MAGNIFICENT ESTATES LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 201)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31st DECEMBER, 2008

RESULTS

The board of directors (the "Board") of Magnificent Estates Limited (the "Company") announces that the audited consolidated profit attributable to shareholders of the Company and its subsidiaries (together the "Group") for the year ended 31st December, 2008 amounted to HK$123,115,000 (2007: HK$806,838,000). The audited consolidated results of the Group for the year, together with comparative figures for the previous year, are as follows:

Consolidated Income Statement

For the year ended 31st December, 2008

	NOTES	**2008** *HK$'000*	2007 *HK$'000*
Revenue	3	**286,191**	231,427
Cost of sales		**(4,164)**	(4,081)
Other service costs		**(105,805)**	(94,374)
Depreciation and release of prepaid lease payments for land		**(22,718)**	(22,201)
Gross profit		**153,504**	110,771
Increase in fair value of investment properties/ Revaluation surplus		**24,804**	922,619
Other income		**15,532**	15,116
Loss on fair value changes of investments held for trading		**(114)**	(2,218)
Administrative expenses			
- Depreciation		**(4,025)**	(3,181)
- Others		**(16,127)**	(15,768)
		(20,152)	(18,949)
Impairment loss recognised in respect of interest in an associate		**-**	(123)
Other expenses		**(11,351)**	(4,652)
Share of loss of an associate		**-**	(4)
Finance costs	5	**(33,878)**	(44,335)
Profit before taxation	6	**128,345**	978,225
Income tax expense	7	**(5,230)**	(171,387)
Profit for the year and attributable to shareholders of the Company		**123,115**	806,838
Dividend	8	**14,315**	12,022
		HK Cents	HK Cents
Earnings per share	9	**1.91**	14.08

Consolidated Balance Sheet
As at 31st December, 2008

	NOTES	2008 HK$'000	2007 HK$'000
Non-Current Assets			
Property, plant and equipment		**407,376**	413,847
Prepaid lease payments for land		**1,101,064**	821,904
Investment properties		**1,917,580**	2,536,250
Property under development		**741,914**	39,718
Interest in an associate		**-**	-
Available-for-sale investments		**124,371**	208,771
Deposit for acquisition of property, plant and equipment		**167**	-
Deposit for acquisition of land		**-**	4,694
		4,292,472	4,025,184
Current Assets			
Inventories		**814**	689
Properties for sale		**21,650**	21,534
Investments held for trading		**1**	20,698
Prepaid lease payments for land		**12,568**	12,223
Trade and other receivables	*10*	**18,888**	16,882
Other deposits and prepayments		**5,165**	4,506
Amount due from immediate holding company		**23**	3
Amount due from intermediate holding company		**28**	29
Pledged bank deposits		**110**	110
Time deposits		**2,500**	-
Bank balances and cash		**18,644**	10,965
		80,391	87,639
Current Liabilities			
Trade and other payables	*11*	**40,374**	40,513
Rental and other deposits received		**30,108**	21,489
Advance from immediate holding company		**45,408**	530,871
Advance from ultimate holding company		**60,427**	-
Advance from a fellow subsidiary		**4,746**	-
Tax liabilities		**4,963**	4,553
Bank loans		**181,914**	873,550
Mandatorily convertible bonds liability		**11,280**	-
		379,220	1,470,976
Net Current Liabilities		**(298,829)**	(1,383,337)
Total Assets less Current Liabilities		**3,993,643**	2,641,847
Capital and Reserves			
Share capital		**59,647**	59,647
Share premium and reserves		**2,768,927**	2,301,145
		2,828,574	2,360,792
Non-Current Liabilities			
Bank loans		**862,425**	-
Mandatorily convertible bonds liability		**27,995**	-
Deferred tax liabilities		**274,649**	281,055
		1,165,069	281,055
		3,993,643	2,641,847

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). 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 (the "Stock Exchange") and by the Hong Kong Companies Ordinance.

2. PRINCIPAL ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1st January 2008. The application of the new HKFRSs had no material effect on how the results and financial position of the Group for the current or prior accounting periods are prepared and presented. Accordingly, no prior year adjustment has been required.

3. REVENUE

	2008	2007
	HK$'000	*HK$'000*
Income from operation of hotels	**207,135**	197,658
Property rental income	**78,345**	32,341
Interest income from debt securities	**671**	1,348
Dividend income	**40**	80
	286,191	231,427

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is mainly organised into four operations. These operations based on which the Group reports its primary segment information are as follows:

Hospitality services	- operation of hotels
Property investment	- property letting
Property development	- development of properties
Securities investment and trading	- investment in and trading of securities

Segment information about these businesses is presented below:

REVENUE AND RESULTS
Year ended 31st December, 2008

	Hospitality Services HK$'000	Property Investment HK$'000	Property Development HK$'000	Securities investment and trading HK$'000	Consolidated HK$'000
REVENUE					
External	**207,135**	**78,345**	**-**	**711**	**286,191**
SEGMENT RESULTS					
Operations	**80,690**	**72,103**	**-**	**597**	**153,390**
Increase in fair value of investment properties	**-**	**24,804**	**-**	**-**	**24,804**
	80,690	**96,907**	**-**	**597**	**178,194**
Other income					**15,532**
Other expenses					**(11,351)**
Unallocated corporate expenses					**(20,152)**
Finance costs					**(33,878)**
Profit before taxation					**128,345**
Income tax expense					**(5,230)**
Profit for the year					**123,115**

REVENUE AND RESULTS
Year ended 31st December, 2007

	Hospitality Services HK$'000	Property Investment HK$'000	Property Development HK$'000	Securities investment and trading HK$'000	Consolidated HK$'000
REVENUE					
External	197,658	32,341	-	1,428	231,427
SEGMENT RESULTS					
Operations	79,299	30,044	-	(790)	108,553
Revaluation surplus/increase in fair value of investment properties	-	922,619	-	-	922,619
	79,299	952,663	-	(790)	1,031,172
Other income					15,116
Other expenses					(4,652)
Unallocated corporate expenses					(18,949)
Impairment loss recognised in respect of interest in an associate					(123)
Share of loss of an associate					(4)
Finance costs					(44,335)
Profit before taxation					978,225
Income tax expense					(171,387)
Profit for the year					806,838

Geographical segments

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

	2008 *HK$'000*	2007 *HK$'000*
Hong Kong	**218,419**	169,109
Macau	**47,439**	41,968
Other regions in the People's Republic of China (the "PRC")	**20,333**	20,350
	286,191	231,427

5. FINANCE COSTS

	2008 *HK$'000*	2007 *HK$'000*
Interests on :		
Bank loans wholly repayable within five years	**28,818**	29,531
Effective interest expense on mandatorily convertible bonds	**3,165**	-
Advance from ultimate holding company wholly repayable within five years	**1,427**	-
Advance from immediate holding company wholly repayable within five years	**13,491**	22,698
	46,901	52,229
Less: amount capitalised in property under development	**(13,023)**	(7,894)
	33,878	44,335

6. PROFIT BEFORE TAXATION

	2008 *HK$'000*	2007 *HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	**1,651**	1,462
Staff costs including directors' emoluments	**67,198**	52,410
Depreciation of property, plant and equipment	**20,464**	19,103
Release of prepaid lease payments for land	**12,375**	9,609
Less: amount capitalised and included in property under development	**(6,096)**	(3,330)
	6,279	6,279
Operating lease rental in respect of rented premises and equipment	**1,411**	1,371
Gross rental income from investment properties	**(78,345)**	(32,341)
Less: Direct operating expenses from investment properties that generated rental income during the year	**6,242**	2,297
	(72,103)	(30,044)

7. INCOME TAX EXPENSE

	2008	2007
	HK$'000	*HK$'000*
The taxation charge comprises:		
Current tax		
Hong Kong	**9,736**	8,211
The PRC	**1,010**	61
Other jurisdiction	**1,712**	1,457
	12,458	9,729
(Over) under provision in prior years:		
Hong Kong	**(567)**	609
Other jurisdiction	**(255)**	-
	(822)	609
Deferred tax		
Current year	**8,774**	161,576
Attributable to a change in tax rate	**(15,180)**	(527)
	(6,406)	161,049
	5,230	171,387

Hong Kong Profits Tax is calculated at 16.5% (2007:17.5%) of the estimated assessable profit for the year. Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

8. DIVIDEND

	2008	2007
	HK$'000	*HK$'000*
Dividend recognised as distribution during the year:		
Final dividend in respect of the year ended 31st December, 2007 of HK0.24 cents (2007: Final dividend in respect of the year ended 31st December, 2006 of HK0.22 cents) per share	**14,315**	12,022

The Board does not recommend the payment of a final dividend for the year ended 31st December, 2008.

9. EARNINGS PER SHARE

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

	2008	2007
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to equity holders of the Company	**123,115**	806,838
Interest on mandatorily convertible bonds	**3,165**	-
Earnings for the purpose of basic earnings per share	**126,280**	806,838

Number of shares	**2008**	2007
Weighted average number of ordinary shares in issue	**5,964,701,000**	5,729,084,000
Effect of ordinary shares to be issued upon the conversion of mandatory convertible bonds	**643,731,000**	-
Weighted average number of ordinary shares for the purpose of basic earnings per share	**6,608,432,000**	5,729,084,000

Diluted earnings per share for both years are not shown as there are no potential ordinary shares subsist 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 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 at the balance sheet date:

	2008	2007
	HK'000	*HK'000*
0-30 days	**16,266**	11,638
31-60 days	**634**	2,304
Over 60 days	**96**	1,300
	16,996	15,242

Analysed for reporting as:

Trade receivables	**16,996**	15,242
Other receivables	**1,892**	1,640
	18,888	16,882

11. TRADE AND OTHER PAYABLES

The following is an aged analysis of the Group's trade payables at the balance sheet date:

	2008	2007
	HK'000	*HK'000*
0-30 days	**8,522**	9,307
31-60 days	**633**	986
Over 60 days	**6,488**	3,536
	15,643	13,829

Analysed for reporting as:

Trade payables	**15,643**	13,829
Other payables	**24,731**	26,684
	40,374	40,513

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31st December, 2008 (2007: HK0.24 cents per share).

In view of the substantial construction costs outlay for 2009 to 2011 and the present difficult hotel business, the management is trying best endeavour to streamline cashflow in order to the Group's future obligations are met.

BOOK CLOSURE

The register of members will be closed from Monday, 1st June, 2009 to Friday, 5th June, 2009, both dates inclusive, during which period no transfer of shares will be registered. In order to determine the identity of members who are entitled to attend and vote at the Annual General Meeting to be held on Friday, 5th June, 2009, 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 Friday, 29th May, 2009.

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 shareholders of the Company for the year ended 31st December, 2008 amounted to HK$123,115,000.

Before the revaluations of all investment properties and its related deferred taxation, depreciation and release of prepaid lease payments for land, the operating profit attributable to shareholders of the Company for the year ended 31st December 2008 amounted to HK$115 million which represents an increase of 61% compared with that of the last year.

The net assets **before** deferred tax (not including revaluation on all asset properties) of the Group amounted to HK$3,103 million (HK$0.52 per share) during the financial year.

The net assets **after** valuation on all asset properties but before deferred tax of the Group ("Fully Revalued Net Assets") amounted to HK$4,976 million (HK$0.83 per share).

- For the year ended 31st December 2008, the Group's income was mostly derived from the aggregate of income from operation of hotels, properties rental income, interest and dividend income, which is analysed as follows:

Turnover	**2008**	2007	Change
	HK$'000	*HK$'000*	*%*
Income from operation of hotels	207,135	197,658	+5
Properties rental income	78,345	32,341	+142
Interest income from debt securities	671	1,348	-50
Dividend income	40	80	-50
	286,191	231,427	
Other income	15,532	15,116	+3
Total	**301,723**	246,543	

The income from operation of hotels increased by 5% to HK$207 million (2007: HK$198 million). The increase of turnover for the whole year was due to continuous high occupancy and higher room rates and aggressive promotions of Ramada Hotel Kowloon, Ramada Hong Kong Hotel, Best Western Hotel Taipa, Macau and Magnificent International Hotel, Shanghai.

	Ramada Hotel Kowloon		**Ramada Hong Kong Hotel**		**Best Western Hotel Taipa, Macau**		**Magnificent International Hotel, Shanghai**	
	Avg Room Occpancy	Avg Room Rate	Avg Room Occpancy	Avg Room Rate	Avg Room Occpancy	Avg Room Rate	Avg Room Occpancy	Avg Room Rate
2008	%	HK$	%	HK$	%	HK$	%	HK$
Jan	97	786	95	674	96	381	75	327
Feb	95	676	92	616	96	441	64	315
Mar	97	860	93	757	97	391	84	404
Apr	98	974	93	871	97	393	84	406
May	97	661	89	592	97	401	86	382
Jun	97	632	91	569	96	379	74	366
Jul	98	679	97	597	97	387	81	326
Aug	95	684	93	591	94	427	64	309
Sep	97	752	91	637	92	383	85	309
Oct	98	1,036	91	897	95	433	79	401
Nov	98	769	97	678	99	418	77	376
Dec	98	804	96	678	98	432	72	307
Avg/yr	97	777	93	680	96	409	77	354
2008								
Total	**HK$61,504,000**		**HK$80,294,000**		**HK$45,004,000**		**HK$20,333,000**	
2007								
Total	HK$58,932,000		HK$78,683,000		HK$39,693,000		HK$20,350,000	
Change	**+4%**		**+2%**		**+13%**		**-%**	

The properties rental income was derived from office buildings of Shun Ho Tower, 633 King's Road, 19-23 Austin Avenue and shops from Ramada Hotel Kowloon, Ramada Hong Kong Hotel and Best Western Hotel Taipa, Macau amounted to HK$78 million (2007: HK$32 million). The significant growth was derived from the 633 King's Road. At the date of this results announcement, it provided an annual rental income of HK$65 million (excluding rates and management fee), with one and a half floors remain vacant.

The properties rental income is analysed as follows:-

	The period from 1.1.2008 to 30.6.2008	**The period from 1.7.2008 to 31.12.2008**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
633 King's Road	18,970	29,544	**48,514**
Shun Ho Tower	6,633	7,731	**14,364**
19-23 Austin Avenue	5,635	under development	**5,635**
Shops	4,795	5,037	**9,832**
Total	**36,033**	**42,312**	**78,345**

Other income amounted to HK$15.5 million which was mostly property management fee income of HK$14 million (2007: HK$5 million).

Overall service costs for the Group for the year was HK$110 million (2007: HK$98 million), which HK$104 million (2007: HK$96 million) was for the hotel operations including food and beverage and costs of sales and HK$6 million was for leasing commission paid for investment properties. The leasing commissions paid for the leased premises represent total commissions payable for the three years of rental period.

The approximate operating costs, food and beverage and improvement costs for each operating hotel were as follows:

Name of Hotel	**HK$**
Centralized sales office	0.4 million per month
Ramada Hotel Kowloon	2.6 million per month
Ramada Hong Kong Hotel	2.9 million per month
Best Western Hotel Taipa, Macau	1.8 million per month
Magnificent International Hotel, Shanghai	1.0 million per month
Total	**HK$8.7 million per month**
	(HK$104 million per year)

Administrative expenses of HK$16 million (2007: HK$16 million) per annum or HK$1.3 million per month was for corporate office which include directors' fees, salaries for executive staff and employees, rental, marketing expenses and office expenses.

Other expenses were property management expenses of HK$11 million (2007: HK$5 million). The increase was due to the addition of 633 King's Road.

- At 31st December 2008, the overall debt was HK$1,150 million (2007: HK$ 1,404 million) of which, HK$1,044 million (2007: HK$ 873 million) was external bank loans and HK$106 million (2007: HK$531 million) was advance from shareholders.

  Gearing ratio was approximately 41% (2007: 59%) against funds employed of HK$2,829 million (2007: HK$2,361 million). Gearing ratio was approximately 24% (2007: 30%) against Fully Revalued Net Assets of HK$4,976 million (2007: HK$4,729 million).

  The overall debts was analysed as follows:-

	Interest Paid 2008 *HK$ million*	**2008** *HK$ million*	**2007** *HK$ million*	**Change** *HK$ million*
Overall debt	47	1,150	1,404	- 254
- external bank loans	29	1,044	873	+ 171
- shareholders' loans	15	106	531	- 425
Gearing ratio (based on Fully Revalued Net Assets)		24%	30%	- 6%
Mandatorily convertible bonds (The bonds will be mandatorily converted to capital on 13 April 2011)	3	477	-	-

The lowering of the overall debts during the year was due to the hotel development acquisitions, construction expenses and the successful issue of the mandatorily convertible bonds:-

	HK$ million
Acquisition of 338-346 Queen's Road West	138
Acquisition of 249-251 Queen's Road West	60
Construction cost for 30-40 Bowrington Road	13
Construction cost for 239-251 Queen's Road West	12
	223
Less: Mandatorily convertible bonds	(477)
Total	**(254)**

- Of these loans, the total interest expenses amounted to HK$47 million, of which HK$29 million was paid to bank borrowings, HK$15 million was paid to shareholder loans and HK$3 million was paid to bonds holders.

  Out of these interests totally paid, HK$13 million was capitalized and HK$34 million reflected in the expenses account.

- The accounting standards continue to have adverse impact on the results from hotel businesses, these hotels are now stated at cost less depreciation resulting in a significant impact of the following:

  (a) The properties of the Group as valued by the independent professional valuer at market value as at 31st December, 2008 and the valuation surplus (before accounting for any deferred taxes) not included in accounts are as follows:

Name of properties	**Independent professional valuation report from Dudley Surveyors Limited** At 31.12.2008 *HK$'000*	**Carrying amounts in the accounts under accounting standard** At 31.12.2008 *HK$'000*	**Valuation surplus (before accounting for any deferred taxes) not included in accounts** At 31.12.2008 *HK$'000*
Ramada Hotel Kowloon	726,500	287,933	438,567
Ramada Hong Kong Hotel	986,000	381,618	604,382
Best Western Hotel Taipa, Macau	371,000	258,620	112,380
Magnificent International Hotel, Shanghai	257,300	86,248	171,052
633 King's Road	1,290,000	1,290,000	-
239-251 Queen's Road West	561,600	336,059	225,541
19-23 Austin Avenue	725,000	646,177	78,823
30-40 Bowrington Road	457,200	265,357	191,843
338-346 Queen's Road West	222,600	202,512	20,088
Shun Ho Tower	380,000	360,680	19,320
Properties at Gold Coast	32,500	21,650	10,850
Total	**6,009,700**	**4,136,854**	**1,872,846**

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:-

	HK$'000
Total net assets (before deferred tax) of the Group	3,103,223
Add: Valuation surplus (before accounting for any related taxes) not recognised in the Account	1,872,846
Adjusted equity attributable to shareholders of the Company	4,976,096
Adjusted net asset value per share	HK$0.83

(b) Reduction of hotel operating profits due to depreciation of the hotel properties amounting to HK$23 million for the year under review.

FUTURE PROSPECTS

- For the year under review, the investment properties such as Shun Ho Tower and shops in Ramada Hotel Kowloon, Ramada Hong Kong Hotel and Best Western Hotel Taipa, Macau remained fully let. It is expected that the rental revenue from these properties will be stable in 2009.

  The leasing of the grade A office building at 633 King's Road was commenced in 2008. As of the date of this announcement, only one and a half floor of the office building with 33 floors and 300,000 sq. ft. are still yet to be leased. The rental income of the Group was significantly increased in the second half of 2008. The annual rental income of HK$65 million of the leased area of the building will be reflected in the year of 2009.

  For the year under review, there was no significant property being disposed of. However, the houses at Gold Coast, New Territories are already available for leasing and rental income.

- For the year under review, the hotel market experienced major difficulties such as the freezing Spring, PRC earthquake, credit crunch in PRC, Olympic travelling restrictions and global financial turmoils, however, the turnover for the 4 hotels was amounted to HK$207 million, increased by 5%.

Name of Hotel	**Avg Room Rates**		
	2008	**2007**	**Change**
	HK$	*HK$*	%
Ramada Hotel Kowloon	777	743	+5
Ramada Hong Kong Hotel	680	659	+3
Best Western Hotel Taipa, Macau	409	401	+2
Magnificent International Hotel, Shanghai	354	378	-6

In the coming year, it is envisaged that the hotel business would be difficult due to the slowdown of world economy thus lesser business travelling. However, the leisure travelling continues to improve due to continuous increase of inbound tour from global interests in Asia and implementation of the CEPA and further relaxation of mainlanders to travel freely. The management of the hotels will endeavour to maintain the high occupancy but will focus on obtaining higher room rates.

The hotel turnover for the first three months of 2009 of the four hotels amounted to HK$42,255,000, which represented 18% decrease compared to the same period last year.

	Ramada Hotel Kowloon		**Ramada Hong Kong Hotel**		**Best Western Hotel Taipa, Macau**		**Magnificent International Hotel, Shanghai**	
	Avg Room Occpancy	Avg Room Rate	Avg Room Occpancy	Avg Room Rate	Avg Room Occpancy	Avg Room Rate	Avg Room Occpancy	Avg Room Rate
2009	*%*	*HK$*	*%*	*HK$*	*%*	*HK$*	*%*	*HK$*
Jan	96	775	90	643	87	462	52	277
Feb	96	570	92	518	97	326	64	272
Mar	98	621	95	549	99	357	68	309
2009 Total (Jan to Mar)	**HK$12,804,000**		**HK$16,474,000**		**HK$9,775,000**		**HK$3,202,000**	
2008 Total (Jan to Mar)	HK$15,090,000		HK$20,087,000		HK$11,426,000		HK$4,771,000	
Change	**-15%**		**-18%**		**-14%**		**-33%**	

- Since 1st January, 2007, the Group completed the following acquisitions:-

Name of Properties	**Acquisition Cost**
	HK$'000
239-243 Queen's Road West	99,404
245-247 Queen's Road West	104,593
249-251 Queen's Road West	97,401
19-23 Austin Avenue	520,093
30-40 Bowrington Road	238,855
338-346 Queen's Road West	198,000
Total:	1,258,346

The overall acquisition costs of the development sites since 1st January 2007 amounted to HK$1,258 million.

The above acquisitions provided a valuable opportunity for the Group to develop more than 1,200 hotel rooms in the busiest city locations with significant capital gain and income potentials.

239 -251 Queen's Road Hotel Development

A 435 rooms hotel development has been approved by the relevant authorities, Superstructure construction is expected to begin in June 2009.

Austin Avenue, Tsimshatsui

A 300 rooms hotel development has been approved by the relevant authorities. Foundation piling is expected to commence in May 2009.

Bowrington Road, Causeway Bay

A 265 rooms hotel development has been approved by the relevant authorities, Superstructure construction is in progress and completion expected in Spring 2010.

338 -346 Queen's Road Hotel Development

A 214 rooms hotel development has been approved by the relevant authorities. Foundation works is in progress.

The corporate strategy is to build hotels on grade B commercial locations which are most suitable for hotel business in terms of low acquisition costs and high yields. The Group benefits from the development of these hotels from good operating incomes, but most importantly is their capital value gain. Such strategy has successfully helped to increase the value of the Group substantially:-

	2008	2007	2006	2005
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Adjusted Shareholders' Fund	4,976	4,729	3,226	2,590
Adjusted Net Asset Value Per Share	**HK$0.83 per share**	HK$0.80 per share	HK$0.62 per share	HK$0.47 per share

Subsequent to the end 2007 and the acquisitions of the four city hotel developments of HK$1.26 billion, the total debts of the Group has amounted to HK$1.6 billion. During the year, mandatorily convertible bonds was successfully issued which help to lower the total debt by HK$477 million to HK$1.15 billion. The management consider the issue of the bonds has successfully lowered the gearing ratio to a very conservative level.

The Board continue to study carefully various options to lower existing level of the Group's debts.

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.

Looking ahead, significant lowering of bank lending rate from 4% to 0.5%, before the bank's interest spreads, will reduce the Groups interest expenses.

Subsequent to the financial year under review, efforts have already made by the Group to lower the Group's staffing level. Administrative and operating expenses are expected to be not more than year before.

Looking ahead, the management expects 2009 will be a difficult year for hotel operation. The hotels occupancy remain high because of the increasing leisure travelling from the PRC and their further visa relaxation. The hotels room rates have fallen due to the lack of higher yield commercial travellers because of the global economic slowdown. With the many global economic rescue packages announced, the world's economic activities should resume normal at later part of this year. Thus, the management expects higher yield commercial travellers will return in Autumn that will compliment the already busy leisure travelling market which will result in room rates and revenue recovery.

The adverse effect of the temporary hotel business slowdown has been compensating by significant reduction of the Group's interests expenses.

The rental incomes of the commercial buildings and shops are expected to remain stable since the average rental leases are of 3 years.

The slowdown of economic demands and lower inflation have helped to control operating costs and most importantly the lowering of construction costs for the four hotels developments.

The low interest rate environment and tight land supply government policy backs 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 24% gearing ratio ensures the Company's stability over any further unforeseeable global financial turmoils.

The management will continue to adopt a conservative approach and will not make further asset acquisitions but to make best endeavour to complete the construction of the 4 new hotels in Hong Kong to increase the earning base and value for the Company.

In view of the substantial construction costs outlay for 2009 to 2011 and the present difficult hotel business, the management is trying best endeavour to streamline cashflow in order to ensure the Group's future obligations are met. As soon as there is hotel business recovery and the office rental incomes continue to be stable, the management will resume annual dividend payments.

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

During the year, the Company has complied with the code provisions set out in the Code of Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules except the following:

Code Provision A.2.1

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 will also facilitate 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 of the Company have no set term of office but retire from office on a rotational basis at least once every three years. Amendment to the articles of association of the Company was proposed and approved by the shareholders at the annual general meeting of the Company held on 27th May, 2005 whereby every director shall be subject to retirement by rotation at least once every three years. The Company considers that sufficient measures have been taken to ensure that its corporate governance practices are no less exacting than those in the Code.

(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 throughout 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, 2008.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31st December, 2008 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, 14th April, 2009

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