MAGNIFICENT ESTATES LIMITED

（華大地產投資有限公司）

(Stock Code: 201)

Interim Report 2010

Shun Ho Tower
Central

MAGNIFICENT ESTATES LIMITED

(Stock Code: 201)

633 King's Road
North Point

Ramada Hotel
Kowloon

Ramada Hotel
Hong Kong

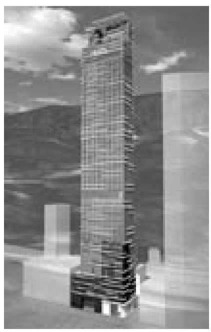
Best Western
Hotel, Taipa
Macau

Magnificent
International Hotel
Shanghai

Best Western Hotel
Causeway Bay

397 Hotel Rooms
of Hotel
Development
Project
Austin Avenue

435 Hotel Rooms
of Hotel
Development
Project
Queen's Road West



214 Rooms
Service Apartment
Building Development
Project
Queen's Road West

Corporate Information

Executive Directors
Mr. William Cheng Kai Man *(Chairman)*
Mr. Albert Hui Wing Ho

Non-Executive Director
Madam Mabel Lui Fung Mei Yee

Independent Non-Executive Directors
Mr. Vincent Kwok Chi Sun
Mr. Chan Kim Fai
Mr. Hui Kin Hing

Company Secretary
Mr. Huen Po Wah

Auditor
Deloitte Touche Tohmatsu
35th Floor, One Pacific Place
88 Queensway
Hong Kong

Solicitors
DLA Piper Hong Kong
17th Floor, Edinburgh Tower
15 Queen's Road Central
Central, Hong Kong

Woo, Kwan, Lee & Lo
26th Floor, Jardine House
1 Connaught Place
Hong Kong

Principal Bankers
The Hongkong and Shanghai Banking Corporation Limited
Chong Hing Bank Limited

Registered Office
3rd Floor, Shun Ho Tower
24-30 Ice House Street
Central, Hong Kong

Share Registrars
Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong
Tel: 2980 1333

Company's Website
www.magnificentestatesltd.com

INTERIM RESULTS

The board of directors (the "Board") of Magnificent Estates Limited (the "Company") announces that the unaudited consolidated profit of the Company and its subsidiaries (together the "Group") for the six months ended 30th June, 2010 amounted to HK$185,032,000 (six months ended 30th June, 2009: HK52,993,000).

The results of the Group for the six months ended 30th June, 2010 and its financial position as at that date are set out in the condensed financial statements on pages 17 to 36 of this report.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30th June, 2010 (six months ended 30th June, 2009: nil). The management envisage that there will be payment of final dividend for the year ended 31st December, 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

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

The unaudited consolidated profit attributable to owners of the Company for the six months ended 30th June, 2010 amounted to HK$185,032,000 (six months ended 30th June, 2009: HK$52,993,000), increased by 249%.

Before revaluation profit of all investment properties and its related deferred taxation, depreciation and release of prepaid lease payments for land, the operating profit attributable to owners of the Company for the six months ended 30th June, 2010 is HK$71 million (six months ended 30th June, 2009: HK$48 million), increased by 47%.

The net assets before deferred tax and before revaluation on all asset properties of the Group amounted to HK$3,479 million (HK$0.58 per ordinary share) as at 30th June, 2010.

The net assets before deferred tax and after revaluation on all asset properties of the Group amounted to HK$5,527 million (HK$0.93 per ordinary share) as at 30th June, 2010.

The corporate strategy of the Group is to build hotels on grade B commercial locations which are most suitable for hotel business in terms of low acquisition costs and high yields. The Group benefits from the development of these hotels from good operating incomes, but most importantly is their capital value gain. The Group presently owns and operates the Ramada Hotel Kowloon, Ramada Hong Kong Hotel, Best Western Hotel Taipa, Macau and Magnificent International Hotel, Shanghai with 1,000 rooms together with four new hotels under development, the Group will have about 2,300 hotel rooms which will be one of the largest hotel groups in Hong Kong. Such strategy has successfully helped to increase the value of the Group substantially:

	31.12.2007	31.12.2008	31.12.2009	**30.06.2010**
	HK$ million	*HK$ million*	*HK$ million*	***HK$ million***
Adjusted Shareholders' Fund	4,729	4,976	5,187	**5,527**
Adjusted Net Asset Value Per Ordinary Share	HK$0.80	HK$0.83	HK$0.87	**HK$0.93**

- For the six months ended 30th June, 2010, the Group's income was mostly derived from the aggregate of income from operation of hotels and properties rental income, which was analysed as follows:

	Six months ended 30.6.2009	**Six months ended 30.6.2010**	**Change**
	HK$'000	***HK$'000***	*%*
	(unaudited)	**(unaudited)**	
Income from operation of hotels	78,744	**96,615**	+23
Properties rental	42,739	**45,148**	+6
Other income	7,310	**8,100**	+11
Total	128,793	**149,863**	

The total income for the Group increased by 16% from HK$129 million to HK$150 million for the same period compared with last year. The increase of revenue for the period was due to substantial hotel improvement in hotel revenue and reduction of operating costs.

2010	**Ramada Hotel Kowloon** Avg Room Occupancy %	**Ramada Hotel Kowloon** Avg Room Rate *HK$*	**Ramada Hong Kong Hotel** Avg Room Occupancy %	**Ramada Hong Kong Hotel** Avg Room Rate *HK$*	**Best Western Hotel Taipa, Macau** Avg Room Occupancy %	**Best Western Hotel Taipa, Macau** Avg Room Rate *HK$*	**Magnificent International Hotel, Shanghai** Avg Room Occupancy %	**Magnificent International Hotel, Shanghai** Avg Room Rate *HK$*	Improvement Compared with 2009
Jan	98	731	94	621	97	423	64	276	0%
Feb	95	684	90	593	95	600	52	277	+19%
Mar	98	759	97	654	97	399	76	308	+17%
Apr	95	864	93	752	98	459	85	325	+24%
May	97	654	89	570	97	448	87	528	+42%
Jun	97	622	92	510	97	415	95	566	+50%
Jan to Jun									+23%
2010 Total		**HK$27,920,000**		**HK$35,455,000**		**HK$22,174,000**		**HK$11,066,000**	
2009 Total		HK$23,961,000		HK$29,572,000		HK$18,450,000		HK$6,761,000	

The hotel monthly improvement trend from negligible in January to 50% increased in May and June is most encouraging.

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$45 million (30.6.2009: HK$43 million). The growth was derived from 633 King's Road. At the date of this report, it provided an annual rental income of HK$71 million (excluding rates and management fee).

The properties rental income was analysed as follows:

	Six months ended		
	30.6.2009	**30.6.2010**	**Change**
	HK$'000	***HK$'000***	%
	(unaudited)	**(unaudited)**	
633 King's Road	30,323	**31,838**	+5
Shun Ho Tower	7,902	**8,849**	+12
Shops	4,514	**4,461**	-1
Total	42,739	**45,148**	+6

Other income amounted to HK$8.1 million (30.6.2009: HK$7.3 million) which was mostly property management fee income of HK$7.7 million (30.6.2009: HK$7 million) with related expenses of HK$5.9 million (30.6.2009: HK$5.2 million).

- Overall service costs for the Group for the period was HK$47 million (30.6.2009: HK$47 million), which HK$46.5 million (30.6.2009: HK$46 million) was for the hotel operations including food and beverage and cost of sales and HK$0.5 million (30.6.2009: HK$1 million) was mainly for rates and leasing commission paid for investment properties. The leasing commissions paid for the leased premises represent total commissions payable for the three years of rental period.

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

Name of Hotel	**Six months ended**		**Change**
	30.6.2009	**30.6.2010**	
	HK$ million per month	***HK$ million per month***	%
Centralized sales office	0.6	**0.60**	–
Ramada Hotel Kowloon	2.1	**2.15**	+2
Ramada Hong Kong Hotel	2.5	**2.50**	–
Best Western Hotel Taipa, Macau	1.7	**1.70**	–
Magnificent International Hotel, Shanghai	0.8	**0.80**	–
Total amount per month	7.7	**7.75**	–
Total amount for the period	46.2	**46.50**	+1

Administrative expenses of HK$7 million for the period which was the same as last period for corporate management office including directors' fees, salaries for executive staff and employees, rental, marketing expenses and office expenses.

Other expenses were property management expenses of HK$5.9 million (30.6.2009: HK$5.2 million).

The accounting standards require hotel properties of the Group to provide depreciation which amounted to HK$10,710,000 (30.6.2009: HK$12,039,000) for the period which affected the hotel operating profit. Other plants and machinery depreciations amounted to HK$2 million.

- As at 30th June, 2010, the overall debts of the Group was HK$1,170 million (31.12.2009: HK$1,159 million), of which HK$1,040 million (31.12.2009: HK$1,043 million) was bank borrowings and HK$130 million (31.12.2009: HK$116 million) was advance from shareholders.

  The debt ratio was 17% (31.12.2009: 18%) in term of overall debt of HK$1,170 million (31.12.2009: HK$1,160 million) against the fully revalued assets of the Group amounted to HK$6,799 million (31.12.2009: HK$6,442 million).

  The gearing ratio was approximately 37% (31.12.2009: 39%) against funds employed of HK$3,169 million (31.12.2009: HK$2,968 million).

  The overall debts was analysed as follows:

	31.12.2009 *HK$ million*	**30.06.2010** ***HK$ million***	Change *HK$ million*	**Interest Paid** **30.06.2010** ***HK$ million***
Overall debt	1,159	**1,170**	+11	
– bank loans	1,043	**1,040**	-3	**5.5**
– shareholders' loans	116	**130**	+14	**0.5**
Debt ratio (based on Fully Revalued Assets)	18%	**17%**		
Mandatory convertible bonds (the bonds will be mandatorily converted to share capital on 13th April, 2011)	477	**477**	–	

- Of these loans, the bank interest expenses amounted to HK$5.5 million (30.6.2009: HK$13 million) and the shareholders loans interest expenses amounted to HK$0.5 million (30.6.2009: HK$0.5 million) were paid.

  Out of these interests totally paid, HK$3 million (30.6.2009: HK$7.5 million) was capitalized and HK$7 million (30.6.2009: HK$13 million) reflected in the expenses account.

  Regarding the cash flow of the Group for the period, the gross income together with the proceed from disposal of a subsidiary of the Group was HK$154 million with operating expenses of HK$62 million, interests paid of HK$17 million, repayment of bank loan of HK$3 million and dividend paid to shareholders of HK$6 million, the positive cash flow was therefore HK$66 million which was spent on various construction expenses.

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

FUTURE PROSPECTS

- For the period under review, the investment properties such as Shun Ho Tower, various shops in Ramada Hong Kong Hotel, Ramada Hotel Kowloon and Best Western Hotel Taipa, Macau were fully letted. It is expected that the rental revenue from these properties will have modest increase in 2010.

  As at the date of this report, the leasing of the grade A office building at 633 King's Road achieved HK$71 million (excluding rates and management fee) per annum. The management envisages the office building will have modest rental increase in 2010 as most leases are due for renewal.

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

For the year under review, the turnover for the four hotels was amounted to HK$97 million, increased by 23%.

Name of Hotel	Avg Room Rates		
	2009	**2010**	**Change**
	HK$	***HK$***	*%*
Ramada Hotel Kowloon	565	**719**	+27
Ramada Hong Kong Hotel	535	**618**	+16
Best Western Hotel Taipa, Macau	388	**455**	+17
Magnificent International Hotel, Shanghai	286	**399**	+40

In the coming year, it is envisaged that the hotel business would be improving due to the recovery of world economy thus more business travelling. 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 July and August of 2010 of the four hotels amounted to HK$36 million, representing 53% improvement compared with 2009.

	Ramada Hotel Kowloon		**Ramada Hong Kong Hotel**		**Best Western Hotel Taipa, Macau**		**Magnificent International Hotel, Shanghai**		
2010	Avg Room Occupancy %	Avg Room Rate *HK$*	Avg Room Occupancy %	Avg Room Rate *HK$*	Avg Room Occupancy %	Avg Room Rate *HK$*	Avg Room Occupancy %	Avg Room Rate *HK$*	Improvement Compared with 2009
Jul	98	679	97	560	96	442	97	576	+60%
Aug	96	730	94	617	97	491	93	558	+47%
Jul to Aug									+53%
2010 Jul to Aug Total		**HK$9,333,000**		**HK$12,048,000**		**HK$7,776,000**		**HK$6,574,000**	

With the positive cash flow surplus of HK$66 million for the six months ended 30th June, 2010, the forecasted increase of rental incomes and steady hotel operations will ensure stronger future annual cash flow surplus which will help to ease the construction costs required to build the new hotels that will increase the incomes 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 real estate capital gain potential of 50%. The Board believes these opportunities are readily available. The current four hotels owned by the Group offer about 1,000 rooms and the newly acquired hotel development sites in Sheung Wan, Causeway Bay and Tsimshatsui will add an additional 1,300 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. 239-251 Queen's Road West Hotel Development

A 435 rooms hotel development has been approved by the relevant authorities. Foundation work was completed. Superstructure construction contract has been awarded. The recent commencement of development of the Western MTR Line will improve future value of this property significantly.

Nos. 338-346 Queen's Road West Hotel Development

A 214 serviced apartment hotel development has been approved to be built. Foundation contract was already awarded. Approval has been obtained to increase the plot ratio from 12 to 13.2 with no land premium payment required. The recent commencement of development of the Western MTR Line will improve future value of this property significantly.

Nos. 19-23 Austin Avenue, Tsimshatsui Hotel Development

Approval has been obtained to increase from 300 rooms to 400 rooms hotel development. Foundation piling was completed. Commencement of superstructure construction is expected to begin this Autumn.

Nos. 30-40 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 Autumn 2010. The new hotel will be named as Best Western Hotel 華麗精品酒店.

Looking ahead, the management expects 2010 will be a much improved 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 will increase due to the return of higher yield commercial travellers because of the global economic recovery. With the signs of many global economic recovery, 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 trade fair seasons that will compliment the already busy leisure travelling market which will result in room rates and revenue recovery.

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 since most leases are due for renewal in 2010/2012.

The low interest rate environment and tight land supply government policy 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 17% debt ratio ensures the Group's stability over any further unforeseeable global financial turmoils.

The management will continue to adopt a conservative approach and to make best endeavour to complete the construction of the four new hotels in Hong Kong to substantially increase the earning base and value for the Group. In view of the substantial construction costs outlay for 2010 to 2011, the management is trying best endeavour to streamline cashflow in order to ensure the Group's future obligations are met.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the period.

DIRECTORS' INTERESTS IN LISTED SECURITIES

As at 30th June, 2010, the interests or short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (a) to be entered in the register required to be kept by the Company under section 352 of the SFO; or (b) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

The Company

Name of director	Capacity	Nature of interests	Number of shares/ underlying shares held	Approximate % of shareholding
William Cheng Kai Man	Interest of controlled corporations	Corporate	3,382,465,406 *(Note 1)* 2,978,198,581 *(Note 2)*	71.09 *(Note 3)*

Notes:

1. Shun Ho Technology Holdings Limited ("Shun Ho Technology") beneficially owned 2,709,729,423 shares of the Company (the "Shares") (45.43%) and was taken to be interested in 395,656,000 Shares (6.63%) held by Good Taylor Limited, 273,579,983 Shares (4.59%) held by South Point Investments Limited and 3,500,000 Shares (0.06%) held by Shun Ho Technology Developments Limited, representing a total of 3,382,465,406 Shares (56.71%). Mr. William Cheng Kai Man had controlling interest in these companies.

2. Shun Ho Technology and Mr. William Cheng Kai Man were deemed to have interest in 2,978,198,581 units of convertible bonds of the Company held by Fastgrow Engineering & Construction Company Limited, a wholly-owned subsidiary of Shun Ho Technology.

3. This represents the percentage of interests to the enlarged issued share capital of the Company on the assumption that the convertible bonds have been fully converted into Shares as at 30th June, 2010 (i.e. 8,947,051,324 Shares). The aggregate of Shares (i.e. 3,382,465,406) and the underlying Shares (i.e. 2,978,198,581) represents 106.64% to the total issued share capital of the Company as at 30th June, 2010 (i.e. 5,964,701,489 Shares).

Associated corporations

Name of director	Name of associated corporation	Capacity	Nature of interests	Number of shares held	Approximate % of shareholding
William Cheng Kai Man	Shun Ho Technology *(Note 1)*	Interest of controlled corporations	Corporate	350,742,682	65.31
William Cheng Kai Man	Shun Ho Resources Holdings Limited ("Shun Ho Resources") *(Note 2)*	Interest of controlled corporations	Corporate	216,608,825	71.20
William Cheng Kai Man	Trillion Resources Limited ("Trillion Resources") *(Note 3)*	Beneficial owner	Personal	1	100

Notes:

1. Shun Ho Technology, the Company's immediate holding company, is a public limited company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange.

2. Shun Ho Resources, the Company's intermediate holding company, is a public limited company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange.

3. Trillion Resources, the Company's ultimate holding company, is a company incorporated in the British Virgin Islands.

None of the Company or any of its associated corporations had any share option scheme during the period.

Save as disclosed above and save for shares in subsidiaries held by a director in trust for their immediate holding companies, as at 30th June, 2010, none of the directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be entered in the register required to be kept by the Company under section 352 of the SFO; or (b) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies and none of the directors or their associates or their spouse or children under the age of 18, had any right to subscribe for the securities of the Company or associated corporations, or had exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2010, the following persons (not being directors or chief executive of the Company) had interests in the shares in the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Capacity	Number of Shares/ underlying Shares held	Approximate % of shareholding
Shun Ho Technology	Beneficial owner and interest of controlled corporations	3,382,465,406 *(Note 1)* 2,978,198,581 *(Note 2)*	71.09 *(Note 6)*
Omnico Company Inc. ("Omnico") *(Note 3)*	Interest of controlled corporations	3,382,465,406 *(Note 1)* 2,978,198,581 *(Note 2)*	71.09 *(Note 6)*
Shun Ho Resources *(Note 3)*	Interest of controlled corporations	3,382,465,406 *(Note 1)* 2,978,198,581 *(Note 2)*	71.09 *(Note 6)*
Trillion Resources *(Note 3)*	Interest of controlled corporations	3,382,465,406 *(Note 1)* 2,978,198,581 *(Note 2)*	71.09 *(Note 6)*

Name of shareholder	Capacity	Number of Shares/ underlying Shares held	Approximate % of shareholding
Liza Lee Pui Ling *(Note 4)*	Interest of spouse	3,382,465,406 *(Note 1)* 2,978,198,581 *(Note 2)*	71.09 *(Note 6)*
Fastgrow Engineering & Construction Company Limited	Beneficial owner	2,978,198,581 *(Note 2)*	33.29 *(Note 7)*
Power Financial Corporation *(Note 5)*	Interest of controlled corporation	656,146,000	11.00
Power Corporation of Canada *(Note 5)*	Interest of controlled corporation	656,146,000	11.00
Nordex Inc. *(Note 5)*	Interest of controlled corporation	656,146,000	11.00
IGM Financial Inc. *(Note 5)*	Interest of controlled corporation	656,146,000	11.00
Gelco Enterprises Ltd. *(Note 5)*	Interest of controlled corporation	656,146,000	11.00
Desmarais Paul G. *(Note 5)*	Interest of controlled corporation	656,146,000	11.00

Notes:

1. Shun Ho Technology beneficially owned 2,709,729,423 Shares (45.43%) and was taken to be interested in 395,656,000 Shares (6.63%) held by Good Taylor Limited, 273,579,983 Shares (4.59%) held by South Point Investments Limited and 3,500,000 Shares (0.06%) held by Shun Ho Technology Developments Limited, representing a total of 3,382,465,406 Shares (56.71%), all the above-mentioned companies are wholly-owned subsidiaries of Shun Ho Technology.

2. Shun Ho Technology was deemed to have interest in 2,978,198,581 units of convertible bonds of the Company held by Fastgrow Engineering & Construction Company Limited, a wholly-owned subsidiary of Shun Ho Technology.

3. Shun Ho Technology is directly and indirectly owned as to 65.27% by Omnico, which was in turn owned as to 100% by Shun Ho Resources, which was in turn directly and indirectly owned as to 71.20% by Trillion Resources, which was in turn wholly-owned by Mr. William Cheng Kai Man. Therefore, Omnico, Shun Ho Resources and Trillion Resources were taken to be interested in 3,382,465,406 Shares and 2,978,198,581 units of convertible bonds by virtue of their direct and indirect interests in Shun Ho Technology.

4. Madam Liza Lee Pui Ling was deemed to be interested in 3,382,465,406 Shares and 2,978,198,581 units of convertible bonds by virtue of the interest in such Shares and convertible bonds of her spouse, Mr. William Cheng Kai Man, a director of the Company.

5. Mackenzie Financial Corporation ("MFC") was, through its subsidiaries, interested in the total number of 656,146,000 Shares. MFC was an indirect wholly-owned subsidiary of IGM Financial Inc. (held as to 100%). IGM Financial Inc. was a non-wholly owned subsidiary of Power Financial Corporation (held as to 56.0%) which was in turn an indirect non-wholly owned subsidiary of Power Corporation of Canada (held as to 66.4%). Power Corporation of Canada was 53.8% owned by Gelco Enterprises Ltd, a 95.0% subsidiary of Nordex Inc. Desmarais Paul G. was holder of 68.0% of the interest in Nordex Inc.

6. This represents the percentage of interests to the enlarged issued share capital of the Company on the assumption that the convertible bonds have been fully converted into Shares as at 30th June, 2010 (i.e. 8,947,051,324 Shares). The aggregate of Shares (i.e. 3,382,465,406) and the underlying Shares (i.e. 2,978,198,581) represents 106.64% to the total issued share capital of the Company as at 30th June, 2010 (i.e. 5,964,701,489 Shares).

7. This represents the percentage of interests to the enlarged issued share capital of the Company on the assumption that the convertible bonds have been fully converted into Shares as at 30th June, 2010 (i.e. 8,947,051,324 Shares). The underlying Shares (i.e. 2,978,198,581) represent 49.93% to the total issued share capital of the Company as at 30th June, 2010 (i.e. 5,964,701,489 Shares).

Save as disclosed above, there was no person, other than a director and chief executive of the Company, who had an interest or short position in the Shares and underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

INDEPENDENT REVIEW

The interim results for the six months ended 30th June, 2010 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, by Deloitte Touche Tohmatsu, whose independent review report is included on page 16 of this interim report. The interim results have also been reviewed by the Group's Audit Committee.

CORPORATE GOVERNANCE

(a) Compliance with the Code on Corporate Governance Practices

During the period, 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 Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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. According to the articles of association of the Company, 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 during the period.

By order of the Board

Huen Po Wah
Secretary

Hong Kong, 30th August, 2010

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF
MAGNIFICENT ESTATES LIMITED
(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 17 to 36, which comprises the condensed consolidated statement of financial position of Magnificent Estates Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30th June, 2010 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30th August, 2010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

	Notes	Six months ended 30th June, 2010 HK$'000 (Unaudited)	2009 HK$'000 (Unaudited)
Revenue	*3*	**141,763**	121,483
Cost of sales		**(1,772)**	(1,948)
Other service costs		**(46,742)**	(46,947)
Depreciation and release of prepaid lease payments for land		**(10,710)**	(12,039)
Gross profit		**82,539**	60,549
Gain on fair value changes of investment properties	*11*	**152,030**	23,000
Other income		**8,100**	7,310
(Loss) gain on fair value changes of investments held for trading		**(1)**	6
Loss on disposal of a subsidiary	*14*	**(19)**	–
Administrative expenses		**(9,252)**	(9,289)
– Depreciation		**(1,983)**	(2,249)
– Others		**(7,269)**	(7,040)
Other expenses		**(5,931)**	(5,209)
Finance costs	*5*	**(7,023)**	(12,868)
Profit before taxation		**220,443**	63,499
Income tax expense	*6*	**(35,411)**	(10,506)
Profit for the period attributable to owners of the Company	*7*	**185,032**	52,993
Other comprehensive income (expense)			
Exchange differences arising on translation of foreign operations		**(353)**	35
Gain (loss) on fair value changes of available-for-sales investments		**22,282**	(15,359)
Other comprehensive income (expense) for the period		**21,929**	(15,324)
Total comprehensive income for the period attributable to owners of the Company		**206,961**	37,669
		HK cents	*HK cents*
Earnings per share			
Basic	*9*	**2.12**	0.67

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2010

	Notes	As at 30th June, 2010 HK$'000 (Unaudited)	As at 31st December, 2009 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment	*10*	**727,864**	727,051
Prepaid lease payments for land		**59,608**	60,182
Investment properties	*11*	**2,139,820**	1,987,790
Properties under development		**1,599,664**	1,545,202
Available-for-sale investments	*12*	**130,841**	108,559
		4,657,797	4,428,784
Current assets			
Inventories		**517**	647
Properties held for sale		**21,650**	21,650
Investments held for trading	*12*	**6**	7
Prepaid lease payments for land		**1,502**	1,502
Trade and other receivables	*13*	**7,856**	11,262
Other deposits and prepayments		**5,101**	4,323
Trade balance due from immediate holding company		**–**	26
Trade balance due from an intermediate holding company		**28**	29
Pledged bank deposits	*20(d)*	**110**	110
Bank balances and cash		**54,656**	35,377
		91,426	74,933
Assets classified as held for sale	*14*	**1,716**	4,853
		93,142	79,786

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

AT 30TH JUNE, 2010

	Notes	As at 30th June, 2010 HK$'000 (Unaudited)	As at 31st December, 2009 HK$'000 (Restated)
Current liabilities			
Trade and other payables	*15*	**25,508**	23,382
Rental and other deposits received		**20,942**	12,709
Advance from immediate holding company	*18(a)*	**68,800**	55,141
Advance from ultimate holding company	*18(a)*	**60,825**	60,917
Advance from a fellow subsidiary		**4,745**	4,745
Tax liabilities		**19,263**	7,958
Bank loans	*16*	**563,933**	567,425
Mandatory convertible bonds liability		**20,417**	16,802
		784,433	749,079
Liabilities associated with assets classified as held for sale	*14*	**–**	353
		784,433	749,432
Net current liabilities		**(691,291)**	(669,646)
Total assets less current liabilities		**3,966,506**	3,759,138
Capital and reserves			
Share capital	*17*	**59,647**	59,647
Share premium and reserves		**3,109,375**	2,908,379
		3,169,022	2,968,026
Non-current liabilities			
Rental deposits received		**11,281**	18,102
Mandatory convertible bonds liability		**–**	11,193
Bank loans	*16*	**476,000**	476,000
Deferred tax liabilities		**310,203**	285,817
		797,484	791,112
		3,966,506	3,759,138

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

	Attributable to owners of the Company								
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Mandatory convertible bonds equity reserve** *HK$'000*	**Special capital reserve** *HK$'000* *(Note a)*	**Property revaluation reserve** *HK$'000* *(Note b)*	**Securities revaluation reserve** *HK$'000*	**Translation reserve** *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*
At 1st January, 2009 (audited)	59,647	341,243	441,066	612,477	179	46,492	7,117	1,320,353	2,828,574
Profit for the period	–	–	–	–	–	–	–	52,993	52,993
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	35	–	35
Loss on fair value changes of available-for-sale investments	–	–	–	–	–	(15,359)	–	–	(15,359)
Total comprehensive (expense) income for the period	–	–	–	–	–	(15,359)	35	52,993	37,669
At 30th June, 2009 (unaudited)	59,647	341,243	441,066	612,477	179	31,133	7,152	1,373,346	2,866,243
Profit for the period	–	–	–	–	–	–	–	90,567	90,567
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	5,298	–	5,298
Reclassification adjustment upon disposal of available-for-sale investments	–	–	–	–	–	(3,617)	–	–	(3,617)
Gain on fair value changes of available-for-sale investments	–	–	–	–	–	9,535	–	–	9,535
Total comprehensive income for the period	–	–	–	–	–	5,918	5,298	90,567	101,783
At 31st December, 2009 (audited)	59,647	341,243	441,066	612,477	179	37,051	12,450	1,463,913	2,968,026
Profit for the period	–	–	–	–	–	–	–	185,032	185,032
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	(353)	–	(353)
Gain on fair value changes of available-for-sale investments	–	–	–	–	–	22,282	–	–	22,282
Total comprehensive income (expense) for the period	–	–	–	–	–	22,282	(353)	185,032	206,961
Final dividend for year ended 31st December, 2009 *(note 8)*	–	–	–	–	–	–	–	(5,965)	(5,965)
Conversion of mandatory convertible bonds	–	1	(1)	–	–	–	–	–	–
At 30th June, 2010 (unaudited)	59,647	341,244	441,065	612,477	179	59,333	12,097	1,642,980	3,169,022

Notes:

(a) The special capital reserve represents the difference arising from the reduction of the nominal value of the Company's share in 1999.

(b) The property revaluation reserve is frozen upon the transfer of properties from property, plant and equipment to investment properties and will be transferred to retained profits when the relevant properties are disposed of.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

	Note	**Six months ended 30th June, 2010** HK$'000 (Unaudited)	2009 HK$'000 (Unaudited)
Net cash from operating activities		**94,171**	55,141
Net cash used in investing activities:			
Expenditure on properties under development		**(51,026)**	(23,876)
Decrease in time deposits		**–**	2,500
Acquisition of property, plant and equipment		**(14,419)**	(2,257)
Proceeds from disposal of a subsidiary	*14*	**4,500**	–
Deposit for acquisition of property, plant and equipment		**–**	(68)
Proceeds from disposal of property, plant and equipment		**–**	1,950
		(60,945)	(21,751)
Net cash used in financing activities:			
Interest paid		**(17,386)**	(13,718)
Dividend paid		**(5,965)**	–
Repayment of bank loans		**(3,512)**	–
Repayment to ultimate holding company		**(424)**	–
Advance from immediate holding company		**13,340**	2,626
		(13,947)	(11,092)
Net increase in cash and cash equivalents		**19,279**	22,298
Cash and cash equivalents at the beginning of the period		**35,377**	18,644
Cash and cash equivalents at the end of the period, represented by bank balances and cash		**54,656**	40,942

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2009, except as described below.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA:

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

Except as described below, the application of these new and revised HKFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Amendment to HKAS 17 Leases

As part of *Improvements to HKFRSs* issued in 2009, HKAS 17 *Leases* has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments for land in the condensed consolidated statement of financial position. The amendment to HKAS 17 has removed such a requirement. The amendment requires the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Amendment to HKAS 17 Leases (Continued)

In accordance with the transitional provisions set out in the amendment to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1st January, 2010 based on information that existed at the inception of the leases. Leasehold lands that qualify for finance lease classification have been reclassified from prepaid lease payments for land to property, plant and equipment and properties under development retrospectively. This resulted in a reclassification from prepaid lease payments for land with a previous carrying amount of HK$1,055,755,000 at 1st January, 2009 to property, plant and equipment and properties under development that are measured at cost model. No profit or loss items are affected as a result of the reclassification.

The effect of changes in accounting policies described above on the financial positions of the Group as at 31st December, 2009 is as follows:

	As at 31st December, 2009 (Originally stated)	Adjustments	As at 31st December, 2009 (Restated)
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	384,239	342,812	727,051
Properties under development	843,299	701,903	1,545,202
Prepaid lease payments for land	1,106,399	(1,044,715)	61,684
Total effects on net assets	2,333,937	–	2,333,937

The effect of changes in accounting policies described above on the financial positions of the Group as at 1st January, 2009 is as follows:

	As at 1st January, 2009 (Originally stated)	Adjustments	As at 1st January, 2009 (Restated)
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	407,376	347,563	754,939
Properties under development	741,914	708,192	1,450,106
Prepaid lease payments for land	1,113,632	(1,055,755)	57,877
Total effects on net assets	2,262,922	–	2,262,922

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendment)	Classification of Rights Issues[2]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 9	Financial Instruments[5]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1st July, 2010 and 1st January, 2011, as appropriate
2 Effective for annual periods beginning on or after 1st February, 2010
3 Effective for annual periods beginning on or after 1st July, 2010
4 Effective for annual periods beginning on or after 1st January, 2011
5 Effective for annual periods beginning on or after 1st January, 2013

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. REVENUE

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

	Six months ended 30th June, **2010** *HK$'000* **(Unaudited)**	2009 *HK$'000* (Unaudited)
Income from operation of hotels	**96,615**	78,744
Property rental	**45,148**	42,739
	141,763	121,483

4. SEGMENT INFORMATION

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

1. Hospitality services – Ramada Hotel Kowloon
2. Hospitality services – Ramada Hong Kong Hotel
3. Hospitality services – Best Western Hotel Taipa, Macau
4. Hospitality services – Magnificent International Hotel, Shanghai
5. Property investment – 633 King's Road
6. Property investment – Shun Ho Tower
7. Property investment – Shops
8. Securities investment and trading
9. Property development – 239-251 Queen's Road West
10. Property development – 19-23 Austin Avenue
11. Property development – 30-40 Bowrington Road
12. Property development – 338-346 Queen's Road West

Information regarding the above segments is reported below.

4. SEGMENT INFORMATION *(Continued)*

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

	Segment revenue		Segment profit (loss)	
	Six months ended 30th June,		Six months ended 30th June,	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Hospitality services	**96,615**	78,744	**37,606**	18,923
– Ramada Hotel Kowloon	**27,920**	23,961	**8,449**	4,198
– Ramada Hong Kong Hotel	**35,455**	29,572	**16,577**	9,815
– Best Western Hotel Taipa, Macau	**22,174**	18,450	**9,277**	5,690
– Magnificent International Hotel, Shanghai	**11,066**	6,761	**3,303**	(780)
Property investment	**45,148**	42,739	**196,963**	64,626
– 633 King's Road	**31,838**	30,323	**141,724**	29,423
– Shun Ho Tower	**8,849**	7,902	**29,677**	23,919
– Shops	**4,461**	4,514	**25,562**	11,284
Securities investment and trading	**–**	–	**(1)**	6
Property development	**–**	–	**–**	–
– 239-251 Queen's Road West	**–**	–	**–**	–
– 19-23 Austin Avenue	**–**	–	**–**	–
– 30-40 Bowrington Road	**–**	–	**–**	–
– 338-346 Queen's Road West	**–**	–	**–**	–
	141,763	121,483	**234,568**	83,555
Other income			**8,100**	7,310
Other expenses			**(5,931)**	(5,209)
Loss on disposal of a subsidiary			**(19)**	–
Central administration costs and directors' salaries			**(9,252)**	(9,289)
Finance costs			**(7,023)**	(12,868)
Profit before taxation			**220,443**	63,499

4. SEGMENT INFORMATION *(Continued)*

All of the segment revenue reported above is generated from external customers.

Segment profit (loss) represents the profit earned (loss incurred) by each segment without allocation of central administration costs, directors' salaries, loss on disposal of a subsidiary, other income and other expenses that are not directly related to core business and finance costs. This is the measure reported to the chief operating decision maker, Chairman of the Company, for the purposes of resources allocation and performance assessment.

The following is an analysis of the Group's assets by operating segment:

	As at 30th June, 2010 *HK$'000* **(Unaudited)**	As at 31st December, 2009 *HK$'000* (Audited)
Segment assets		
Hospitality services	**740,734**	751,833
– Ramada Hotel Kowloon	**170,167**	174,414
– Ramada Hong Kong Hotel	**344,834**	348,849
– Best Western Hotel Taipa, Macau	**136,236**	137,656
– Magnificent International Hotel, Shanghai	**89,497**	90,914
Property investment	**2,143,102**	1,993,190
– 633 King's Road	**1,422,786**	1,315,099
– Shun Ho Tower	**417,016**	395,890
– Shops	**303,300**	282,201
Securities investment and trading	**130,885**	108,605
Property development	**1,600,668**	1,545,438
– 239-251 Queen's Road West	**357,353**	351,528
– 19-23 Austin Avenue	**700,590**	690,113
– 30-40 Bowrington Road	**334,700**	297,771
– 338-346 Queen's Road West	**208,025**	206,026
	4,615,389	4,399,066
Unallocated assets	**135,550**	109,504
	4,750,939	4,508,570

5. FINANCE COSTS

	Six months ended 30th June, 2010 HK$'000 (Unaudited)	2009 HK$'000 (Unaudited)
Interests on:		
Bank loans wholly repayable within five years	**5,489**	13,038
Effective interest expense on mandatory convertible bonds liability	**4,319**	6,759
Advance from immediate holding company *(note 18(a))*	**319**	309
Advance from ultimate holding company *(note 18(a))*	**332**	371
	10,459	20,477
Less: amounts capitalised in properties under development	**(3,436)**	(7,609)
	7,023	12,868

6. INCOME TAX EXPENSE

	Six months ended 30th June, 2010 HK$'000 (Unaudited)	2009 HK$'000 (Unaudited)
Current tax		
Hong Kong	**9,265**	4,050
The People's Republic of China ("PRC")	**985**	–
Other jurisdiction	**840**	409
	11,090	4,459
Deferred tax		
Current period	**24,321**	6,047
	35,411	10,506

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated weighted average annual tax rate used is 16.5% for six months ended 30th June, 2010 (six months ended 30th June, 2009: 16.5%).

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

Deferred tax liabilities on the temporary differences attributable to the undistributed retained profits earned by the Group's PRC subsidiary amounted to HK$180,000 (six months ended 30th June, 2009: nil) were charged to profit or loss for the six months ended 30th June, 2010.

7. PROFIT FOR THE PERIOD

	Six months ended 30th June,	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Restated)
Profit for the period has been arrived at after charging (crediting):		
Release of prepaid lease payments for land	**751**	751
Depreciation of property, plant and equipment	**11,942**	13,537
Interest on bank deposits, included in other income	**(4)**	(43)
Gain on disposal of property, plant and equipment, included in other income	**–**	(255)

8. DIVIDEND

During the six months ended 30th June, 2010, a dividend of HK0.1 cent per share amounting to HK$5,965,000 was paid to shareholders as the final dividend for the year ended 31st December, 2009 (six months ended 30th June, 2009: no final dividend for the year ended 31st December, 2008 was paid to shareholders).

The directors do not recommend the payment of an interim dividend for the current period (six months ended 30th June, 2009: nil).

9. EARNINGS PER SHARE

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

Earnings

	Six months ended 30th June,	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company	**185,032**	52,993
Effective interest expense on mandatory convertible bonds	**4,319**	6,759
Earnings for the purpose of basic earnings per share	**189,351**	59,752

9. EARNINGS PER SHARE *(Continued)*

Number of shares

	Six months ended 30th June, 2010	2009
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of ordinary shares in issue	**5,964,701**	5,964,701
Effect of ordinary shares to be issued upon the conversion of mandatory convertible bonds	**2,982,350**	2,982,350
Weighted average number of ordinary shares for the purpose of basic earnings per share	**8,947,051**	8,947,051

Diluted earnings per share for both periods are not presented as there are no dilutive ordinary shares exist during both periods presented.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30th June, 2010, the Group has acquired land and buildings of HK$13,997,000 and furniture, fixtures and equipment of HK$422,000. The Group did not dispose of any property, plant and equipment during the period. In addition, the Group has transferred a land and building of HK$1,716,000 to assets classified as held for sale.

During the six months ended 30th June, 2009, the Group has acquired a land and building of HK$1,688,000, furniture, fixtures and equipment of HK$509,000 and motor vehicles and vessels of HK$60,000. Meanwhile, the Group has disposed of a land and building and certain furniture, fixtures and equipment with carrying amounts of HK$1,695,000 for cash proceeds of HK$1,950,000, resulting in a profit on disposal of HK$255,000. In addition, the Group has transferred a land and building of HK$4,851,000 to assets classified as held for sale.

11. INVESTMENT PROPERTIES

The fair values of the Group's investment properties at 30th June, 2010 and 31st December, 2009 have been arrived at on the basis of valuations carried out as of these dates by Dudley Surveyors Limited, an independent qualified professional valuers not connected to the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The resulting gain on fair value changes of investment properties of HK$152,030,000 has been recognised directly in profit or loss for the six months ended 30th June, 2010 (six months ended 30th June, 2009: HK$23,000,000).

All of the Group's leasehold interests in land held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

12. AVAILABLE-FOR-SALE INVESTMENTS/INVESTMENTS HELD FOR TRADING

	Available-for-sale investments Non-current		Investments held for trading Current	
	As at 30th June, 2010	As at 31st December, 2009	**As at 30th June, 2010**	As at 31st December, 2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Listed equity securities in Hong Kong at fair value	**130,061**	107,779	**6**	7
Unlisted equity investments	**780**	780	**–**	–
	130,841	108,559	**6**	7

13. 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 its other customers. The following is an analysis of trade receivables by age, presented based on the invoice date, at the end of the reporting period:

	As at 30th June, 2010	As at 31st December, 2009
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Not yet due	**1,316**	3,729
0 – 30 days	**4,885**	5,556
31 – 60 days	**653**	960
Over 60 days	**–**	6
	6,854	10,251

Analysed for reporting as:

Trade receivables	**6,854**	10,251
Other receivables	**1,002**	1,011
	7,856	11,262

14. LOSS ON DISPOSAL OF A SUBSIDIARY/ASSETS CLASSIFIED AS HELD FOR SALE

On 15th June, 2009, Shun Ho Construction (Holdings) Limited, a wholly-owned subsidiary of the Company, entered into an agreement with an independent third party for the disposal of the entire issued share capital of City Wealth Limited ("City Wealth"), its wholly-owned subsidiary, together with the shareholder's loan of City Wealth due to the Group for an aggregate consideration of HK$4,500,000. The principal activity of City Wealth was the holding of a residential unit located in Hong Kong which was under assets classified as held for sale as at 31st December, 2009. The disposal was completed on 24th June, 2010, upon which the Group passed the control of City Wealth to the buyer.

The net assets of City Wealth at the date of disposal were as follows:

	24th June, 2010
	HK$'000
Net assets disposed of	4,519
Loss on disposal	(19)
Total consideration received, satisfied by cash and net cash inflow arising on disposal	4,500

The consideration of HK$4,500,000 compared to the cost of the property of HK$3,477,000 as at the date of acquisition resulted in a surplus of HK$1,023,000.

On 2nd June, 2010, Mercury Fast Limited, a wholly-owned subsidiary of the Company, entered into an agreement with an independent third party for the disposal of a residential unit located in Hong Kong (the "Disposal"), for a consideration of HK$1,720,000 (the "Proceeds").

Upon completion of the Disposal, the Proceeds of the Disposal are expected to exceed the carrying amount of the assets effectively sold and, accordingly, no impairment loss has been recognised on the assets which were classified as assets held for sale at 30th June, 2010.

15. TRADE AND OTHER PAYABLES

The following is an analysis of trade payables by age, presented based on the invoice date, at the end of the reporting period:

	As at 30th June, 2010 *HK$'000* (Unaudited)	As at 31st December, 2009 *HK$'000* (Audited)
0 – 30 days	**12,375**	7,826
31 – 60 days	**11**	1,237
Over 60 days	**1,229**	369
	13,615	9,432

Analysed for reporting as:

	As at 30th June, 2010 *HK$'000* (Unaudited)	As at 31st December, 2009 *HK$'000* (Audited)
Trade payables	**13,615**	9,432
Other payables	**11,893**	13,950
	25,508	23,382

16. BANK LOANS

	As at 30th June, 2010 HK$'000 (Unaudited)	As at 31st December, 2009 HK$'000 (Audited)
Secured bank loans	**1,039,933**	1,043,425
Carrying amount repayable:		
On demand or within one year	**563,933**	567,425
More than one year, but not exceeding two years	**476,000**	476,000
	1,039,933	1,043,425
Less: Amounts due within one year shown under current liabilities	**(563,933)**	(567,425)
Amounts due over one year shown under non-current liabilities	**476,000**	476,000

During the current period, the Group has repaid bank loans of HK$3,512,000 (six months ended 30th June, 2009: nil). All the Group's bank loans are floating rate borrowings, which carry interests at Hong Kong Interbank Offered Rate ("HIBOR") plus 0.8% to 1.25% per annum for the six months ended 30th June, 2010 (year ended 31st December, 2009: HIBOR plus 0.65% to 1.2% per annum). The bank loans are secured over certain of the Group's properties. Interest rates on the Group's bank loans are repriced according to the HIBOR monthly. Effective interest rate is 1% per annum (year ended 31st December, 2009: 1% per annum).

At the end of the reporting period, the undrawn bank loan facilities of the Group amounted to an aggregate of approximately HK$500 million (31st December, 2009: HK$397 million).

17. SHARE CAPITAL

	Number of shares '000	Nominal value HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 30th June, 2010 (unaudited) and 31st December, 2009 (audited)	80,000,000	800,000
Issued and fully paid:		
At 30th June, 2010 (unaudited) and 31st December, 2009 (audited)	5,964,701	59,647

18. RELATED PARTY TRANSACTIONS

Other than those disclosed in the condensed consolidated statement of financial position, the Group had the following transactions and balances with related parties during the period:

	Six months ended 30th June, **2010** *HK$'000* (Unaudited)	2009 *HK$'000* (Unaudited)
THE GROUP		
Shun Ho Technology Holdings Limited (the Company's immediate holding company) and its subsidiaries*		
Rental expenses	**520**	520
Interest expenses on advances to the Group *(note a)*	**319**	309
Effective interest expense on mandatory convertible bonds	**4,313**	6,759
Corporate management fees income for administrative facilities provided	**817**	775
Shun Ho Resources Holdings Limited (the Company's intermediate holding company)		
Corporate management fees income for administrative facilities provided received	**50**	50
Trillion Resources Limited (the Company's ultimate holding company)		
Interest expenses on advances to the Group *(note a)*	**332**	371
Compensation of key management personnel *(note b)*	**2,447**	2,092

* exclude Magnificent Estates Limited and its subsidiaries

Notes:

(a) The advances from immediate holding company and ultimate holding company are unsecured, carry interests at HIBOR plus 1% per annum and are repayable on demand.

(b) The compensation of key management personnel comprised short-term benefits attributable to such personnel.

19. PROJECT COMMITMENTS

At 30th June, 2010, the Group had outstanding commitments contracted for but not provided in the condensed consolidated financial statements in respect of the property development expenditure amounting to HK$115,502,000 (31st December, 2009: HK$123,416,000).

20. PLEDGE OF ASSETS

At 30th June, 2010, the bank loan facilities of subsidiaries were secured by the following:

(a) investment properties, properties under development and property, plant and equipment of the Group with carrying amounts of approximately HK$1,591 million (31st December, 2009: HK$1,462 million), HK$1,600 million (31st December, 2009: HK$1,545 million) and HK$511 million (31st December, 2009: HK$517 million), respectively;

(b) pledge of shares in and subordination of loans due from subsidiaries with an aggregate carrying amount of approximately HK$927 million (31st December, 2009: HK$903 million);

(c) assignment of the Group's rentals and hotel revenue respectively; and

(d) bank deposits with a carrying amount of HK$110,000 (31st December, 2009: HK$110,000).