80	355	N/A	N/A	+32
Jun	97	864	96	752	96	720	N/A	N/A	96	573	85	340	N/A	N/A	+26
Jul	99	975	97	829	98	872	84	785	97	651	91	329	N/A	N/A	+15
Aug	98	1,184	97	938	99	973	97	839	98	700	89	329	N/A	N/A	+45
Sep	94	985	91	840	93	867	91	764	95	671	71	364	N/A	N/A	+42
Oct	97	1,230	93	1,021	94	1,095	94	920	93	770	79	374	N/A	N/A	+29
Nov	98	1,177	97	980	98	1,069	99	885	98	700	76	365	N/A	N/A	+30
Dec	98	1,369	95	1,079	97	1,156	98	967	96	766	62	339	83	988	+40
Avg/yr	97	1,074	94	902	95	943	95	871	96	682	79	345	83	988	
2012 Total	HK\$81,333,000		HK\$102,928,000		HK\$85,934,000		HK\$60,579,000		HK\$64,936,000		HK\$19,781,000		HK\$4,597,000		HK\$420,088,000
Increased % compare to 2011	+3%		+3%		+6% (Jul - Dec)		N/A		+7%		+10%		N/A		+37%
Other incomes	<u>HK\$6,043,000</u>		<u>HK\$2,303,000</u>		<u>N/A</u>		<u>N/A</u>		<u>HK\$3,072,000</u>		<u>N/A</u>		<u>N/A</u>		<u>HK\$11,418,000</u>
Total income	HK\$87,376,000		HK\$105,231,000		HK\$85,934,000		HK\$60,579,000		HK\$68,008,000		HK\$19,781,000		HK\$4,597,000		HK\$431,506,000
Annual expenses	HK\$(32,743,000)		HK\$(36,673,000)		HK\$(28,700,000)		HK\$(18,750,000)		HK\$(25,318,000)		HK\$(13,677,000)		HK\$(1,612,000)		HK\$(157,473,000)
EBITDA	HK\$54,633,000		HK\$68,558,000		HK\$57,234,000		HK\$41,829,000		HK\$42,690,000		HK\$6,104,000		HK\$2,985,000		HK\$274,033,000

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\$100 million (2011: HK\$95 million). The growth was derived from 633 King's Road. At the date of this announcement, it provided an annual rental income of HK\$72 million (excluding rates and management fee).

The properties rental income was analysed as follows:–

	2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	Change
633 King's Road	69,053	70,794	+3%
Shun Ho Tower	16,287	18,203	+12%
Shops	<u>9,700</u>	<u>11,418</u>	+18%
Total	95,040	100,415	+6%

OTHER INCOME amounted to HK\$17 million (2011: HK\$16 million) which was mostly property management fee income of HK\$16 million (2011: HK\$15 million) with related expenses of HK\$14 million (2011: HK\$14 million).

	2012 <i>HK\$'000</i>		2011 <i>HK\$'000</i> <i>(Restated)</i>
Revenue	520,503	+30%	401,648
Cost of sales	(3,560)		(3,073)
Other service costs	(154,235)		(116,707)
Depreciation of property, plant and equipment and release of prepaid lease payments for land	<u>(32,795)</u>	+40%	<u>(23,443)</u>
Gross profit	329,913		258,425
Increase in fair value of investment properties	298,220		298,030
Other income	16,739		15,714
Fair value changes of investments held for trading	-		(3)
Administrative expenses			
- Depreciation	<u>(2,820)</u>		<u>(4,717)</u>
- Others	<u>(19,967)</u>		<u>(16,029)</u>
	(22,787)		(20,746)
Other expenses	(21,823)		(17,909)
Finance costs	<u>(15,533)</u>	+90%	<u>(8,179)</u>
Profit before taxation	584,729		525,332
Income tax expense	<u>(48,382)</u>		<u>(37,513)</u>
Profit for the year attributable to owners of the Company	<u>536,347</u>		<u>487,819</u>

COST

- **OVERALL SERVICE COSTS** of the Group for the year was HK\$157.8 million (2011: HK\$119.8 million), in which HK\$157.5 million (2011: HK\$118.9 million) was for the hotel operations including food and beverage and costs of sales and HK\$0.3 million (2011: HK\$0.9 million) was mainly for rates and leasing commission paid for investment properties. The increase of hotel operation costs was mainly due to the newly opened Best Western Hotel Harbour View and Best Western Grand Hotel amounted to HK\$18.8 million and HK\$1.6 million respectively.

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

Name of Hotel	2011 <i>HK\$ million</i> Per month	2012 <i>HK\$ million</i> Per month	Change
Ramada Hotel Kowloon	2.7	2.8	+4%
Ramada Hong Kong Hotel	2.8	3.0	+7%
Best Western Hotel, Macau	2.1	2.1	N/A
Magnificent International Hotel, Shanghai	<u>1.0</u>	<u>1.1</u>	+10%
Average expenses per month	8.6	9.0	+5%
Total amount for the year	103.2	108.0	+5%
New Hotels during the year			
Best Western Hotel Causeway Bay	(For six months) 15.7	29.1	
Best Western Hotel Harbour View	N/A	18.8	(Jul to Dec)
Best Western Grand Hotel	<u>N/A</u>	<u>1.6</u>	(Dec)
Total amount for the year	118.9	157.5	

During the year, the **ADMINISTRATIVE EXPENSES** excluding depreciation was HK\$20 million (2011: HK\$16 million) for corporate management office including directors' fees, salaries for executive staff and employees, rental, marketing expenses and office expenses.

OTHER EXPENSES were HK\$21.8 million (2011: HK\$17.9 million). Other expenses included property management expenses of HK\$14.5 million (2011: HK\$13.8 million) and the total pre-operating expenses of Best Western Hotel Harbour View and Best Western Grand Hotel of HK\$7.4 million (2011: the pre-operating expense of Best Western Hotel Causeway Bay amounted to HK\$4.1 million). The property management expenses were increased by HK\$0.7 million due to the increase of cost of staff and utilities while the management fee remained unchanged.

FUNDING

- At 31st December, 2012, the **OVERALL DEBT** of the Group was HK\$1,269 million (2011: HK\$1,275 million), of which HK\$1,074 million (2011: HK\$1,111 million) was bank borrowings and HK\$195million (2011: HK\$164 million) was advance from shareholders.

The debt ratio was 11% (2011: 14%) in term of overall debt of HK\$1,269 million (2011: HK\$1,275 million) against the fully revalued assets of the Group amounted to HK\$11,854 million (2011: HK\$9,106 million).

The gearing ratio was approximately 27% (2011: 31%) in term of overall debt of HK\$1,269 million (2011: HK\$1,275 million) against funds employed of HK\$4,693 million (2011: HK\$4,142 million).

The overall debts was analysed as follows:–

	2011	2012	Change	Interest Paid
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>2012</i> <i>HK\$ million</i>
bank loans	1,111	1,074	-37	23.2
shareholders' loans	<u>164</u>	<u>195</u>	<u>+31</u>	<u>6.8</u>
Overall debt	1,275	1,269	-6	30.0
Debt ratio	14%	11%		
(Based on Fully Revalued Assets)				

- FINANCE COST:** Of these loans, the total interest expenses amounted to HK\$30 million (2011: HK\$16 million), the shareholders loans interest expenses amounted to HK\$6.8 million (2011:HK\$1.7 million). The mandatory convertible bond matured on 13th April, 2011, no interest expenses on mandatory convertible bond during the year (2011: HK\$0.7 million) were paid.

Out of these interests totally paid, HK\$14 million (2011: HK\$8 million) was capitalised and HK\$16 million (2011: HK\$8 million) reflected in the expenses account. The increase of interest expense account 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\$537 million (2011: HK\$417 million) with operating expenses of HK\$200 million (2011: HK\$154 million), interests paid and dividend paid out of the Group of HK\$57 million (2011: HK\$52 million) and net repayment of bank loans of HK\$37 million (2011: Nil), the **positive cash flow was therefore HK\$155 million** (2011: HK\$211 million) which was spent on various construction expenses and acquisition of property, plant and equipment. The remaining positive cash flow amounted to HK\$89 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 about 49% increase in the Group's staffing level compared to 31st December 2011. 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, 2012 and the valuation surplus (before accounting for any deferred taxes) not included in financial position at 31st December, 2012 are as follows:

Name of properties	Independent professional valuation report (from Dudley Surveyors Limited) at 31.12.2012 <i>HK\$'000</i>	Carrying amounts (in the accounts under accounting standard) at 31.12.2012 <i>HK\$'000</i>	Valuation surplus not included in accounts (before accounting for any deferred taxes) at 31.12.2012 <i>HK\$'000</i>
Ramada Hotel Kowloon	1,086,000	377,476	708,524
Ramada Hong Kong Hotel	1,364,000	438,349	925,651
Best Western Hotel Causeway Bay	1,087,000	379,252	707,748
Best Western Hotel Harbour View	1,741,000	523,080	1,217,920
Best Western Grand Hotel	1,968,000	878,455	1,089,545
Best Western Hotel Taipa, Macau	782,000	288,762	493,238
Magnificent International Hotel, Shanghai	389,000	91,981	297,019
633 King's Road	1,900,000	1,900,000	-
338 Queen's Road West	409,000	237,338	171,662
Shun Ho Tower	559,000	545,485	13,515
Properties at Gold Coast	63,000	21,650	41,350
Total	11,348,000	5,681,828	5,666,172

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>
Total net assets (before deferred tax) of the Group	4,795,184
Add: Valuation surplus (before accounting for any deferred taxes) not recognised in the accounts	<u>5,666,172</u>
Net Assets Value of the Company	10,461,356

- (b) The accounting standards require hotel properties of the Group to provide depreciation which amounted to HK\$33 million (2011: HK\$24 million) for the year. The depreciation increased from HK\$24 million to HK\$33 million was wholly due to the depreciation of Best Western Hotel Causeway Bay, Best Western Hotel Harbour View and Best Western Grand Hotel amounted to HK\$12 million, HK\$3 million and HK\$1 million respectively.

DEPRECIATION OF HOTEL PROPERTIES

Name of Hotel	2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	Change <i>HK\$'000</i>
Ramada Hotel Kowloon	6,735	6,656	-79
Ramada Hong Kong Hotel	3,479	3,498	+19
Best Western Hotel Causeway Bay	6,845	12,071	+5,226
Best Western Hotel Harbour View	N/A	3,029	+3,029
Best Western Grand Hotel	N/A	1,201	+1,201
Best Western Hotel, Macau	3,426	3,434	+8
Magnificent International Hotel, Shanghai	2,912	2,867	-45
Total amount for the year	23,397	32,756	+9,359

	Leasehold land <i>HK\$'000</i>	Hotel buildings <i>HK\$'000</i>	Furniture, fixture and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Depreciation	12,631	16,224	3,901	32,756

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 2013.

For the year under review, there was no significant property being disposed of. An agreement was entered in January 2013 to dispose the company which hold the houses at Gold Coast, New Territories for the consideration of HK\$63 million and an estimate profit of HK\$42 million will be attributable to the year of 2013.

For the year under review, the turnover for the seven hotels was amounted to HK\$420 million, increased by 37%.

Name of Hotel	Avg Room Rates		Change
	2011 HK\$	2012 HK\$	
Ramada Hotel Kowloon	1,047	1,074	+3%
Ramada Hong Kong Hotel	892	902	+1%
Best Western Hotel Causeway Bay (Jul to Dec 2012)	1,007	974	-3%
Best Western Hotel Harbour View	N/A	871	N/A
Best Western Grand Hotel	N/A	988	N/A
Best Western Hotel Taipa, Macau	627	682	+9%
Magnificent International Hotel, Shanghai	354	345	-3%

Best Western Hotel Harbour View commenced operation in July 2012, and Best Western Grand Hotel commenced operation in December 2012, its nearly full occupancy performance will significantly contribute to the Group's hotel revenue.

The hotels revenue of 2013 will be significantly improved by the whole year contribution from the Best Western Hotel Harbour View and Best Western Grand Hotel.

In the coming year, it is envisaged that the hotel business would be improving due to the continuous increase of inbound tourists and devaluation of Hong Kong dollar against Renminbi. The recovery of economy from the PRC and United States in 2013 will contribute growth to the tourism and hotel visits this year. 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, 2013 up to 18th February 2013 amounted to HK\$74,000,000 representing 59% improvement compared with the corresponding period in 2012.

	Ramada		Best Western Hotel		Best Western Hotel		Magnificent		Best Western Hotel		Best Western Grand		Change		
	Ramada Hotel Kowloon		Hong Kong Hotel		Causeway Bay		Taipa, Macau		International Hotel, Shanghai		Harbour View			Hotel	
	Avg Room	Avg Room	Avg Room	Avg Room	Avg Room	Avg Room	Avg Room	Avg Room	Avg Room	Avg Room	Avg Room	Avg Room	Avg Room	Avg Room	
	Occupancy	Rate	Occupancy	Rate	Occupancy	Rate	Occupancy	Rate	Occupancy	Rate	Occupancy	Rate	Occupancy	Rate	
	%	HK\$	%	HK\$	%	HK\$	%	HK\$	%	HK\$	%	HK\$	%	HK\$	
2013															
Jan	98	1,011	93	772	95	825	97	599	58	319	93	671	88	885	+41
1 st - 18 th Feb	98	1,073	88	866	95	895	94	941	58	331	90	774	90	976	+95

With the positive cash flow surplus of HK\$244 million for the year ended 31st December, 2012, the forecasted increase of rental incomes and growing hotel operations will ensure stronger future annual cash flow surplus which will alleviate the construction costs for building the new hotel that will increase the income and value of the Group.

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 be about 10% on development cost and substantial 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 2,086 rooms and the new hotels under development in Sheung Wan will provide an additional 214 rooms. The number of hotel rooms will soon be about 2,300 rooms to become a leading hotel rooms supplier in Hong Kong. Such strategy has and will continue to increase the value and recurring income of the Group substantially.

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 contract has been awarded 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 2013 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 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 11% debt ratio ensures the Group's stability over any further unforeseeable global financial turmoils.

The management is most pleased with the commencement of operation of the 432 rooms Best Western Hotel Harbour View and 397 rooms Best Western Grand Hotel and their immediate remarkable nearly full occupancies since July and December respectively and their additional contribution assisted to increase the Group's hotels revenue by 37% in 2012.

The 432 rooms Best Western Hotel Harbour View and 397 rooms Best Western Grand Hotel assisted to increase the Group's hotels revenue by 59% for the period from 1st January to 18th February 2013. The significant 432 rooms Best Western Hotel Harbour View and 397 rooms Best Western Grand Hotel will surely make significant improvement to the Group's hotel revenue in the years to come.

Thus 2013 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 11% debt ratio to enhance the Group's incomes and values with the aim to increase 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 Code on Corporate Governance Practices and Corporate Governance Code

During the year ended 31st December, 2012, the Company has complied with all the code provisions set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (Code on Corporate Governance Practices (effective until 31st March, 2012) and Corporate Governance Code (effective from 1st April, 2012)) 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 Code on Corporate Governance Practices and 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 A.6.7: independent non-executive directors and non-executive directors should attend general meetings

Madam Lui Fung Mei Yee, the non-executive director, was unable to attend the annual general meeting of the Company held on 18th June, 2012 due to other business engagement.

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, 2012.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st December, 2012 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, 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, 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.