

MAGNIFICENT ESTATES LIMITED

(華大地產投資有限公司)

(Stock Code: 201)



INTERIM REPORT 2015



MAGNIFICENT ESTATES

(Stock Code: 201)

www.magnificentestatesltd.com

Total Assets: HK\$ **10.4** billion
(by DTZ)

Net Asset Value: HK\$1.07 per share
(17 July 2015)



206 guest-room
Ramada Hotel Kowloon
Tsimshatsui



318 guest-room
Best Western Plus Hotel
Hong Kong



396 guest-room
Best Western Grand Hotel
Tsimshatsui



258 guest-room
Best Western Hotel
Causeway Bay



432 guest-room Best Western
Hotel Harbour View
Queen's Road West



214 guest-room
Grand City Hotel
Queen's Road West



213 guest-room
Magnificent International Hotel
Shanghai

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

CFN Lawyers
27th Floor, Neich Tower
128 Gloucester Road
Wan Chai
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
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong
Tel: 2980 1333

Company's Website

www.magnificentstatesltd.com

INTERIM RESULTS

The board of directors (the “Board”) of Magnificent Estates Limited (the “Company”) announces that the **net profit after tax attributable to owners of the Company** before revaluation gain of investment properties and gain on disposal of subsidiaries and depreciation of properties for the six months ended 30th June, 2015 was HK\$118 million (six months ended 30th June, 2014: HK\$159 million).

The results of the Group for the six months ended 30th June, 2015 and its financial position as at that date are set out in the condensed consolidated financial statements on pages 22 to 48 of this report.

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK0.2 cent per share for the six months ended 30th June, 2015 (six months ended 30th June, 2014: HK0.2 cent per share) payable on Friday, 15th July, 2016 to shareholders whose names appear on the register of members of the Company on Thursday, 30th June, 2016. **The dividend payout ratio is 15% (30th June, 2014: 11%).**

BOOK CLOSURE

The register of members will be closed from Monday, 27th June, 2016 to Thursday, 30th June, 2016, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company’s Share Registrars, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 4:30 p.m. Friday, 24th June, 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

The **net profit after tax** attributed to owners of the Company before revaluation gain and gain on disposal of subsidiaries and depreciation of the properties for the six months ended 30th June, 2015 was HK\$118 million (six months ended 30th June, 2014: HK\$159 million), decreased by 26%. (*See Note a*)

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

On 25th March, 2015, Magnificent Estates Limited announced the reorganisation proposal to focus on hotel investment and development business and disposal of commercial investment properties business. The disposal of 100% interest in Houston Venture Limited and its subsidiary, Tennyland Limited, and 68% interest in Trans-Profit Limited (collectively referred to as “Disposal Subsidiaries”) together with its shareholder’s loan due to the Company was completed on 17th July, 2015. The Disposal Subsidiaries are principally engaged in property investment in commercial buildings, namely, 633 King’s Road and Shun Ho Tower.

	Six months ended		
	30.6.2014	30.6.2015	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	
	(unaudited)	(unaudited)	
Revaluation profit of investment properties	1,900	–	-100%
Profit from operation of hotels	109,051	52,334	-52%
Properties rental income	56,314	59,169	+5%
Other income	<u>5,868</u>	<u>8,322</u>	+42%
	173,133	119,825	-31%
Administrative and other expenses	(14,397)	(13,684)	-5%
Gain on disposal of subsidiaries	620,478	–	-100%
Income tax expense	<u>(29,485)</u>	<u>(19,496)</u>	-34%
Profit after taxation	749,729	86,645	-88%
Non-controlling interests	<u>(1,558)</u>	<u>(1,687)</u>	+8%
Profit after taxation and non-controlling interests	748,171	84,958	-89%
Less: Revaluation profit of investment properties	(1,900)	–	
Less: Gain on disposal of subsidiaries	(620,478)	–	
Add: Properties depreciation and release of prepaid lease payments for land	<u>32,770</u>	<u>33,149</u>	
Net profit after tax before revaluation of investment properties and gain on disposal of subsidiaries	158,563	118,107	-26%
			<i>(Note a)</i>

Matters that reduced profit after tax for the period:

	<i>HK\$ million</i>
1) No revaluation gain	2
2) No extraordinary disposal gain	620
3) Decrease of hotel profit	<u>41</u>
	<u><u>663</u></u>

The properties of the Group as valued by the independent professional valuer at market value as at 30th June, 2015 and the valuation surplus (before accounting for any deferred taxes) not included in the statement of financial position at 30th June, 2015 are as follows:

Name of properties	Independent professional valuation report at 30th June, 2015 <i>HK\$'000</i>	Carrying amounts (in the accounts under accounting standard) at 30th June, 2015 <i>HK\$'000</i>	Valuation surplus not included in accounts (before accounting for any deferred taxes) at 30th June, 2015 <i>HK\$'000</i>
Ramada Hotel Kowloon	1,220,000	387,478	832,522
Ramada Hong Kong Hotel	1,480,000	436,869	1,043,131
Best Western Grand Hotel	2,016,000	809,769	1,206,231
Best Western Hotel Harbour View	1,770,000	510,325	1,259,675
Best Western Hotel Causeway Bay	1,120,000	352,916	767,084
Grand City Hotel	700,000	397,671	302,329
Magnificent International Hotel, Shanghai	399,000	85,467	313,533
633 King's Road	2,170,000	2,170,000	–
Shun Ho Tower	587,000	565,509	21,491
Total	11,462,000	5,716,004	5,745,996

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

	<i>HK\$'000</i>
Net Assets Value after non-controlling interest (before deferred tax) of the Group	6,480,771
Add: Valuation surplus (before accounting for any deferred taxes) not recognised in the accounts	<u>5,745,996</u>
Net Assets Value of the Group	12,226,767

Pursuant to the completion of the group reorganization of the sale of the Disposed Subsidiaries, the total sale proceed plus a special cash dividend of HK\$0.03 per share and the interim dividend and the final dividend was distributed to shareholders of the Company on 17th July, 2015. Due to the above distributions, the adjusted net assets value of the Company is therefore HK\$1.07 per share (HK\$9,546 million).

18.07.2015

HK\$ million

Net Asset Value of Magnificent Estates	9,546
Net Asset Value Per Ordinary Share	HK\$1.07

PERFORMANCES

- For the six months ended 30th June, 2015, 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:

Income

	Six months ended		Change
	30.6.2014	30.6.2015	
	<i>HK\$'000</i>	<i>HK\$'000</i>	
	(unaudited)	(unaudited)	
Income from operation of hotels	264,322	203,054	-23%
Properties rental income	57,721	61,801	+7%
			<i>(Note)</i>
Dividend income	–	236	N/A
Other income	<u>12,708</u>	<u>16,767</u>	+32%
Total	<u>334,751</u>	<u>281,858</u>	-16%

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

The total income for the Group decreased by 16% from HK\$335 million to HK\$282 million for the same period compared with last year.

The income from operation of hotels decreased by 23% to HK\$203 million (six months ended 30th June, 2014: HK\$264 million). The decrease was due to the adverse hotel market condition and loss of two and a half months hotel income from the disposed Macau Hotel. The decrease from the existing operating hotels income was 19%.

	Ramada Hotel		Ramada		Best Western		Best Western Hotel		Best Western Hotel		Magnificent International		Change
	Kowloon		Hong Kong Hotel		Grand Hotel		Harbour View		Causeway Bay		Hotel, Shanghai		
	Avg Room	Avg Room	Avg Room	Avg Room	Avg Room	Avg Room	Avg Room	Avg Room	Avg Room	Avg Room	Avg Room	Avg Room	
	Occupancy	Rate	Occupancy	Rate	Occupancy	Rate	Occupancy	Rate	Occupancy	Rate	Occupancy	Rate	
	%	HK\$	%	HK\$	%	HK\$	%	HK\$	%	HK\$	%	HK\$	
2015													
Jan	98	865	98	722	99	756	98	603	98	734	66	256	
Feb	99	905	99	736	99	839	99	657	89	802	67	273	
Mar	97	781	98	681	98	676	96	565	99	720	82	294	
Apr	94	758	98	624	96	629	99	567	96	660	92	313	
May	100	605	99	546	99	540	100	486	99	513	88	304	
Jun	99	610	99	537	99	525	100	467	99	515	81	291	
Total		HK\$28,955,000		HK\$38,434,000		HK\$49,354,000		HK\$44,971,000		HK\$31,048,000		HK\$10,292,000	
Jan to Jun 2014 Total		HK\$37,658,000		HK\$45,906,000		HK\$63,354,000		HK\$52,888,000		HK\$40,543,000		HK\$9,715,000	
Change		-23%		-16%		-22%		-15%		-23%		+6%	-19%
Jan to Jun 2015													
EBITDA Margin													
(Based on Revenue)		49%		43%		51%		46%		43%		28%	

For the period under review, the hotel industry has suffered noticeable decline of overnight visitors and their spending power. According to Hong Kong Tourism Board, total overnight visitors declined by 3.8% (12,696,759 visitors) during January to June 2015, the visitors segments were analysed as follows:

Mainland China	-3.8%
Other Asia markets	-4.1%
Long haul markets	-2.6%
New markets	-5.9%

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 Grand Hotel amounted to HK\$62 million (six months ended 30th June, 2014: HK\$58 million). At the date of this report, 633 King's Road provided an annual rental income of HK\$95 million (excluding rates and management fee incomes).

The properties rental income was analysed as follows:

	Six months ended		Change
	30.6.2014 <i>HK\$'000</i> (unaudited)	30.6.2015 <i>HK\$'000</i> (unaudited)	
633 King's Road	42,715	47,059	+10%
Shun Ho Tower	10,032	10,849	+8%
Shops	<u>4,974</u>	<u>3,893</u>	-22%
Total	57,721	61,801	+7%

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

OTHER INCOME amounted to HK\$16.8 million (six months ended 30th June 2014: HK\$12.7 million) which was mostly property management fee incomes of HK\$7.7 million (six months ended 30th June 2014: HK\$7.7 million) with related expenses of HK\$6.9 million (six months ended 30th June 2014: HK\$6.9 million), interest income of HK\$4.8 million from cash deposits (six months ended 30th June 2014: HK\$5.0 million) and gain on disposal of property, plant and equipment and sundry income amounted to HK\$4.3 million (six months ended 30th June 2014: Nil).

The management intends to increase incomes from the cash available through cash deposit, bonds or high yield stocks temporarily before hotel property acquisitions take place.

From continuing and discontinued operations

	Six months ended 30.6.2015 HK\$'000 (unaudited)	Segment			
		Total	Hotel	Hotel Shops	Office Rental
Income	265,091	203,054	3,893	57,908	236
Cost of sales	(2,022)	(2,022)	–	–	–
Service costs	(112,463)	(112,105)	–	(358)	–
Gross Profit	150,606	88,927	3,893	57,550	236
Depreciation	(31,867)	(31,867)	–	–	–
Other income and gains	16,767	–	–	7,652	9,115
Other expenses	(8,681)	(1,862)	–	(6,819)	–
Finance costs	(7,000)	(4,726)	–	(2,274)	–
Income tax expense	(15,810)	(7,282)	–	(8,528)	–
Net Profit after Tax	104,015	43,190	3,893	47,581	9,351
Overall Administrative expenses	(13,684)				
Income tax expense	(3,686)				
Profit for the period	86,645				

COSTS

- **OVERALL SERVICE COSTS** of the Group for the period was HK\$114.5 million (six months ended 30th June, 2014: HK\$119.8 million), of which HK\$114.1 million (six months ended 30th June, 2014: HK\$119.5 million) was for the hotel operations including food and beverage and costs of sales and HK\$0.4 million (six months ended 30th June, 2014: HK\$0.3 million) was mainly for rates and leasing commission paid for investment properties. The leasing commissions paid for the leased premises represent total commissions payable for three years of the rental period.

The approximate **OPERATING COST** including food and beverage and costs of sales for each operating hotel were as follows:

Name of Hotel	Six months ended		Change
	30.6.2014 HK\$ million per month	30.6.2015 HK\$ million per month	
Ramada Hotel Kowloon	2.84	2.88	+1.4%
Ramada Hong Kong Hotel	3.67	3.89	+6.0%
Best Western Grand Hotel	4.06	4.00	-1.5%
Best Western Hotel Harbour View	3.98	4.05	+1.8%
Best Western Hotel Causeway Bay	2.94	2.95	+0.3%
Magnificent International Hotel, Shanghai	1.22	1.23	+0.8%

During the period, the **ADMINISTRATIVE EXPENSES** excluding depreciation was HK\$12.4 million (six months ended 30th June, 2014: HK\$12.9 million) 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 amounted to HK\$6.9 million (six months ended 30th June, 2014: HK\$6.9 million) and pre-operating expense of Grand City Hotel amounted to HK\$1.8 million (six months ended 30th June, 2014: Nil).

The accounting standards require hotel properties of the Group to provide **DEPRECIATION** which amounted to HK\$31.9 million (six months ended 30th June, 2014: HK\$31.2 million) for the period.

DEPRECIATION OF HOTEL PROPERTIES

Name of Hotel	Six months ended		Change HK\$ million
	30.6.2014 HK\$ million	30.6.2015 HK\$ million	
Ramada Hotel Kowloon	3.3	3.9	+0.6
Ramada Hong Kong Hotel	1.8	1.8	–
Best Western Grand Hotel	15.1	15.1	–
Best Western Hotel Harbour View	3.5	3.5	–
Best Western Hotel Causeway Bay	6.0	6.1	+0.1
Magnificent International Hotel, Shanghai	<u>1.5</u>	<u>1.5</u>	–
Total amount for the period	<u>31.2</u>	<u>31.9</u>	+0.7

FUNDING

- As at 30th June, 2015, the **OVERALL DEBTS** of the Group were HK\$775 million (31st December, 2014: HK\$780 million), of which HK\$593 million (31st December, 2014: HK\$622 million) was bank borrowings and HK\$182 million (31st December, 2014: HK\$158 million) was advance from shareholders.

The debt ratio was 6% (31st December, 2014: 6%) in term of overall debts of HK\$775 million (31st December, 2014: HK\$780 million) against the fully revalued assets of the Group amounted to HK\$13,180 million (31st December, 2014: HK\$12,936 million).

The gearing ratio was approximately 12% (31st December, 2014: 13%) in term of overall debts of HK\$775 million (31st December, 2014: HK\$780 million) against funds employed of HK\$6,361 million (31st December, 2014: HK\$6,159 million).

The overall debts were analysed as follows:

	For the year ended 31.12.2014 <i>HK\$ million</i>	For the six months ended 30.06.2015 <i>HK\$ million</i>	Change <i>HK\$ million</i>	Interest Paid For the six months ended 30.06.2015 <i>HK\$ million</i>
Bank loans	622	593	-29	4.9
Shareholders' loans	158	182	+24	3.2
Overall debts	780	775	-5	8.1
Debt ratio (Based on Fully Revalued Assets)	6%	6%		

FINANCE COST: Of these loans, the bank loan interest expenses amounted to HK\$4.9 million (six months ended 30th June, 2014: HK\$5.3 million), the shareholders' loans interest expenses amounted to HK\$3.2 million (six months ended 30th June, 2014: HK\$1.5 million).

Out of these interests totally paid, HK\$1.1 million (six months ended 30th June, 2014: HK\$1.1 million) was capitalized and HK\$7.0 million (six months ended 30th June, 2014: HK\$5.7 million) reflected in the expenses account. The increase of interest expense amount was due to the increase of advance of shareholders' loans.

- Regarding the **CASH FLOW** of the Group for the period, the gross income of the Group was HK\$282 million (six months ended 30th June, 2014: HK\$335 million) with operating expenses of HK\$136 million (six months ended 30th June, 2014: HK\$139 million), interests paid out of the Group of HK\$5 million (six months ended 30th June, 2014: HK\$5 million), and net repayment of bank loans of HK\$29 million (six months ended 30th June, 2014: HK\$26 million), various construction expenses and acquisition of property, plant and equipment of HK\$42 million (six months ended 30th June, 2014: HK\$53 million). **A positive cash flow amounted to HK\$70 million** (six months ended 30th June, 2014: HK\$832 million) is in cash reserve of the Group.

The Group's bank borrowings carry interest at floating rates and are mainly denominated in Hong Kong dollar. Accordingly, the exchange risk of the Group is minimal. During the period under review, the Group's staffing level is about 4% more than that of 31st December, 2014. Remuneration and benefit were set with reference to the market.

LOOKING AHEAD

In July 2015, Magnificent Estates Limited has completed the Group reorganization to focus on investment, development and operation of hotels. Magnificent Estates Limited will change its company name to Magnificent Hotel Investments Limited.

The **CORPORATE STRATEGY** of Magnificent Hotel Investments Limited (“Magnificent”) 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. Magnificent benefits from the development of these hotels from good operating incomes, but most importantly is their capital value gain. Magnificent presently owns and operates seven hotels including: (1) Ramada Hotel Kowloon, (2) Best Western Plus Hotel, (3) Best Western Grand Hotel, (4) Best Western Hotel Harbour View, (5) Best Western Hotel Causeway Bay (6) Grand City Hotel and (7) Magnificent International Hotel, Shanghai with 2,037 rooms. Magnificent is one of the largest hotel groups in Hong Kong.

Looking ahead, the hotel industry will continue to suffer a decline of overnight visitors, less spending power, increase of supply of new hotel rooms, competing room rate and occupancy. This situation is probably due to China experiencing low economic cycle which is our largest visitors segment (68%). However, future prospects remain optimistic because of our largest PRC visiting segment is experiencing a rapid growth of middle class with potential spending power and recovery of economy of our second largest visitors segment of USA.

The Group with 7 hotels has total assets value of HK\$10 billion. The cash reserve of HK\$1 billion will help the Group in a well position to take advantage of this adjusting market condition for future hotel investment/development opportunities.

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, 2015, 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 Issuers, 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	6,360,585,437 (Note)	71.09

Note:

Shun Ho Technology Holdings Limited ("Shun Ho Technology") beneficially owned 2,709,650,873 shares of the Company (the "Shares") (30.29%) and was taken to be interested in 395,656,000 Shares (4.42%) held by Good Taylor Limited, 273,579,983 Shares (3.06%) held by South Point Investments Limited, 3,500,000 Shares (0.04%) held by Shun Ho Technology Developments Limited and 2,978,198,581 Shares (33.29%) held by Fastgrow Engineering & Construction Company Limited, representing a total of 6,360,585,437 Shares (71.09%). Mr. William Cheng Kai Man had controlling interest in the above-mentioned companies. All the above interests in the Shares are long position.

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	359,543,999	66.94
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.
4. All the above interests in the shares of the associated corporations are long position.

An employees share option scheme of the Company was adopted at the extraordinary general meeting held on 14th November, 2013 (the "Employees Share Option Scheme"). Since the adoption of the Employees Share Option Scheme and up to the date of this report, no share option had been granted under the Employees Share Option Scheme.

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, 2015, 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 Issuers 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, 2015, the following persons (not being directors or chief executive of the Company) had interests in the Shares 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 (<i>Note 1</i>)	Beneficial owner and interest of controlled corporations	6,360,663,987 (L)	71.09
Omnico Company Inc. ("Omnico") (<i>Note 2</i>)	Interest of controlled corporations	6,360,663,987 (L)	71.09
Shun Ho Resources (<i>Note 2</i>)	Interest of controlled corporations	6,360,663,987 (L)	71.09
Trillion Resources (<i>Note 2</i>)	Interest of controlled corporations	6,360,663,987 (L)	71.09
Liza Lee Pui Ling (<i>Note 3</i>)	Interest of spouse	6,360,663,987 (L)	71.09
Fastgrow Engineering & Construction Company Limited	Beneficial owner	2,978,198,581 (L)	33.29
Desmarais Andre (as trustee of the Desmarais Family Residuary Trust) (<i>Note 4</i>)	Trustee	589,106,000 (L)	6.58
Desmarais Jacqueline (as trustee of the Desmarais Family Residuary Trust) (<i>Note 4</i>)	Trustee	589,106,000 (L)	6.58
Desmarais Jr. Paul (as trustee of the Desmarais Family Residuary Trust) (<i>Note 4</i>)	Trustee	589,106,000 (L)	6.58
Fortin Guy (as trustee of the Desmarais Family Residuary Trust) (<i>Note 4</i>)	Trustee	589,106,000 (L)	6.58

Name of shareholder	Capacity	Number of Shares/ underlying Shares held	Approximate % of shareholding
Gelco Enterprises Ltd (<i>Note 4</i>)	Interest of controlled corporations	589,106,000 (L)	6.58
IGM Financial Inc. (<i>Note 4</i>)	Interest of controlled corporations	589,106,000 (L)	6.58
Nordex Inc. (<i>Note 4</i>)	Interest of controlled corporations	589,106,000 (L)	6.58
Plessis-Belair Michel (as trustee of the Desmarais Family Residuary Trust) (<i>Note 4</i>)	Trustee	589,106,000 (L)	6.58
Power Corporation of Canada (<i>Note 4</i>)	Interest of controlled corporations	589,106,000 (L)	6.58
Power Financial Corporation (<i>Note 4</i>)	Interest of controlled corporations	589,106,000 (L)	6.58
The Bank of New York Mellon Corporation (<i>Note 5</i>)	Interest of controlled corporation	562,038,000 (L) (LP)	6.28
The Bank of New York Mellon (<i>Note 5</i>)	Beneficial owner	562,038,000 (L) (LP)	6.28

Notes:

1. Shun Ho Technology beneficially owned 2,709,729,423 Shares (30.29%) and was taken to be interested in 395,656,000 Shares (4.42%) held by Good Taylor Limited, 273,579,983 Shares (3.06%) held by South Point Investments Limited, 3,500,000 Shares (0.04%) held by Shun Ho Technology Developments Limited and 2,978,198,581 Shares (33.29%) held by Fastgrow Engineering & Construction Company Limited, representing a total of 6,360,663,987 Shares (71.09%). The above-mentioned companies were wholly-owned subsidiaries of Shun Ho Technology.
2. 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 6,360,663,987 Shares by virtue of their direct or indirect interests in Shun Ho Technology.

3. Madam Liza Lee Pui Ling was deemed to be interested in 6,360,663,987 Shares by virtue of the interest in such Shares of her spouse, Mr. William Cheng Kai Man, a director of the Company.
4. Mackenzie Financial Corporation (“MFC”) and its subsidiaries were interested in the total number of 589,106,000 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 59.51%) which was in turn an indirect non wholly-owned subsidiary of Power Corporation of Canada (held as to 65.59%). Power Corporation of Canada was 53.44% owned by Gelco Enterprises Ltd, a 94.95% subsidiary of Nordex Inc. Desmarais Paul G. was the holder of 68% interest in Nordex Inc. and he passed away on 8th October, 2013. Desmarais Jr. Paul, Desmarais Andre, Desmarais Jacqueline, Fortin Guy and Plessis-Belair Michel (all as trustees of the Desmarais Family Residuary Trust) became the holders of 68% of the interest in Nordex Inc.
5. The Bank of New York Mellon is a wholly-owned subsidiary of The Bank of New York Mellon Corporation. The Bank of New Work Mellon Corporation was taken to be interested in 562,038,000 Shares held by The Bank of New Work Mellon.

L: Long Position

LP: Lending Pool

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, 2015 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 21 of this interim report. The interim results and the interim report 2015 have also been reviewed by the Group’s Audit Committee.

CORPORATE GOVERNANCE

(a) Compliance with the Corporate Governance Code

During the period ended 30th June, 2015, the Company has complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited with the exception of the following deviations:

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

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

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

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

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

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

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

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

(b) Compliance with the Model Code

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

By Order of the Board

William CHENG Kai Man
Chairman

Hong Kong, 17th August, 2015

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Magnificent Estates Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 22 to 48, which comprise the condensed consolidated statement of financial position as of 30th June, 2015 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and 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 these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 these condensed consolidated financial statements 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
17th August, 2015

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED 30TH JUNE, 2015

		Six months ended 30th June,	
	NOTES	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited and restated)
Continuing operations			
Revenue	3	207,183	269,296
Cost of sales		(2,022)	(2,117)
Other service costs		(112,105)	(117,322)
Depreciation of property, plant and equipment and release of prepaid lease payments for land		<u>(31,867)</u>	<u>(31,233)</u>
Gross profit		61,189	118,624
Decrease in fair value of investment properties	11	–	(8,000)
Other income and gains		9,115	5,153
Gain on disposal of subsidiaries		–	620,478
Administrative expenses			
– Depreciation		(835)	(1,086)
– Others		(12,224)	(12,661)
		(13,059)	(13,747)
Other expenses		(1,862)	–
Finance costs	5	<u>(4,726)</u>	<u>(3,945)</u>
Profit before taxation		50,657	718,563
Income tax expense	6	<u>(10,968)</u>	<u>(21,761)</u>
Profit for the period from continuing operations	7	<u>39,689</u>	<u>696,802</u>
Discontinued operations			
Profit for the period from discontinued operations	20	<u>46,956</u>	<u>52,927</u>
Profit for the period		<u>86,645</u>	<u>749,729</u>
Other comprehensive income (expense)			
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		(346)	(2,431)
Fair value gain on available-for-sale investments		<u>169,348</u>	<u>9,676</u>
Other comprehensive income for the period		<u>169,002</u>	<u>7,245</u>
Total comprehensive income for the period		<u>255,647</u>	<u>756,974</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (Continued)**

FOR THE SIX MONTHS ENDED 30TH JUNE, 2015

		Six months ended 30th June,	
	NOTES	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited and restated)
Profit for the period attributable to owners of the Company			
– profit for the period from continuing operations		39,689	696,802
– profit for the period from discontinued operations		<u>45,269</u>	<u>51,369</u>
Profit for the period attributable to owners of the Company		<u>84,958</u>	<u>748,171</u>
Profit for the period attributable to non-controlling interests of the Company		<u>1,687</u>	<u>1,558</u>
Profit for the period attributable to:			
Owners of the Company		84,958	748,171
Non-controlling interests		<u>1,687</u>	<u>1,558</u>
		<u>86,645</u>	<u>749,729</u>
Total comprehensive income attributable to:			
Owners of the Company		253,960	755,416
Non-controlling interests		<u>1,687</u>	<u>1,558</u>
		<u>255,647</u>	<u>756,974</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
<i>From continuing and discontinued operations</i>			
Basic	9	<u>0.95</u>	<u>8.36</u>
<i>From continuing operations</i>			
Basic	9	<u>0.45</u>	<u>7.79</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2015

	NOTES	As at 30th June, 2015 HK\$'000 (Unaudited)	As at 31st December, 2014 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	2,300,001	2,324,497
Prepaid lease payments for land		32,901	33,440
Investment properties	11	360,000	3,082,700
Properties under development	10	397,671	382,339
Available-for-sale investments	12	426,384	257,036
		<u>3,516,957</u>	<u>6,080,012</u>
CURRENT ASSETS			
Inventories		866	891
Prepaid lease payments for land		901	901
Trade and other receivables	13	7,721	21,480
Other deposits and prepayments		40,107	7,912
Bank balances and cash		1,168,811	1,164,762
		<u>1,218,406</u>	1,195,946
Assets classified as held for sale	20	2,753,603	–
		<u>3,972,009</u>	<u>1,195,946</u>
CURRENT LIABILITIES			
Trade and other payables and accruals	14	48,575	41,295
Rental and other deposits received		2,571	11,261
Advance from immediate holding company	17(a)	137,159	145,203
Advance from an intermediate holding company	17(b)	–	12,491
Advance from ultimate holding company	17(c)	429	423
Tax liabilities		12,031	15,680
Bank loans	15	418,392	621,733
		<u>619,157</u>	848,086
Liabilities associated with assets classified as held for sale	20	293,375	–
		<u>912,532</u>	<u>848,086</u>
NET CURRENT ASSETS		<u>3,059,477</u>	<u>347,860</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,576,434</u>	<u>6,427,872</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
POSITION (Continued)**

AT 30TH JUNE, 2015

		As at 30th June, 2015	As at 31st December, 2014
	NOTES	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
CAPITAL AND RESERVES			
Share capital	16	841,926	841,926
Reserves		5,519,434	5,316,920
		<hr/>	<hr/>
Equity attributable to owners of the Company		6,361,360	6,158,846
Non-controlling interests		119,459	117,772
		<hr/>	<hr/>
		6,480,819	6,276,618
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Rental deposits received		1,337	33,724
Deferred tax liabilities		94,278	117,530
		<hr/>	<hr/>
		95,615	151,254
		<hr/>	<hr/>
		6,576,434	6,427,872
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2015

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Special capital reserve HK\$'000 <i>(Note a)</i>	Property revaluation reserve HK\$'000 <i>(Note b)</i>	Securities revaluation reserve HK\$'000	Foreign currency translation reserve HK\$'000	Other reserve HK\$'000 <i>(Note c)</i>	Retained profits HK\$'000	Sub-total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 1st January, 2014 (audited)	89,471	752,455	612,477	179	145,678	23,354	3,561	3,663,260	5,290,435	144,539	5,434,974
Profit for the period	-	-	-	-	-	-	-	748,171	748,171	1,558	749,729
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(2,431)	-	-	(2,431)	-	(2,431)
Fair value gain on available-for-sale investments	-	-	-	-	9,676	-	-	-	9,676	-	9,676
Total comprehensive income (expense) for the period	-	-	-	-	9,676	(2,431)	-	748,171	755,416	1,558	756,974
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance <i>(Note d)</i>	752,455	(752,455)	-	-	-	-	-	-	-	-	-
Final dividend payable for year ended 31st December, 2013 <i>(note 8)</i>	-	-	-	-	-	-	-	(51,446)	(51,446)	-	(51,446)
At 30th June, 2014 (unaudited)	<u>841,926</u>	<u>-</u>	<u>612,477</u>	<u>179</u>	<u>155,354</u>	<u>20,923</u>	<u>3,561</u>	<u>4,359,985</u>	<u>5,994,405</u>	<u>146,097</u>	<u>6,140,502</u>
At 1st January, 2015 (audited)	841,926	-	612,477	179	179,899	21,212	3,561	4,499,592	6,158,846	117,772	6,276,618
Profit for the period	-	-	-	-	-	-	-	84,958	84,958	1,687	86,645
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(346)	-	-	(346)	-	(346)
Fair value gain on available-for-sale investments	-	-	-	-	169,348	-	-	-	169,348	-	169,348
Total comprehensive income (expense) for the period	-	-	-	-	169,348	(346)	-	84,958	253,960	1,687	255,647
Final dividend payable for year ended 31st December, 2014 <i>(note 8)</i>	-	-	-	-	-	-	-	(51,446)	(51,446)	-	(51,446)
At 30th June, 2015 (unaudited)	<u>841,926</u>	<u>-</u>	<u>612,477</u>	<u>179</u>	<u>349,247</u>	<u>20,866</u>	<u>3,561</u>	<u>4,533,104</u>	<u>6,361,360</u>	<u>119,459</u>	<u>6,480,819</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Continued)
FOR THE SIX MONTHS ENDED 30TH JUNE, 2015

Notes:

- (a) The special capital reserve represents the difference arising from the reduction of the nominal value of the Company's shares 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.
- (c) The other reserve represents the difference between the sales proceed from the disposal of partial interest in a subsidiary and the reduction of interest in the carrying amounts of assets and liabilities of the subsidiary.
- (d) The Company has no authorised share capital and its shares have no par value from the commencement date of the new Hong Kong Companies Ordinance (i.e. 3rd March, 2014).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2015

	Six months ended 30th June,	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash from operating activities	103,592	198,751
Net cash (used in) from investing activities:		
Expenditure on properties under development	(18,887)	(44,436)
Purchase of available-for-sale investments	–	(5,629)
Acquisition of property, plant and equipment	(22,760)	(2,465)
Expenditure on investment properties	–	(100)
Proceed from disposal of subsidiaries, net of cash and cash equivalents	–	712,542
Proceeds from disposal of property, plant and equipment	4,469	–
	(37,178)	659,912
Net cash used in financing activities:		
Interest paid	(4,909)	(5,344)
Repayment of bank loans	(28,716)	(25,876)
Repayment to a fellow subsidiary	–	(4,745)
Repayment to an intermediate holding company	(11,969)	(746)
Repayment to immediate holding company	(3,584)	(9,434)
Repayment to ultimate holding company	(3)	–
	(49,181)	(46,145)
Net increase in cash and cash equivalents	17,233	812,518
Cash and cash equivalents at the beginning of the period	1,164,762	319,390
Cash and cash equivalents at the end of the period	1,181,995	1,131,908
Represented by:		
Bank balances and cash	1,168,811	1,131,908
Bank balances and cash classified as held for sale	13,184	–
	1,181,995	1,131,908

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2015

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2014.

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

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle

The application of the new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE

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

	Six months ended 30th June,	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited and restated)
Continuing operations		
Income from operation of hotels	203,054	264,322
Income from property rental – shops	3,893	4,974
Dividend income	236	–
	<u>207,183</u>	<u>269,296</u>

4. SEGMENT INFORMATION

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

1. Hospitality services – Ramada Hotel Kowloon
2. Hospitality services – Ramada Hong Kong Hotel
3. Hospitality services – Best Western Hotel Taipa, Macau (*Note*)
4. Hospitality services – Magnificent International Hotel, Shanghai
5. Hospitality services – Best Western Hotel Causeway Bay
6. Hospitality services – Best Western Hotel Harbour View
7. Hospitality services – Best Western Grand Hotel
8. Property investment – Shops
9. Securities investment and trading
10. Property development for hotel – 338 Queen's Road West

Note: The Group has disposed of the holding companies that hold Best Western Hotel Taipa, Macau during the six months ended 30th June, 2014.

On 25th March, 2015, the Company entered into the sale and purchase agreement with its immediate holding company, Shun Ho Technology Holdings Limited, for the disposal of 100% interest in Houston Venture Limited and its subsidiary, Tennyland Limited, and 68% interest in Trans-Profit Limited (collectively referred to as "Disposed Subsidiaries") together with its shareholder's loan due to the Company (the "Disposal"). Upon completion of the Disposal, the Disposed Subsidiaries ceased to be subsidiaries of the Company. The Disposed Subsidiaries are principally engaged in property investment in commercial buildings, namely, 633 King's Road and Shun Ho Tower. Accordingly, the segment information reported below does not include financial information in respect of the discontinued operations related to the Disposed Subsidiaries, which are described in more details in note 20, and the comparative figures in the segment information for the six months ended 30th June, 2014 have been restated.

4. SEGMENT INFORMATION (Continued)

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

Continuing operations

	Segment revenue		Segment profit (loss)	
	Six months ended 30th June,		Six months ended 30th June,	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited and restated)	(Unaudited)	(Unaudited and restated)
Hospitality services	203,054	264,322	57,060	113,650
– Ramada Hotel Kowloon	28,955	37,658	7,739	17,436
– Ramada Hong Kong Hotel	38,434	45,906	13,306	22,072
– Best Western Hotel Taipa, Macau	–	14,258	–	7,038
– Magnificent International Hotel, Shanghai	10,292	9,715	1,417	879
– Best Western Hotel Causeway Bay	31,048	40,543	7,245	16,848
– Best Western Hotel Harbour View	44,971	52,888	17,146	25,482
– Best Western Grand Hotel	49,354	63,354	10,207	23,895
Property investment				
– Shops	3,893	4,974	3,893	(3,026)
Securities investment and trading	236	–	236	–
Property development for hotel				
– 338 Queen's Road West	–	–	–	–
	<u>207,183</u>	<u>269,296</u>	61,189	110,624
Other income and gains			9,115	5,153
Gain on disposal of subsidiaries			–	620,478
Central administration costs and directors' emoluments			(13,059)	(13,747)
Other expenses			(1,862)	–
Finance costs			(4,726)	(3,945)
Profit before taxation			<u>50,657</u>	<u>718,563</u>

4. SEGMENT INFORMATION (Continued)

Continuing operations (Continued)

Segment profit/loss represents the profit earned/loss incurred by each segment without allocation of central administration costs, directors' emoluments, other income and gains, other expenses, gain on disposal of subsidiaries 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.

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales for both periods.

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

	As at 30th June, 2015 HK\$'000 (Unaudited)	As at 31st December, 2014 HK\$'000 (Audited)
Hospitality services	2,273,602	2,314,276
– Ramada Hotel Kowloon	146,263	151,410
– Ramada Hong Kong Hotel	330,943	333,876
– Magnificent International Hotel, Shanghai	86,752	88,499
– Best Western Hotel Causeway Bay	363,974	370,948
– Best Western Hotel Harbour View	522,932	528,978
– Best Western Grand Hotel	822,738	840,565
Property investment		
– Shops	360,000	360,000
Securities investment and trading	426,384	257,259
Property development for hotel		
– 338 Queen's Road West	400,326	383,181
Total segment assets	3,460,312	3,314,716
Assets relating to Disposed Subsidiaries (now discontinued)	2,753,603	2,756,641
Unallocated assets	1,275,051	1,204,601
Consolidated assets	<u>7,488,966</u>	<u>7,275,958</u>

4. SEGMENT INFORMATION (Continued)

Continuing operations (Continued)

	As at 30th June, 2015 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2014 <i>HK\$'000</i> (Audited)
Hospitality services	20,587	25,394
– Ramada Hotel Kowloon	4,699	3,765
– Ramada Hong Kong Hotel	3,851	2,978
– Magnificent International Hotel, Shanghai	1,625	1,219
– Best Western Hotel Causeway Bay	2,491	2,260
– Best Western Hotel Harbour View	3,206	4,225
– Best Western Grand Hotel	4,715	10,947
Property investment		
– Shops	2,496	3,615
Securities investment and trading	2	2
Property development for hotel		
– 338 Queen's Road West	8,190	11,985
Total segment liabilities	31,275	40,996
Liabilities relating to Disposed Subsidiaries	293,375	309,487
Unallocated liabilities	683,497	648,857
Consolidated liabilities	1,008,147	999,340

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating and reportable segments other than the Group's head office corporate assets (including certain property, plant and equipment) and bank balances and cash; and
- all liabilities are allocated to operating and reportable segments other than the Group's head office corporate liabilities, bank loans and current and deferred tax liabilities.

5. FINANCE COSTS

	Six months ended 30th June,	
	2015	2014
	HK\$'000	<i>HK\$'000</i>
	(Unaudited)	(Unaudited and restated)
Continuing operations		
Interests on:		
Bank loans wholly repayable within five years	3,968	4,263
Advance from immediate holding company wholly repayable within five years (<i>note 17(a)</i>)	1,861	777
Advance from ultimate holding company wholly repayable within five years (<i>note 17(c)</i>)	9	9
	5,838	5,049
Less: amounts capitalised in properties under development	(1,112)	(1,104)
	4,726	3,945

6. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2015	2014
	HK\$'000	<i>HK\$'000</i>
	(Unaudited)	(Unaudited and restated)
Continuing operations		
The taxation charge comprises:		
Current tax		
Hong Kong	9,767	15,305
The People's Republic of China ("PRC")	271	126
Other jurisdiction	–	715
	10,038	16,146
Deferred tax		
Current period	930	5,615
	10,968	21,761

6. INCOME TAX EXPENSE (Continued)

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The annual tax rate used is 16.5% for the six months ended 30th June, 2015 (six months ended 30th June, 2014: 16.5%).

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

Deferred tax liabilities on the temporary differences attributable to the undistributed retained profits earned by the Group's PRC subsidiary amounted to HK\$81,000 (six months ended 30th June, 2014: HK\$38,000) were charged to profit or loss for the six months ended 30th June, 2015.

7. PROFIT FOR THE PERIOD

	Six months ended 30th June,	
	2015	2014
	HK\$'000	HK\$'000

		(Unaudited and restated)
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(Unaudited)		
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Continuing operations

Profit for the period has been arrived at after charging
(crediting):

Release of prepaid lease payments for land	451	449
Depreciation of property, plant and equipment	32,251	31,870
Interest on bank deposits (included in other income and gains)	(4,779)	(5,153)
(Gain) loss on disposal of property, plant and equipment	<u>(4,040)</u>	<u>23</u>

8. DIVIDEND

During the six months ended 30th June, 2015, a final dividend of HK0.575 cent per share amounting to HK\$51,446,000 was declared and payable to shareholders for the year ended 31st December, 2014 (six months ended 30th June, 2014: a final dividend of HK0.575 cent per share amounting to HK\$51,446,000 was paid to shareholders for the year ended 31st December, 2013).

The interim dividend in respect of the six months ended 30th June, 2015 of 0.2 cent per share amounting to HK\$17,894,000 has been declared by the Board (six months ended 30th June, 2014: HK0.2 cent per share amounting to HK\$17,894,000).

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:

From continuing and discontinued operations

	Six months ended 30th June,	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited and restated)
Profit		
Profit for the purposes of basic earnings per share (profit for the period attributable to owners of the Company)	<u>84,958</u>	<u>748,171</u>
	2015	2014
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>8,947,051</u>	<u>8,947,051</u>

From continuing operations

	Six months ended 30th June,	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited and restated)
Profit figures are calculated as follows:		
Profit for the period attributable to owners of the Company	84,958	748,171
Less: profit for the period from discontinued operations attributable to owners of the Company	<u>(45,269)</u>	<u>(51,369)</u>
Profit for the purposes of basic earnings per share from continuing operations	<u>39,689</u>	<u>696,802</u>

The denominators used are the same as those detailed above for basic earnings per share.

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

10. PROPERTY, PLANT AND EQUIPMENT/PROPERTIES UNDER DEVELOPMENT

During the six months ended 30th June, 2015, the Group has acquired furniture, fixtures and equipment of HK\$22,760,000 (six months ended 30th June, 2014: HK\$2,465,000) and incurred HK\$14,220,000 (six months ended 30th June, 2014: HK\$63,115,000) on construction costs of new hotel premises. The Group has disposed of property, plant and equipment with carrying amount of HK\$429,000 (six months ended 30th June, 2014: HK\$23,000) during the period.

11. INVESTMENT PROPERTIES

The fair value of the Group's investment properties at 30th June, 2015 and 31st December, 2014 has been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited, an independent qualified professional valuer not connected with the Group. The valuation reports on these properties are signed by a director of DTZ Debenham Tie Leung Limited who is a member of The Hong Kong Institute of Surveyors, and were arrived at by adopting the income capitalisation method and/or by making reference to comparable sales transactions as available in the market to assess the market value of the investment properties.

The investment properties of the Group with an aggregate carrying amount of approximately HK\$3,083 million (2014: HK\$3,083 million) were rented out under operating leases at the end of the reporting period. There has been no change in the fair value of the investment properties for the six months ended 30th June, 2015 (six months ended 30th June, 2014: fair value loss of HK\$8,000,000 from continuing operations).

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

12. AVAILABLE-FOR-SALE INVESTMENTS

	As at 30th June, 2015 HK\$'000 (Unaudited)	As at 31st December, 2014 HK\$'000 (Audited)
Listed equity securities in Hong Kong at fair value	425,604	256,256
Unlisted equity investments, at cost	780	780
	<u>426,384</u>	<u>257,036</u>

13. TRADE AND OTHER RECEIVABLES

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

	As at 30th June, 2015 HK\$'000 (Unaudited)	As at 31st December, 2014 HK\$'000 (Audited)
Not yet due	4,974	17,042
Overdue:		
0 – 30 days	769	937
31 – 60 days	–	51
	<u>5,743</u>	<u>18,030</u>
Analysed for reporting as:		
Trade receivables	5,743	18,030
Other receivables	<u>1,978</u>	<u>3,450</u>
	<u>7,721</u>	<u>21,480</u>

14. TRADE AND OTHER PAYABLES AND ACCRUALS

The following is an aged analysis of the Group's trade payables presented based on the invoice date at the end of the reporting period:

	As at 30th June, 2015 HK\$'000 (Unaudited)	As at 31st December, 2014 HK\$'000 (Audited)
0 – 30 days	3,938	2,812
31 – 60 days	449	380
61 – 90 days	30	6
	<u>4,417</u>	<u>3,198</u>
Analysed for reporting as:		
Trade payables	4,417	3,198
Other payables and accruals (<i>Note</i>)	<u>44,158</u>	<u>38,097</u>
	<u>48,575</u>	<u>41,295</u>

Note: Other payables and accruals include construction costs payable of HK\$8,778,000 (31st December, 2014: HK\$13,445,000).

15. BANK LOANS

	As at 30th June, 2015 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2014 <i>HK\$'000</i> (Audited)
Secured bank loans	<u>418,392</u>	<u>621,733</u>
Carrying amounts of bank loans that contain a repayment on demand clause:		
Repayable within one year from the end of the reporting period	163,691	287,432
Not repayable within one year from the end of the reporting period shown under current liabilities	<u>254,701</u>	<u>334,301</u>
Amounts shown under current liabilities	<u>418,392</u>	<u>621,733</u>

All the Group's bank loans are floating rate borrowings, which carry interests at Hong Kong Interbank Offered Rate ("HIBOR") plus a margin of approximately 1.5% per annum for the six months ended 30th June, 2015 (year ended 31st December, 2014: HIBOR plus a margin of approximately 1.5% 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 1.6% per annum (year ended 31st December, 2014: 1.6% per annum).

16. SHARE CAPITAL

	Number of shares '000	HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1st January, 2014 (audited)	<u>80,000,000</u>	<u>800,000</u>
At 31st December, 2014 (audited) and 30th June, 2015	<u>N/A (Note)</u>	<u>N/A (Note)</u>
Issued and fully paid:		
At 1st January, 2014 (audited)	8,947,051	89,471
Transfer from share premium upon abolition of par value	<u>–</u>	<u>752,455</u>
At 31st December, 2014 (audited) and 30th June, 2015	<u>8,947,051</u>	<u>841,926</u>

Note: The Company has no authorised share capital and its shares have no par value from the announcement date of the new Hong Kong Companies Ordinance (i.e. 3rd March, 2014). There is no impact on the number of shares in issue or the relative entitlement of any of the shareholders as a result of this transition.

17. RELATED PARTY TRANSACTIONS

Other than those disclosed in the condensed consolidated financial statements, the Group had the following transactions with related parties during the period:

	Six months ended 30th June,	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
THE GROUP		
Shun Ho Technology Holdings Limited (the Company's immediate holding company) and its subsidiaries*		
Rental expenses	520	520
Interest expenses on advance to the Group (<i>note a</i>)	2,953	1,288
Corporate management fee income for administrative facilities provided	1,513	1,490
Dividend	36,573	36,573
Shun Ho Resources Holdings Limited (the Company's intermediate holding company)		
Corporate management fee income for administrative facilities provided	50	50
Interest expenses on advance to the Group (<i>note b</i>)	241	143
Trillion Resources Limited (the Company's ultimate holding company)		
Interest expenses on advance to the Group (<i>note c</i>)	9	9
Compensation of key management personnel (<i>note d</i>)	<u>4,076</u>	<u>4,421</u>

* exclude Magnificent Estates Limited and its subsidiaries

17. RELATED PARTY TRANSACTIONS *(Continued)*

Notes:

- (a) The advance amounted to HK\$43,986,000 (31st December, 2014: HK\$44,610,000) carries fixed interest at 5% (31st December, 2014: 5%) per annum and repayable on demand. The advance amounted to HK\$49,294,000 (31st December, 2014: HK\$12,721,000) is interest-free and repayable on 17th July, 2015. The remaining advance from the immediate holding company carries interest at HIBOR plus 4% (31st December, 2014: HIBOR plus 4%) per annum and repayable on demand. The advance from immediate holding company is unsecured.
- (b) The advance from an intermediate holding company as at 31st December, 2014, was unsecured, carried fixed interest at 5% per annum and repayable on demand.
- (c) The advance from ultimate holding company is unsecured, carries interest at HIBOR plus 4% (31st December, 2014: HIBOR plus 4%) per annum and is repayable on demand.
- (d) The compensation of key management personnel comprised short-term and post employment benefits attributable to such personnel.

18. PROJECT COMMITMENTS

At 30th June, 2015, the Group had outstanding commitments contracted for but not provided in the condensed consolidated financial statements in respect of expenditure on properties under development and acquisition of property, plant and equipment amounting to HK\$6,210,000 (31st December, 2014: HK\$35,742,000) and HK\$Nil (31st December 2014: HK\$1,159,000), respectively.

19. PLEDGE OF ASSETS

At 30th June, 2015, the bank loan facilities of the Group 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\$2,280 million (31st December, 2014: HK\$2,280 million), HK\$398 million (31st December, 2014: HK\$383 million) and HK\$2,000 million (31st December, 2014: HK\$2,024 million), respectively;
- (b) pledge of shares in and subordination of loans due from certain subsidiaries with an aggregate carrying amount of approximately HK\$1,155 million (31st December, 2014: HK\$1,171 million); and
- (c) assignment of the Group's rentals and hotel revenue respectively.

20. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS CLASSIFIED AS HELD-FOR-SALE

On 25th March, 2015, the Company entered into the sale and purchase agreement with its immediate holding company, Shun Ho Technology Holdings Limited, for the disposal of interest in the Disposed Subsidiaries together with its shareholder's loan due to the Company. Upon completion of the Disposal, the Disposed Subsidiaries ceased to be subsidiaries of the Company. The Disposed Subsidiaries are principally engaged in property investment in commercial buildings, namely, 633 King's Road and Shun Ho Tower, and the Disposed Subsidiaries are classified as held-for-sale. Details of the Disposal are set out in the circular issued by the Company dated 28th May, 2015 (the "Circular").

The consideration will be satisfied by the issue to the Company of Share Entitlement Note (as defined in the Circular), which shall confer on the holder the right to call for the issue of 146,626,347 shares of Shun Ho Technology Holdings Limited credited as fully paid.

The completion of the Disposal involves various procedures as set out in the Circular, and some of the procedures are not completed as at 30th June, 2015. Those procedures are inter-conditional among each other and it is considered that the Disposal is in substance distributing the Disposal Subsidiaries to the Company's shareholders together with the Special Cash Dividend as defined in the Circular.

The Disposal was completed on 17th July, 2015.

The profit for the period from the discontinued operations is analysis as follows:

	Six months ended 30th June,	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue	57,908	52,747
Other service costs	(358)	(322)
Depreciation of property, plant and equipment	<u>—</u>	<u>(4)</u>
Gross profit	57,550	52,421
Increase in fair value of investment properties	—	9,900
Other income and gains	7,652	7,555
Administrative expenses	(625)	(650)
Other expenses	(6,819)	(6,840)
Finance costs (<i>note a</i>)	(2,274)	(1,735)
Profit before taxation	55,484	60,651
Income tax expense (<i>note b</i>)	(8,528)	(7,724)
Profit for the period (<i>note c</i>)	<u>46,956</u>	<u>52,927</u>

20. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS CLASSIFIED AS HELD-FOR-SALE (Continued)

Assets classified as held for sale as at 30th June, 2015 are as follows:

	<i>HK\$'000</i>
Property, plant and equipment (<i>note d</i>)	13,798
Investment properties (<i>note e</i>)	2,722,700
Trade and other receivables (<i>note f</i>)	2,526
Other deposits and prepayments	1,395
Bank balances and cash	13,184
	<u>2,753,603</u>

Liabilities classified as held for sale as at 30th June, 2015 are as follows:

	<i>HK\$'000</i>
Other payables and accruals	1,909
Rental and other deposits received	35,464
Amounts due to group companies	44,749
Tax liabilities	11,496
Bank loans (<i>note g</i>)	174,625
Deferred tax liabilities	25,132
	<u>293,375</u>

Notes:

(a) Finance costs

	Six months ended 30th June,	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interests on:		
Bank loans wholly repayable within five years	941	1,081
Advance from immediate holding company wholly repayable within five years	1,092	511
Advance from an intermediate holding company wholly repayable within five years	241	143
	<u>2,274</u>	<u>1,735</u>

20. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS CLASSIFIED AS HELD-FOR-SALE (Continued)

Notes: (Continued)

- (b) Income tax expenses

	Six months ended 30th June,	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax	7,578	6,765
Deferred tax	<u>950</u>	<u>959</u>
	<u>8,528</u>	<u>7,724</u>

- (c) Profit for the period has been arrived as after charging:

	Six months ended 30th June,	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	<u>447</u>	<u>451</u>

- (d) Property, plant and equipment

During the six months ended 30th June, 2015 the Disposed Subsidiaries have not acquired any property, plant and equipment.

- (e) Investment properties

The fair value measurement of the Disposed Subsidiaries' investment properties as at 30th June, 2015 are determined the same as those disclosed in note 11.

20. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS CLASSIFIED AS HELD-FOR-SALE (Continued)

Notes: (Continued)

(f) Trade and other receivables

The Disposed Subsidiaries do not allow any credit period to customers arising from property investment. The carrying amount of trade receivables does not have debtor which was past due at the end of the reporting period.

HK\$'000

Analysed for reporting as:

Trade receivables – not yet due	1,369
Other receivables	<u>1,157</u>
	<u><u>2,526</u></u>

(g) Bank loans

HK\$'000

Secured bank loans 174,625

Carrying amounts of bank loans that contain a repayment on demand clause:

Repayable within one year from the end of the reporting period	32,760
Not repayable within one year from the end of the reporting period	<u>141,865</u>
	<u><u>174,625</u></u>

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial asset	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30th June, 2015 HK\$'000	31st December, 2014 HK\$'000		
Listed equity securities classified as available-for-sale investments	425,604	256,256	Level 1	Quoted bid prices in an active market

Except for certain available-for-sale investments which are stated at cost, the directors of the Company consider that the carrying amounts of the other financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

22. EVENTS AFTER THE REPORTING PERIOD

On 17th July, 2015 the Company announced the all the procedures contemplated under the Disposal had been completed.