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# THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this document or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Magnificent Estates Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

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## MAGNIFICENT ESTATES LIMITED

華大地產投資有限公司

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 201)**

### PROPOSED RIGHTS ISSUE OF FIVE PER CENT MANDATORILY CONVERTIBLE BONDS CONVERTIBLE INTO SHARES OF MAGNIFICENT ESTATES LIMITED (IN THE PROPORTION OF ONE UNIT OF RIGHTS BOND FOR EVERY TWO EXISTING SHARES OF MAGNIFICENT ESTATES LIMITED HELD PAYABLE IN FULL ON ACCEPTANCE)

Underwritten by  
SHUN HO TECHNOLOGY HOLDINGS LIMITED

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A notice convening an EGM of Magnificent Estates Limited to be held at 5th Floor, Ramada Hong Kong Hotel, 308 Des Voeux Road West, Hong Kong at 9:00 a.m. on Thursday, 18 September, 2008 is set out in pages 24 to 25 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the share registrar of Magnificent Estates Limited, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event by not later than 48 hours before the time appointed for the holding of the EGM. Completion and return of the form of proxy shall not preclude Shareholders from attending and voting at the meeting or any adjourned meeting should you so wish.

**It should be noted that the Underwriting Agreement for the Rights Issue contains provisions granting Shun Ho Technology Holdings Limited the right to terminate its obligations under the Underwriting Agreement on the occurrence of certain event including force majeure events at any time prior to 4:00 p.m. on the second business day following the latest time for acceptance of entitlements to subscribe for the Rights Bonds under the Rights Issue. For this purpose, force majeure events include the occurrence, come into effect or become public knowledge any event or circumstance (whether political, economic, financial, legal or otherwise) which, in the sole and absolute opinion of Shun Ho Technology Holdings Limited in good faith, has had or will have a material adverse effect on the business or financial condition of the Company or the Rights Issue or there shall have occurred any change in national and international political, economic, financial, legal or other conditions which, in the sole and absolute opinion of Shun Ho Technology Holdings Limited, has had or will have a material adverse effect on the Rights Issue. In the event that Shun Ho Technology Holdings Limited exercises such right, the obligations of Shun Ho Technology Holdings Limited will cease and the proposed Rights Issue will not proceed.** It should be noted that dealings in the Bonds in their nil-paid form are expected to commence on 23 September, 2008 and therefore dealings in the Shares and nil-paid Rights Bonds will take place when the conditions to which the Rights Issue is subject remain unfulfilled. Persons dealing in Shares during the period until such conditions are satisfied and persons dealing in nil-paid Rights Bonds from 23 September, 2008 to 30 September, 2008 (being the first and last days of dealings in the nil-paid Rights Bonds respectively), will accordingly bear the risk that the Rights Issue may not become unconditional. Any person contemplating selling or purchasing Shares and/or nil-paid Rights Bonds during such periods who is in any doubt about his position is recommended to consult his professional adviser.

22 August, 2008



**Central  
Shun Ho Tower**

**MAGNIFICENT ESTATES LIMITED**  
(Stock Code: 201)



**North Point  
633 King's Road**



**Kowloon  
Ramada Hotel**



**Hong Kong  
Ramada Hotel**



**Macau  
Best Western Hotel**



**Shanghai  
Magnificent International  
Hotel**



**300 Hotel Rooms of  
Hotel Development  
Project  
Austin Avenue**



**265 Hotel Rooms of  
Hotel Development  
Project  
Bowrington Road**



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



**Service Apartment  
Building  
Development Project  
Queen's Road West**

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# CONTENTS

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	<i>Page(s)</i>
<b>Definitions</b> .....	1-4
<b>Termination of the Underwriting Agreement</b> .....	5
<b>Expected timetable</b> .....	6-7
<b>Summary of the proposed Rights Issue</b> .....	8
<b>Letter from the Board</b>	
1. Introduction .....	9
2. Summary terms of the Bonds .....	10
3. Rights Issue .....	11-14
4. Underwriting Agreement .....	14-16
5. Warning of the risks of dealing in Shares and nil-paid Rights Bonds .....	16
6. Taxation .....	17
7. Effects of the Rights Issue on the Company's shareholding structure .....	17
8. Reasons for the Rights Issue and use of proceeds .....	18-19
9. Effects of the Rights Issue on the net asset value of the Group .....	19-20
10. Capital Raising Activities of the Company during past 12 months .....	20
11. Information on the Company, SHT and SHR .....	20
12. EGM .....	20-21
13. Recommendation .....	21
14. Additional Information .....	21
<b>Appendix I – Summary terms of the Bonds</b> .....	22-23
<b>Appendix II – Notice of EGM</b> .....	24-25

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“Allotment Posting Date”	the date on which the Rights Issue Documents are proposed to be sent to the Qualifying Shareholders, anticipated as at the Latest Practicable Date to be 19 September, 2008 or such other date as may be agreed between the Company and SHT;
“Announcement”	the joint announcement dated 1 August, 2008 released by the Company, SHT and SHR in connection with the proposed Rights Issue;
“Board”	board of Directors;
“Bond(s)”	the mandatorily convertible bonds in the aggregate principal amount of HK\$477,176,070.56 at an issue price of HK\$0.16 per unit of Rights Bond and at an interest rate of 5% per annum convertible into Shares, the summary terms of which are set out in Appendix I;
“Business Day”	a day on which commercial banks are open for business in Hong Kong;
“CCASS”	Central Clearing and Settlement System established and operated by HKSCC;
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong);
“Company”	Magnificent Estates Limited 華大地產投資有限公司, a company incorporated in Hong Kong with limited liability and the securities of which are listed on the Stock Exchange;
“Completion”	completion of the proposed Rights Issue;
“Conversion and Paying Agency Agreement”	the conversion and paying agency agreement to be entered into between the Company and Tricor Tengis Limited pursuant to which Tricor Tengis Limited was appointed by the Company as the paying, conversion and transfer agent in relation to the Bonds;

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## DEFINITIONS

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“Conversion Period”	commencing from and including the first anniversary of the Issue Date up to and including the Maturity Date;
“Conversion Price”	HK\$0.16 per Share;
“Directors”	the directors of the Company;
“EGM”	the extraordinary general meeting of the Company to be held at 5th Floor, Ramada Hong Kong Hotel, 308 Des Voeux Road West, Hong Kong on Thursday, 18 September, 2008 at 9:00 a.m., notice of which is set out in Appendix II;
“Excess Application Form(s)”	excess application form(s) for excess Rights Bonds;
“Group”	the Company and its subsidiaries or, where the context so requires, any of them;
“HKSCC”	Hong Kong Securities Clearing Company Limited;
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China;
“Issue Date”	the date on which the Bonds are issued which is expected to be on Tuesday, 14 October, 2008;
“Latest Practicable Date”	19 August, 2008 being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular;
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Maturity Date”	as defined in Appendix I which is expected to be on Wednesday, 13 April, 2011, the date occurring 30 months from the Issue Date;
“Notice”	the notice of the EGM which is set out in Appendix II;
“Overseas Shareholders”	Shareholders whose addresses, as shown on the register of members of the Company at the close of business on the Record Date, are outside Hong Kong;

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## DEFINITIONS

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“Prospectus”	the prospectus to be issued by the Company relating to the Rights Issue;
“Provisional Allotment Letter(s)”	provisional allotment letter(s) for the Rights Bonds;
“Qualifying Shareholders”	Shareholder(s) who, on the Record Date, have addresses in Hong Kong on the register of members of the Company;
“Record Date”	18 September, 2008, being the date by reference to which entitlements to the Rights Issue referred to in this circular will be determined;
“Rights Bond(s)”	unit of the Bonds in the proportion of 1 unit for every two existing Shares held on the Record Date to be issued pursuant to the Rights Issue;
“Rights Issue”	the proposed rights issue of the Bonds in the proportion of one unit of Rights Bond for every two existing Shares;
“Rights Issue Documents”	the Prospectus, the Provisional Allotment Letters and the Excess Application Form;
“Share(s)”	share(s) of \$0.01 each in the share capital of the Company;
“Shareholders”	holders of Shares;
“SHR”	Shun Ho Resources Holdings Limited 順豪資源集團有限公司, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange and is a substantial shareholder of SHT;
“SHT”	Shun Ho Technology Holdings Limited 順豪科技控股有限公司, a company incorporated in Hong Kong with limited liability and the securities of which are listed on the Stock Exchange. SHT and its subsidiaries hold approximately 50.07% of the issued share capital of the Company;
“SHT Group”	SHT and its subsidiaries (other than the Group);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

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## DEFINITIONS

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“Subscription Price”	the price of HK\$0.16 per each unit of Rights Bond;
“Trading Unit”	HK\$800 being the trading unit of the Bonds on the Stock Exchange;
“Underwriting Agreement”	the conditional agreement to underwrite dated 1 August, 2008, made between the Company and SHT relating to the underwriting and other arrangements in respect of the Rights Issue;
“\$”, “HK\$” and “cents”	Hong Kong dollars and cents;
“%”	per cent.

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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It should be noted that the Underwriting Agreement for the Rights Issue contains provisions granting SHT the right to terminate its obligations under the Underwriting Agreement on the occurrence of certain event including force majeure events at any time prior to 4:00 p.m. on the second business day following the latest time for acceptance of entitlements to subscribe for the Rights Bonds under the Rights Issue. For this purpose, force majeure events include the occurrence, come into effect or become public knowledge any event or circumstance (whether political, economic, financial, legal or otherwise) which, in the sole and absolute opinion of SHT in good faith, has had or will have a material adverse effect on the business or financial condition of the Company or the Rights Issue or there shall have occurred any change in national and international political, economic, financial, legal or other conditions which, in the sole and absolute opinion of SHT in good faith, has had or will have a material adverse effect on the Rights Issue. In the event that SHT exercises such right, the obligations of SHT will cease and the proposed Rights Issue will not proceed.

Please also refer to the paragraph headed “Termination of the Underwriting Agreement” in the Letter from the Board of this Circular for details of other events or matters which will entitle SHT to terminate the Underwriting Agreement.

It should be noted that dealings in the Bonds in their nil-paid form are expected to commence on 23 September, 2008 and therefore dealings in the Shares and nil-paid Rights Bonds will take place when the conditions to which the Rights Issue is subject remain unfulfilled. Persons dealing in Shares during the period until such conditions are satisfied and persons dealing in nil-paid Rights Bonds from 23 September, 2008 to 30 September, 2008 (being the first and last days of dealings in the nil-paid Rights Bonds respectively), will accordingly bear the risk that the Rights Issue may not become unconditional. Any person contemplating selling or purchasing Shares and/or nil-paid Rights Bonds during such periods who is in any doubt about his position is recommended to consult his professional adviser.

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## EXPECTED TIMETABLE

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Last day of dealings in Shares on a cum-rights basis	Monday, 8 September, 2008
Commencement of dealings in Shares on an ex-rights basis	Tuesday, 9 September, 2008
Latest time for lodging transfers of Shares in order to be entitled to the Rights Issue	4:00 p.m. on Wednesday, 10 September, 2008
The Company's register of members of closed (each date inclusive)	Thursday, 11 September, 2008 to Thursday, 18 September, 2008
EGM	9:00 a.m. on Thursday, 18 September, 2008
Record Date	Thursday, 18 September, 2008
The Company's register of members re-opens	Friday, 19 September, 2008
Despatch of the Rights Issue Documents by ordinary post, upon approval of the Shareholders having been obtained	Friday, 19 September, 2008
First day of dealings in nil-paid rights	Tuesday, 23 September, 2008
Latest time for splitting nil-paid rights	4:00 p.m. on Thursday, 25 September, 2008
Last day for dealings in nil-paid rights Bonds	Tuesday, 30 September, 2008
Latest time for acceptance of Rights Bonds as well as application for excess Rights Bonds and payment for the Rights Bonds thereof	4:00 p.m. on Monday, 6 October, 2008
Publication of the announcement of result of acceptance of the Rights Issue	Monday, 13 October 2008
Date of allotment of Rights Bonds	Tuesday, 14 October, 2008
Despatch of refund cheques in respect of wholly or partially unsuccessful excess applications by ordinary post	Wednesday, 15 October, 2008
Despatch of certificates for fully-paid Rights Bonds by ordinary post	Wednesday, 15 October, 2008
Commencement of dealings in fully-paid Rights Bonds on the Stock Exchange	Friday, 17 October, 2008

*Note:* The above timetable is indicative only, a press announcement will be made by the Company if there is any change in the timetable above.

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## EXPECTED TIMETABLE

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### **EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR RIGHTS BONDS**

The latest time for acceptance of and payment for Rights Bonds will not take place if there is:

- a tropical cyclone warning and signal number 8 or above, or
  - a “black” rainstorm warning
- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on 6 October, 2008. Instead, the latest time of acceptance of and payment for the Rights Bonds will be extended to 5:00 p.m. on the same Business Day;
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on 6 October, 2008. Instead, the latest time of acceptance of and payment for the Rights Bonds will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Bonds does not take place on 6 October, 2008, the dates mentioned in the section headed “Expected timetable” in this circular may be affected. A press announcement will be made by the Company in such event.

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## SUMMARY OF THE PROPOSED RIGHTS ISSUE

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The following information is derived from, and should be read in conjunction with, the full text of this circular.

Amount to be raised by the Rights Issue	Approximately HK\$477,176,070.56, before expenses
Basis of the Rights Issue	One Rights Bond for every two existing Shares held by the Qualifying Shareholders at the close of business on the Record Date
Subscription price for the Rights Bonds	HK\$0.16 per Rights Bond, payable in full on acceptance
Rights of excess application	Qualifying Shareholders will have the right to apply for Rights Bonds in excess of their provisional allotments

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## LETTER FROM THE BOARD

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### MAGNIFICENT ESTATES LIMITED

華大地產投資有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 201)

*Executive Directors:*

Mr. William CHENG Kai Man (*Chairman*)

Mr. Albert HUI Wing Ho

*Non-executive Directors:*

Mr. David CHENG Kai Ho

Madam Mabel LUI FUNG Mei Yee

*Independent Non-executive Directors:*

Mr. Vincent KWOK Chi Sun

Mr. CHAN Kim Fai

Mr. HUI Kin Hing

*Registered Office:*

3rd Floor, Shun Ho Tower

24-30 Ice House Street

Central

Hong Kong

22 August, 2008

*To the Shareholders*

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE OF  
FIVE PER CENT MANDATORILY CONVERTIBLE BONDS  
CONVERTIBLE INTO SHARES OF MAGNIFICENT ESTATES LIMITED  
(IN THE PROPORTION OF ONE UNIT OF RIGHTS BOND FOR EVERY  
TWO EXISTING SHARES OF MAGNIFICENT ESTATES LIMITED  
HELD PAYABLE IN FULL ON ACCEPTANCE)**

#### **1. INTRODUCTION**

On 1 August, 2008, the Board announced that the Company proposes to issue five per cent mandatorily convertible bonds convertible into shares of the Company (in the proportion of one unit of bond for every two existing Shares held payable in full on acceptance).

The purpose of this circular is to provide you with further information relating to the proposed Rights Issue and to seek your approval at the EGM of the ordinary resolution as set out in the Notice.

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## LETTER FROM THE BOARD

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### 2. SUMMARY TERMS OF THE BONDS

The Bonds to be issued by the Company will be for a principal amount of HK\$477,176,070.56 (divided into 2,982,350,441 units of Rights Bonds) with an interest rate of 5% per annum payable quarterly in arrears. Each unit of the Rights Bond will entitle its holder to convert the Rights Bond into one share of HK\$0.01 each in the Company at the conversion price of HK\$0.16 per Share during the Conversion Period. In addition, all holders of the Rights Bonds shall receive interest accrued from and including the last interest payment date to but excluding the date of conversion. Upon approval granted by the Listing Committee of the Stock Exchange, the Rights Bonds both in the nil-paid form and fully-paid form will be listed on the Stock Exchange.

The Conversion Period will commence from and include the first anniversary of the Issue Date up to and including the Maturity Date. No charges for conversion of the Rights Bonds will be imposed on the holders of the Bonds.

On Maturity Date, any unit of Rights Bonds that has not been redeemed, repaid or converted will be mandatorily converted into Shares of the Company at the Conversion Price.

The Company may redeem all or some only of the Rights Bonds at any time during the Conversion Period, subject to the giving of no less than 30 nor more than 60 days advance notice, at 110% of their principal amount, together with accrued interest. The Rights Bonds will be issued in registered form only. The Rights Bonds shall be freely transferable.

For the purpose of quotation of the Bonds in the Automatic Order Matching and Execution System 3 (“AMS 3”), the principal amount for each board lot of the fully paid Rights Bonds will be fixed at HK\$800 for trading purpose, thus comprising 8 trading unit of HK\$100. Therefore, the “Lot Size” of the Bonds as to appear in the AMS 3 will be “8” accordingly. Based on the subscription price of HK\$0.16 per unit of Rights Bonds, the board lot size of the nil paid Rights Bonds will be 5,000.

The bond certificate of the Rights Bonds in fully paid form will be issued at HK\$800 each comprising 8 trading unit of HK\$100, with separate bond certificates for the remaining trading units in the multiple of HK\$100 and fraction of a Trading Unit respectively.

The total number of Shares falling to be issued upon full conversion of the Rights Bonds at the Conversion Price of HK\$0.16 per Share would be 2,982,350,441 Shares, representing 50% and approximately 33.33% of the Company’s existing issued share capital and its issued share capital as enlarged by the issue of the Shares upon conversion of the Rights Bonds under the Rights Issue respectively.

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## LETTER FROM THE BOARD

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### 3. RIGHTS ISSUE

#### Issue statistics

Basis of Rights Issue	–	1 unit of Rights Bond for every 2 existing Shares held
Number of existing Shares in issue	–	5,964,700,883 Shares as at the Latest Practicable Date
Number of Rights Bonds	–	2,982,350,441 units
Subscription Price for the Rights Bonds	–	HK\$0.16 for each unit of Rights Bond
Underwriter	–	SHT
Listing Status of the Rights Bonds	–	Applications will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Rights Bonds in both the nil paid and fully paid forms and the Shares which fall to be issued upon conversion of the Rights Bonds pursuant to the Rights Issue

#### Qualifying Shareholders

The Company will send the Prospectus, Provisional Allotment Letters and Excess Application Forms to the Qualifying Shareholders only. The Prospectus will be sent to the Overseas Shareholders for information only.

To qualify for the Rights Issue, Shareholders must:

- be registered as a member of the Company on the Record Date; and
- have an address on the register of members of the Company on the Record Date in Hong Kong.

In order to be registered as a member on the Record Date, Shareholders must lodge any transfers of Shares accompanied by the relevant share certificates with the Company's share registrar by not later than 4:00 p.m. on Wednesday, 10 September, 2008.

The register of members of the Company will be closed from Thursday, 11 September, 2008 to Thursday, 18 September, 2008, both dates inclusive. No transfer of Shares will be registered during this period.

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## LETTER FROM THE BOARD

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### **Trading arrangement**

**Shareholders are reminded that if listing of the Rights Bonds is granted, a fraction of a Trading Unit cannot be traded on the Stock Exchange, although odd lots can be traded.** Please also refer to the section headed “Summary terms of the Bonds” in this Letter from the Board for the relevant board lot size of the Bonds. On the basis of 1 unit of Rights Bond for every 2 existing Shares held on the Record Date, Qualifying Shareholders may be offered Rights Bonds of a fraction of a Trading Unit or less than a board lot. This is because the aggregate value of the Rights Bonds offered to Qualifying Shareholders may not be a multiple of HK\$100. In such case, the Qualifying Shareholders will be offered a fraction of a Trading Unit. Furthermore, depending on the number of Shares a Qualifying Shareholder held on the Record Date, the number of Rights Bonds offered to the Qualifying Shareholders may be less than 5,000 or not in multiples of 5,000 (being the board lot size of the Rights Bonds)

The Company has appointed Bokhary Securities Limited (the “Agent”) to stand in the market from the date of the commencement of dealings in the nil-paid Rights Bonds up to the Maturity Date to deal with the fractions of a Trading Unit and odd lot holdings. The holders of the Rights Bonds who wish to round up or round down the value of their Rights Bonds to a Trading Unit or a board lot may, at their cost, approach the Agent for matching at any time during such stand in period.

### **Subscription price for the Rights Bonds**

Each unit of Rights Bond will be issued at an issue price of HK\$0.16 per unit of the Rights Bonds which will become the Conversion Price upon conversion. The issue price of each Rights Bond represents approximately 7.38% premium above the closing price of HK\$0.149 per Share quoted on the Stock Exchange on the last trading day before the date of the Underwriting Agreement; 8.10% premium above the average closing price of HK\$0.148 per Share for the last 5 trading days immediately preceding the date of the Underwriting Agreement; and 7.31% premium above the average closing price of HK\$0.1491 per Share for the last 10 trading days immediately preceding the date of the Underwriting Agreement. The issue price of the Rights Bonds represents a discount of approximately 75% of the adjusted net assets value per Share after issue of Rights Bond, the information of the adjusted net assets value is set out under the sectioned headed “Effect of the Rights Issue on the Net Asset Value of the Group” of this circular.

The Subscription Price was arrived with reference to the market price of the Shares under the prevailing market conditions. Each Qualifying Shareholder is entitled to subscribe for the Rights Bonds at the same price in proportion to his/her/its shareholding in the Company held on the Record Date.

The Directors consider the Subscription Price to be fair and reasonable and to be in the interest of the Company and the Shareholders as a whole.

### **Basis of provisional allotments**

One Rights Bond in nil paid form for every two Shares held by a Qualifying Shareholder on the Record Date.

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## LETTER FROM THE BOARD

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### **Status of the Rights Bonds**

Each unit of the Rights Bonds will entitle its holder to convert the Rights Bond into one Share at the Conversion Price during the Conversion Period. In addition, all holders of the Bonds shall receive interest accrued from and including the last interest payment date but excluding the date of conversion.

The Rights Bonds will constitute the direct, unconditional and unsecured obligations of the Company and will rank *pari passu* with all other present and future unsecured and unsubordinated obligations of the Company, other than those as may be preferred by mandatory provision of applicable law.

### **Rights of Overseas Shareholders**

The Prospectus to be issued in connection with the proposed Rights Issue will not be registered under any applicable securities legislation of any jurisdiction other than Hong Kong. Accordingly, no provisional allotment of Rights Bonds will be made to Overseas Shareholders and no Provisional Allotment Letter or Excess Application Form will be sent to such persons. The Rights Bonds in nil-paid form which would otherwise have been provisionally allotted to the Overseas Shareholders are intended to be sold in the market as soon as practicable after dealings in the nil-paid Rights Bonds commence if a premium, net of expenses, can be obtained. Any net proceeds of sale thereof, after deduction of expenses, will be distributed in Hong Kong dollars to the Overseas Shareholders at their own risk pro rata to their respective shareholdings, except that individual amounts of less than HK\$100 will be retained for the benefit of the Company. Any unsold entitlements of the Overseas Shareholders, together with any Rights Bonds provisionally allotted to Shareholders but not accepted, will be available for excess application by the Shareholders.

Further information in this connection will be set out in the Prospectus containing, among other things, details of the Rights Issue, to be despatched to Shareholders as soon as practicable.

### **Application for excess Rights Bonds**

Qualifying Shareholders may apply for any unsold entitlements of Overseas Shareholders and any Rights Bonds provisionally allotted but not accepted by Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Bonds. Application can be made by completing the Excess Application Form and lodging the same with remittance for the excess Rights Bonds. Any Rights Bonds allotted provisionally but not accepted will, at the discretion of the Directors, be allocated and allotted on a fair and reasonable basis and as far as practicable, on the following principles:

- (1) preference will be given to applications made to round up fraction of a Trading Unit into a Trading Unit and odd lot holdings into board lots; and

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## LETTER FROM THE BOARD

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- (2) subject to availability of excess Rights Bonds after allocation under principal (1) above, the excess Rights Bonds will be allocated to Qualifying Shareholders who have applied for excess application based on a pro-rata basis to the excess Rights Bonds applied by them, with board lots allocation to be made on best effort's basis.

Shareholders with Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Bonds will not be extended to beneficial owners individually. Shareholders with their Shares held by a nominee company are advised to consider whether they would like to arrange registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

Applications will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Rights Bonds in both nil paid and fully paid forms and the Shares which fall to be issued upon conversion of the Rights Bonds pursuant to the Rights Issue.

Subject to the granting of listing of, and permission to deal in, the Rights Bonds in both their nil-paid and fully-paid forms and the Shares which fall to be issued upon conversion of the Rights Bonds on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Bonds in both their nil-paid and fully-paid forms and the Shares which fall to be issued upon conversion of the Rights Bonds will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Rights Bonds in both their nil-paid and fully-paid forms on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

#### **4. UNDERWRITING AGREEMENT**

The Company and SHT entered into the Underwriting Agreement whereby SHT agreed to accept or procure the acceptance of the whole of the Rights Bonds which would be provisionally allotted to it in accordance with its entitlements as Shareholder, being 1,493,404,703 units of Rights Bonds ("SHT Portion") and agreed conditionally to subscribe or procure the subscription for all the Rights Bonds other than the SHT Portion under the Rights Issue subject to fulfillment of certain conditions contained therein.

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## LETTER FROM THE BOARD

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### Principal terms of the Underwriting Agreement

Date:	1 August, 2008
Issuer:	Company
Underwriter:	SHT
Number of Rights Bonds underwritten:	All of the Rights Bonds excluding the SHT Portion, being 1,488,945,738 units of Rights Bonds

As at the Latest Practicable Date, the issued share capital of the Company was HK\$59,647,008.83, consisting of 5,964,700,883 Shares. The SHT Group beneficially holds 2,986,809,406 Shares, representing approximately 50.07% interest in the issued share capital of the Company. Therefore, under the Rights Issue, the SHT Group is entitled to subscribe for an aggregate of 1,493,404,703 units of the Rights Bonds representing an aggregate value of HK\$238,944,752. Pursuant to the Underwriting Agreement, the SHT Group is required to underwrite and take up all the Rights Bonds other than the SHT Portion and if all the Rights Bonds shall have been fully converted, the interests of the SHT Group in the Company will represent approximately 66.72% of the issued share capital of the Company as enlarged by the issue of the Shares upon conversion of the Rights Bonds under the Rights Issue.

### Conditions of the Underwriting Agreement

The obligations of SHT under the Underwriting Agreement are conditional on the fulfillment of, *inter alia*, the following condition precedents on or before 28 February, 2009:

- (i) the Company having obtained approval from its Shareholders in the EGM for the issue of the Bonds, the Rights Issue and the issue of the Shares upon conversion of the Rights Bonds under the Rights Issue;
- (ii) the Listing Committee granting or agreeing to grant (subject to allotment), and not having revoked, the listing of, and permission to deal in, the Rights Bonds in their nil paid and fully paid forms by not later than 23 September, 2008 and 17 October, 2008 respectively (or such other date as may be agreed between the Company and SHT);
- (iii) the Listing Committee granting or agreeing to grant (subject to allotment), and not having revoked, the listing of, and permission to deal in, the Shares to be issued upon conversion of the Rights Bonds under the Rights Issue;
- (iv) the delivery to the Stock Exchange and registration with the Companies Registry by not later than the Allotment Posting Date of the Rights Issue Documents; and
- (v) the posting of the Rights Issue Documents to Qualifying Shareholders on or before the Allotment Posting Date.

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## LETTER FROM THE BOARD

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In the event of the conditions not being fulfilled on or before the respective dates aforesaid (or such later date or dates as may be agreed between the Company and SHT), all obligations and liabilities of the parties under the Underwriting Agreement will forthwith cease and determine and neither party will have any claim against the other (save in respect of any antecedent breaches hereof).

### **Termination of the Underwriting Agreement**

It should be noted that the Underwriting Agreement for the Rights Issue contains provisions granting SHT the right to terminate its obligations under the Underwriting Agreement, at any time prior to 4:00 p.m. on the second business day following the latest time for acceptance of entitlements to subscribe for the Rights Bonds if in the sole and absolute opinion of SHT acting in good faith, the success of the Rights Issue or the taking up of the Rights Bonds by the Shareholders would be adversely affected by:

- (i) any change in existing law or regulation or the occurrence of any local, national or international event or change of a political, military, financial, economic, currency or other nature which materially adversely affects the business or the financial or trading position or prospects of the Group as a whole or materially adversely prejudices the success of the Rights Issue or the taking up of the Rights Bonds by Shareholders or otherwise makes it inexpedient or inadvisable for the Company or SHT to proceed with the Rights Issue; or
- (ii) any material change in market conditions or combination of circumstances in Hong Kong or elsewhere which may adversely and materially affect the success of the Rights Issue or the taking up of the Rights Bonds by the Shareholders.

In the event that SHT exercises such right, the obligations of SHT will cease and the proposed Rights Issue will not proceed.

### **5. WARNING OF THE RISKS OF DEALING IN SHARES AND NIL-PAID RIGHTS BONDS**

Any dealings in the Shares from now on up to the date on which all conditions to which the Rights Issue is subject are fulfilled, or in the Rights Bonds in nil-paid form on the Stock Exchange during the period in which they may be traded in their nil-paid form, will bear the risk that the Rights Issue may not become unconditional or may not proceed.

Investors who have any doubt about their position are recommended to obtain professional advice from their advisers regarding dealings in Shares or nil-paid Rights Bonds during these periods. Shareholders are advised to exercise caution when dealing in the Shares and the nil-paid Rights Bonds up to the date when the conditions of the Rights Issue are fulfilled.

## LETTER FROM THE BOARD

### 6. TAXATION

Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding, disposing or dealings in the Rights Bonds (in nil-paid and/or fully paid forms). Overseas Shareholders are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the receipt of any net proceeds from the sale of the Rights Bonds in nil-paid form otherwise falling to be issued to them under the Rights Issue.

### 7. EFFECTS OF THE RIGHTS ISSUE ON THE COMPANY'S SHAREHOLDING STRUCTURE

Since the Company do not have any other outstanding convertibles and share options yet to be exercised, set out below is the shareholding structure of the Company as at the Latest Practicable Date and immediately upon conversion of the Rights Bonds under the Rights Issue assuming that there is no change in the shareholding structure of the Company from the Latest Practicable Date to immediately before completion of the Rights Issue:

	Existing shareholding		After completion of the Rights Issue (assuming all Rights Bonds are taken up by the Qualifying Shareholders)		After completion of the Rights Issue (assuming no Rights Bonds are taken up by the Qualifying Shareholders other than SHT, and SHT has fully underwritten and subscribed for the balance of the Rights Bonds)	
	Shares	%	Shares	%	Shares	%
SHT ( <i>Note</i> )	2,986,809,406	50.07	4,480,214,109	50.075	5,969,159,847	66.72
Public	<u>2,977,891,477</u>	<u>49.93</u>	<u>4,466,837,215</u>	<u>49.925</u>	<u>2,977,891,477</u>	<u>33.28</u>
Total:	<u><u>5,964,700,883</u></u>	<u><u>100</u></u>	<u><u>8,947,051,324</u></u>	<u><u>100</u></u>	<u><u>8,947,051,324</u></u>	<u><u>100</u></u>

*Note:* SHT beneficially owned 2,709,729,423 Shares in the existing issued share capital of the Company and was taken to be interested in 273,579,983 Shares in the existing issued share capital of the Company held by South Point Investments Limited and 3,500,000 Shares in the existing issued share capital of the Company held by Shun Ho Technology Developments Limited, all of which are wholly owned subsidiaries of SHT.

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## LETTER FROM THE BOARD

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### 8. REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

Subsequent to 31 December, 2006, the Group completed the following acquisitions and the overall acquisition costs of which amounted to approximately HK\$1,258 million:

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

The above acquisitions provided a valuable opportunity for the Company to develop more than 1,200 hotel rooms in the busiest city locations with significant capital gain and income potentials. The Company presently owns and operates the Ramada Hotel Kowloon, Ramada Hong Kong Hotel, Best Western Hotel, Macau and Magnificent International Hotel, Shanghai with 1,000 rooms. Overall the Company will have about 2,200 hotel rooms which will be one of the largest hotel group with the following developments now in progress:

#### **Nos.239-251 Queen's Road Hotel Developments**

A 435 rooms hotel development has been approved by the relevant authorities, foundation works is in progress.

#### **Nos.338-346 Queen's Road Hotel Developments**

A 230 serviced apartments hotel development is proposed to be built with the demolition of the old building to commence in August 2008.

#### **Nos.19-23 Austin Avenue, Tsimshatsui**

A 300 rooms hotel development has been approved by the relevant authorities. The demolition of the old building is now in progress.

#### **Nos.30-40 Bowrington Road, Causeway Bay**

A 265 rooms hotel development has been approved by the relevant authorities, foundation works is in progress.

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## LETTER FROM THE BOARD

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For the purposes of financing the above mentioned acquisitions and development, as at the Latest Practicable Date, the overall debt of the Company amount to approximately HK\$1,625 million of which approximately HK\$1,025 million was external bank loans and approximately HK\$600 million was advance from Shareholders. The Board contemplates that further borrowing of HK\$600 million will be increased in future for the purpose of financing construction costs of the developments.

The Board considers that the proposed Rights Issue represents one of the least expensive alternatives for the Company to raise funds for the purpose of reducing the Company's indebtedness in 30 months' time while the 1,200 additional hotel rooms developments are estimated to be completed with substantial revenue growth. **The Rights Issue is aimed to be without any immediate dilution effect on the shareholdings and earnings of Shareholders and also provide Shareholders with an opportunity to participate in the financing of and thereby benefiting from the growth of the Group.**

### 9. EFFECTS OF THE RIGHTS ISSUE ON THE NET ASSET VALUE OF THE GROUP

The following statement of adjusted net asset value of the Group as at 30 June, 2008 was prepared based on the audited net asset value of the Group as at 31 December, 2007 and adjusted as follows to illustrate the potential effects of the Rights Issue on the net asset value of the Group:

	\$'000
Total net assets of the Group as at 31 December, 2007	2,360,792
Add: Surplus arising on the independent valuation carried out by Dudley Surveyors Limited, independent qualified professional valuers not connected with the Company, at market value as at 30 June, 2008 of the Group's property interests and the valuation surplus (before accounting for any deferred taxes) not included in accounts	<u>2,826,250</u>
Adjusted net asset value before issue of the Bonds	5,187,042
Adjusted net asset value per Share before the issue of Bonds (based on a total of 5,964,700,883 Shares in issue)	<u><u>\$0.87</u></u>

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## LETTER FROM THE BOARD

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	\$'000
Estimated net proceeds from the issue of Bonds	<u>477,176</u>
Adjusted net asset value after the full conversion of Bonds into Shares	<u><u>5,664,218</u></u>
Adjusted net asset value per Share after the full conversion of Bonds into Shares (based on a total of 8,947,051,324 Shares)	<u><u>\$0.63</u></u>

### 10. CAPITAL RAISING ACTIVITIES OF THE COMPANY DURING PAST 12 MONTHS

The Company has not carried out other capital raising activities during the 12 months immediately preceding the Latest Practicable Date.

### 11. INFORMATION ON THE COMPANY, SHT AND SHR

The Company, SHT and SHR are all listed on the Stock Exchange. SHR Group controls approximately 65.3% of SHT, SHT Group in turn controls approximately 50.07% of the Company.

The Company is principally engaged in the business of property investment, hotel development and management.

SHT is principally an investment holding company. Through its major subsidiary, the Company, SHT Group is principally engaged in the business of property investment, hotel development, investment in and operation of hotels.

SHR is principally an investment holding company. Through its major subsidiary, the Company, SHR Group is principally engaged in the business of property investment, hotel development, investment in and operation of hotels.

### 12. EGM

Under the Rights Issue, the Rights Bonds will be offered to all Shareholders pro rata to their existing holdings in the Company other than Overseas Shareholders as the Directors consider such exclusion to be necessary or expedient on account of either the legal restrictions for issue of shares to the Overseas Shareholders under the laws of the relevant places or the requirements of the relevant regulatory body or stock exchange in those places. Accordingly, no Shareholders' approval is required under Rule 13.36(2) of the Listing Rules. However, since the Rights Bonds will only be offered to the Qualifying Shareholders but not the Overseas Shareholders, the Shares which will be issued and allotted pursuant to the conversion of the Rights Bonds will not be allotted to all Shareholders on a pro rata basis within the meaning of the Companies Ordinance. As such, in pursuance to the requirements under section 57B of the Companies Ordinance, the approval of the Shareholders for the issue of Shares pursuant to the conversion of the Bonds shall be required, and the EGM will be convened to seek such approval from the Shareholders.

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## LETTER FROM THE BOARD

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The EGM will be held for Shareholders to consider, and if thought fit, to pass the relevant resolution for the approval of the Bonds, the Rights Issue and the issue of Shares pursuant to the conversion of the Bonds. As no Shareholders have any material interest in the issue of the Bonds, the Rights Issue and the issue of Shares pursuant to the conversion of the Bonds, no Shareholders are required to abstain from voting at the EGM to approve the relevant resolution. All Shareholders will be entitled to vote at the EGM on the above resolution.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM in person, you are requested to complete this form of proxy and return the form of proxy in accordance with the instructions printed thereon to the share registrar of the Company, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event by not later than 48 hours before the time appointed for the holding of the EGM. Completion and return of the form of proxy shall not preclude shareholders from attending and voting at the meeting or any adjourned meeting should you so wish.

### 13. RECOMMENDATION

The Board considers that the terms of the Rights Issue are fair and reasonable so far as the Shareholders are concerned and recommends the Shareholders to vote in favour of the resolution to be proposed at the EGM. It is expected that SHT will vote in favour of the resolution to be proposed at the EGM.

### 14. ADDITIONAL INFORMATION

Subject to the passing of the resolution to be proposed at the EGM, it is expected that the proposed Rights Issue Documents will be despatched to the Qualifying Shareholders on 19 September, 2008.

Your attention is also drawn to additional information set out in the appendices to this document.

Yours faithfully,  
For and on behalf of  
the Board of Directors of  
**Magnificent Estates Limited**

**William Cheng Kai Man**  
*Chairman*

The following is a summary of the principal terms and conditions of the Bonds (Note):

Issuer	:	Magnificent Estates Limited.
Issue Date	:	actual date of allotment and issue which is expected to be on 14 October, 2008
Issue	:	5.0 per cent. mandatorily convertible bonds in the principal amount of HK\$477,176,070.56, mandatorily convertible into Shares at the Conversion Price.
Interest	:	5.0 per cent. per annum, payable quarterly in arrears on the 3rd, 6th, 9th, 12th, 15th, 18th, 21st, 24th, 27th and 30th month from the Issue Date, which is expected to be on 13 January, 2009, 13 April, 2009, 13 July, 2009, 13 October, 2009, 13 January, 2010, 13 April, 2010, 13 July, 2010, 13 October, 2010, 13 January, 2011 and 13 April, 2011
Maturity Date	:	30 months from the Issue Date, which is expected to be on 13 April, 2011
Mandatory Conversion	:	On the Maturity Date, each unit of the Bond not redeemed, repaid or converted on or before the Maturity Date will be mandatorily converted into Shares at the Conversion Price but such holders of the Bonds shall receive interest accrued from and including the last interest payment date to but excluding the date of conversion.
Conversion Period	:	Commencing from and including the first anniversary of the Issue Date up to and including the Maturity Date
Repayment following an Event of Default	:	If the Bonds are repayable following the occurrence of an event of default under the terms and conditions of the Bonds, the Bonds will be repayable at their principal amount together with accrued interest.

Form of the Bonds	:	Bonds will be issued in registered form only. The Bonds are expected to be despatched on or about 1 day after the Issue Date, which is expected to be on 15 October, 2008. Each unit of the Bond of HK\$0.16 will be issued in the denomination of HK\$800. The Bonds shall be freely transferable.
Conversion Price	:	\$0.16 per share. The Conversion Price will be subject to adjustment for, amongst other things, subdivision or consolidation of Shares, bonus issue, rights issue and other certain dilutive events.
Redemption at the Option of the Issuer	:	The Issuer may redeem all or some only of the Bonds at any time prior to Maturity Date, subject to giving not less than 30 nor more than 60 days of advance notice, at 110% of their principal amount, together with accrued interest.
Tax Redemption	:	The Issuer may redeem all, but not some only, of the Bonds at their principal amount, plus accrued interest, in the event of certain changes in Hong Kong taxation.
Governing Law	:	Hong Kong
Listing and Trading	:	Application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Bonds and the Shares which fall to be issued upon the exercise of the conversion rights under the Bonds on the Stock Exchange. It is expected that dealings in the Bonds on the Stock Exchange will commence on a date to be agreed with the Stock Exchange which is expected to be 17 October, 2008.

*Note:* The dates set out in the above terms and conditions are premised on the basis that the expected timetable set out on pages 6 to 7 of this circular can be met.

**MAGNIFICENT ESTATES LIMITED****華大地產投資有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 201)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of the shareholders of Magnificent Estates Limited (the “Company”) will be held at 5th Floor, Ramada Hong Kong Hotel, 308 Des Voeux Road West, Hong Kong on Thursday, 18 September, 2008 at 9:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution as Ordinary Resolution of the Company:

**ORDINARY RESOLUTION**

“**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting or agreeing to grant listing of, and permission to deal in, the Bonds (as hereinafter defined) in their nil paid and fully paid forms and any new shares in the capital of the Company which may fall to be issued upon the exercise of the conversion rights or the mandatory conversion under the Bonds announced on 1 August, 2008 and described in a circular dated 22 August, 2008 despatched to shareholders of the Company (the “Circular”) of which the notice convening this meeting forms part, a copy of which has been submitted to the meeting marked “A” and signed for the purpose of identification by the Chairman of the meeting, and subject to the obligations of Shun Ho Technology Holdings Limited (“SHT”) under the underwriting agreement entered into by the Company and SHT in relation to the Rights Issues dated 1 August, 2008 (the “Underwriting Agreement”), a copy of the which has been produced to the meeting marked “B” and signed by the Chairman of the meeting for the purpose of identification, becoming unconditional and not being terminated in accordance with the terms of that agreement or otherwise, the directors of the Company be and are hereby authorised:

- (a) to create and issue the Bonds (as defined in the Circular), which shall be in registered form, in a principal amount of HK\$477,176,070.56 with an interest rate of 5 per cent. per annum convertible into shares of HK\$0.01 each in the capital of the Company at an issue price of HK\$0.16 per unit of the Bonds (“Rights Bond”) by way of rights (the “Rights Issue”), subject to the terms and conditions set out in the prospectus to be issued by the Company in connection with the Rights Issue and the terms of the Underwriting Agreement;

- (b) to issue the Rights Bonds pursuant to or in connection with the Rights Issue notwithstanding that the same may be offered or issued otherwise than pro rata to the existing shareholders of the Company and, in particular, the directors of the Company be and are hereby authorised to make such exclusions or other arrangements in relation to fractional entitlements or overseas shareholders as they deem necessary or expedient having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong;
- (c) to allot and issue new shares of HK\$0.01 each (subject to the adjustment provision of the Bonds) in the capital of the Company which may fall to be issued on the exercise of the conversion rights or the mandatory conversion under the Bonds; and
- (d) to do all such other acts and things as the directors of the Company consider necessary or expedient to give effect to the above arrangements.”

By order of the Board

**William Cheng Kai Man**  
*Chairman*

Hong Kong, 22 August, 2008

*Registered Office:*

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

*Notes:*

1. Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint more than one proxy or corporate representative to attend and on a poll to vote instead of him. A proxy need not be a member of the Company.
2. Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.
3. To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the share registrar of the Company, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting. Completion and return of the form of proxy will not preclude shareholders from attending the meeting and voting in person.
4. A form of proxy for use at the meeting is enclosed.
5. The register of members of the Company will be closed from 11 September, 2008 to 18 September, 2008 (both dates inclusive) to determine entitlements under the proposed Rights Issue.