

**MAGNIFICENT ESTATES LIMITED**

**( 華 大 地 產 投 資 有 限 公 司 )**

**(Stock Code: 201)**



Interim Report 2012

# Property Portfolio



Shun Ho Tower  
Central

**MAGNIFICENT ESTATES**  
(Stock Code: 201)  
(a subsidiary of Shun Ho Group)

**2012 Interim Results**

**Total Assets: HK\$10.3 billion**  
**Consolidated Profit: HK\$223 m**  
**Operating Profit: HK\$109 m +31 %**

432 rooms Best Western Hotel Harbourview commenced business  
400 rooms Best Western Grand Hotel, Tsimshatsui opening soon



633 King's Road  
North Point



206 guest-room  
Ramada Hotel Kowloon  
Tsimshatsui



318 guest-room  
Ramada Hong Kong Hotel



262 guest-room  
Best Western Hotel Taipa,  
Macau



213 guest-room  
Shanghai Magnificent  
International Hotel



258 guest-room  
Best Western Hotel  
Causeway Bay



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



397 guest-room  
Best Western Grand Hotel  
Tsimshatsui



214-room Service Apartment  
Building Development Project  
Queen's Road West

## **CORPORATE INFORMATION**

### **Executive Directors**

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

### **Non-Executive Director**

Madam Mabel Lui Fung Mei Yee

### **Independent Non-Executive Directors**

Mr. Vincent Kwok Chi Sun  
Mr. Chan Kim Fai  
Mr. Hui Kin Hing

### **Company Secretary**

Mr. Huen Po Wah

### **Auditor**

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

### **Solicitors**

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

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

### **Principal Bankers**

The Hongkong and Shanghai Banking  
Corporation Limited  
Chong Hing Bank Limited

### **Registered Office**

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

### **Share Registrars**

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

### **Company's Website**

[www.magnificentstatesltd.com](http://www.magnificentstatesltd.com)

## INTERIM RESULTS

The board of directors (the “Board”) of Magnificent Estates Limited (the “Company”) announces that the unaudited consolidated profit of the Company and its subsidiaries (together the “Group”) for the six months ended 30th June, 2012 amounted to approximately HK\$222,778,000 (six months ended 30th June, 2011: HK\$395,799,000).

The results of the Group for the six months ended 30th June, 2012 and its financial position as at that date are set out in the condensed consolidated financial statements on pages 20 to 38 of this report.

## INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK0.15 cent per share for the six months ended 30th June, 2012 (six months ended 30th June, 2011: Nil) payable on 19th July, 2013 to shareholders whose names appear on the register of members of the Company on 5th July, 2013.

## BOOK CLOSURE

The register of members will be closed from Tuesday, 2nd July, 2013 to Friday, 5th July, 2013, 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, 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. Friday, 28th June, 2013.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

The unaudited **consolidated profit** attributable to owners of the Company for the six months ended 30th June, 2012 amounted to HK\$222,778,000 (six months ended 30th June, 2011: HK\$395,799,000), decreased by 44% due to decreased property revaluation gain compared with same period last year.

Before revaluation profit of all investment properties, depreciation and release of prepaid lease payments for land, the **operating profit** attributable to owners of the Company for the six months ended 30th June, 2012 is HK\$109 million (six months ended 30th June, 2011: HK\$83 million), increased by 31%.

The net assets before revaluation on all asset properties and before deferred tax of the Group amounted to HK\$4,439 million (31.12.2011: HK\$4,230 million), HK\$0.50 (31.12.2011: HK\$0.47) per ordinary share as at 30th June, 2012.

The **NET ASSETS AFTER REVALUATION** on all asset properties but before deferred tax of the Group amounted to **HK\$8,921 million** (31.12.2011: HK\$7,715 million), **HK\$1.00** per ordinary share as at 30th June, 2012 (31.12.2011: HK\$0.86 per ordinary share).

The **CORPORATE STRATEGY** of the Group is to build hotels on grade B commercial locations which are most suitable for hotel business in terms of low acquisition costs and high yields. The Group benefits from the development of these hotels from good operating incomes, but most importantly is their capital value gain. The Group presently owns and operates the Ramada Hotel Kowloon, Ramada Hong Kong Hotel, Best Western Hotel Taipa, Macau, Magnificent International Hotel, Shanghai, Best Western Hotel Causeway Bay and Best Western Hotel Harbour View with 1,690 rooms together with two new hotels under development, the Group will have about 2,300 hotel rooms which will be one of the largest hotel groups in Hong Kong. Such strategy has successfully helped to increase the value of the Group substantially:

	31.12.2009 <i>HK\$ million</i>	31.12.2010 <i>HK\$ million</i>	31.12.2011 <i>HK\$ million</i>	<b>30.06.2012</b> <b><i>HK\$ million</i></b>
Adjusted Shareholders' Fund	5,187	6,397	7,715	<b>8,921</b>
Adjusted Net Asset Value Per Ordinary Share	HK\$0.87	HK\$1.07	HK\$0.86	<b>HK\$1.00</b>

## PERFORMANCES

- For the six months ended 30th June, 2012, the **GROUP'S INCOME** was mostly derived from the aggregate of income from operation of hotels and properties rental income, which was analysed as follows:

	<b>Six months ended</b>		<b>Change</b>
	30.6.2011 <i>HK\$'000</i> (unaudited)	<b>30.6.2012</b> <b><i>HK\$'000</i></b> <b>(unaudited)</b>	
Income from operation of hotels	115,841	<b>165,103</b>	+43%
Properties rental income	46,538	<b>49,785</b>	+7%
Other income	<u>7,671</u>	<u><b>8,315</b></u>	+8%
<b>Total</b>	170,050	<b>223,203</b>	+31%

The total income for the Group increased by 31% from HK\$170 million to HK\$223 million for the same period compared with last year. The increase of revenue for the period was due to substantial improvement in hotel revenue.

	Ramada Hotel Kowloon		Ramada Hong Kong Hotel		Best Western Hotel Causeway Bay		Best Western Hotel Taipa, Macau		Magnificent International Hotel, Shanghai	
	Avg Room Occupancy	Avg Room Rate	Avg Room Occupancy	Avg Room Rate	Avg Room Occupancy	Avg Room Rate	Avg Room Occupancy	Avg Room Rate	Avg Room Occupancy	Avg Room Rate
	%	HK\$	%	HK\$	%	HK\$	%	HK\$	%	HK\$
2012										
Jan	98	1,147	89	977	90	1,038	94	837	63	302
Feb	98	923	93	783	94	833	97	603	70	325
Mar	98	1,007	93	887	94	946	97	630	86	343
Apr	97	1,166	91	1,023	94	1,017	95	707	90	359
May	96	839	91	711	90	711	97	578	80	352
Jun	97	864	96	752	96	720	96	573	85	336
<b>2012 Total</b>	<b><u>HK\$37,304,000</u></b>		<b><u>HK\$47,960,000</u></b>		<b><u>HK\$38,952,000</u></b>		<b><u>HK\$31,145,000</u></b>		<b><u>HK\$9,742,000</u></b>	
2011 Total	<u>HK\$34,346,000</u>		<u>HK\$43,512,000</u>		<u>HK\$2,408,000</u>		<u>HK\$27,214,000</u>		<u>HK\$8,361,000</u>	
Change compared with 2011	+9%		+10%		N/A		+14%		+17%	

The **PROPERTIES RENTAL INCOME** was derived from office buildings of Shun Ho Tower, 633 King's Road and shops from Ramada Hotel Kowloon, Ramada Hong Kong Hotel and Best Western Hotel Taipa, Macau amounted to HK\$50 million (six months ended 30th June, 2011: HK\$47 million). The growth was derived from 633 King's Road. At the date of this report, it provided an annual rental income of HK\$71 million (excluding rates and management fee incomes).

The properties rental income was analysed as follows:

	Six months ended		Change
	30.6.2011 HK\$'000 (unaudited)	30.6.2012 HK\$'000 (unaudited)	
633 King's Road	34,145	<b>35,223</b>	+3%
Shun Ho Tower	7,988	<b>8,993</b>	+13%
Shops	<u>4,405</u>	<u><b>5,569</b></u>	+26%
<b>Total</b>	46,538	<b>49,785</b>	+7%

**OTHER INCOME** amounted to HK\$8.3 million (six months ended 30th June 2011: HK\$7.7 million) which was mostly property management fee income of HK\$7.7 million (six months ended 30th June 2011: HK\$7.4 million) with related expenses of HK\$6.8 million (six months ended 30th June 2011: HK\$6.4 million).

	<b>Six months ended</b>	
	<b>30.6.2012</b>	30.6.2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	<b>(restated)</b>
<b>Revenue</b>	<b>214,888</b>	162,379
Cost of sales	<b>(1,571)</b>	(1,451)
Other service costs	<b>(66,060)</b>	(51,255)
<b>Depreciation of property, plant and equipment and release of prepaid lease payments for land</b>	<b>(14,209)</b>	<b>(9,297)</b>
Gross profit	<b>133,048</b>	100,376
<b>Increase in fair value of investment properties</b>	<b>129,820</b>	<b>324,280</b>
Other income	<b>8,315</b>	7,671
Loss on fair value changes of investments held for trading	–	(2)
Administrative expenses	<b>(10,748)</b>	(9,955)
– Depreciation	<b>(1,485)</b>	(2,436)
– Others	<b>(9,263)</b>	(7,519)
Other expenses	<b>(11,047)</b>	(10,578)
<b>Finance costs</b>	<b>(5,886)</b>	<b>(3,737)</b>
Profit before taxation	<b>243,502</b>	408,055
Income tax expense	<b>(20,724)</b>	(12,256)
Profit for the period attributable to owners of the Company	<b><u>222,778</u></b>	<b><u>395,799</u></b>

## COSTS

- **OVERALL SERVICE COSTS** for the period was HK\$66.1 million (six months ended 30th June, 2011: HK\$51.2 million), which HK\$66 million (six months ended 30th June, 2011: HK\$50.7 million) was for the hotel operations including food and beverage and cost of sales and HK\$0.1 million (six months ended 30th June, 2011: HK\$0.5 million) was mainly for rates and leasing commission paid for investment properties. The increase of hotel operation costs was mainly due to the newly opened Best Western Hotel Causeway Bay amounted to HK\$13.26 million.

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

Name of Hotel	Six months ended		Change
	30.6.2011 <i>HK\$ million per month</i>	30.6.2012 <i>HK\$ million per month</i>	
Ramada Hotel Kowloon	2.75	<b>2.84</b>	+3%
Ramada Hong Kong Hotel	2.60	<b>2.87</b>	+10%
Best Western Hotel Causeway Bay	N/A	<b>2.21</b>	N/A
Best Western Hotel Taipa, Macau	1.90	<b>2.01</b>	+6%
Magnificent International Hotel, Shanghai	<u>0.90</u>	<u><b>1.07</b></u>	+19%
<b>Average expenses per month</b>	<u>8.15</u>	<u><b>11.00</b></u>	+35%
<b>Total amount for the period</b>	48.90	<b>66.00</b>	
Best Western Hotel Causeway Bay	<u>1.80 (June 2011 operating expenses)</u>	<u><b>N/A</b></u>	
<b>Total amount for the period</b>	50.70	<b>66.00</b>	

During the period, the **ADMINISTRATIVE EXPENSES** excluding depreciation was HK\$9.3 million (six months ended 30th June, 2011: HK\$7.5 million) for corporate management office including directors' fees, salaries for executive staff and employees, rental, marketing expenses and office expenses.



**OTHER EXPENSES** were HK\$11 million (six months ended 30th June, 2011: HK\$10.6 million). Other expenses included property management expenses of HK\$6.8 million (six months ended 30th June, 2011: HK\$6.4 million) and the total pre-operating expenses of Best Western Hotel Harbour View and Best Western Grand Hotel of HK\$4.2 million (six months ended 30th June, 2011: the pre-operating expense of Best Western Hotel Causeway Bay: HK\$4.1 million). The property management expenses were increased by HK\$0.4 million due to the increase of cost of staff and utilities while the management fee remained unchanged.

The accounting standards require hotel properties of the Group to provide depreciation which amounted to HK\$14.2 million (six months ended 30th June, 2011: HK\$9.3 million) for the period. The depreciation increased from HK\$9.3 million to HK\$14.2 million was wholly due to the depreciation of Best Western Hotel Causeway Bay amounted to HK\$5.9 million was included (six months ended 30th June, 2011: HK\$1 million).

## DEPRECIATION OF HOTEL PROPERTIES

Name of Hotel	Six months ended		Change HK\$ million
	30.6.2011 HK\$ million	30.6.2012 HK\$ million	
Ramada Hotel Kowloon	3.3	<b>3.3</b>	–
Ramada Hong Kong Hotel	1.8	<b>1.8</b>	–
Best Western Hotel Taipa, Macau	1.7	<b>1.7</b>	–
Magnificent International Hotel, Shanghai	<u>1.5</u>	<u><b>1.5</b></u>	–
	8.3	<b>8.3</b>	
Best Western Hotel Causeway Bay	<u>1.0</u>	<u><b>5.9</b></u>	+4.9
<b>Total amount for the period</b>	9.3	<b>14.2</b>	+4.9

## FUNDING

- As at 30th June, 2012, the **overall debts** of the Group was HK\$1,288 million (31.12.2011: HK\$1,275 million), of which HK\$1,104 million (31.12.2011: HK\$1,111 million) was bank borrowings and HK\$184 million (31.12.2011: HK\$164 million) was advance from shareholders.

The debt ratio was 12% (31.12.2011: 14%) in term of overall debt of HK\$1,288 million (31.12.2011: HK\$1,275 million) against the fully revalued assets of the Group amounted to HK\$10,337 million (31.12.2011: HK\$9,106 million).

The gearing ratio was approximately 30% (31.12.2011: 31%) in term of overall debt of HK\$1,288 million (31.12.2011: HK\$1,275 million) against funds employed of HK\$4,364 million (31.12.2011: HK\$4,161 million).

The overall debts was analysed as follows:

	For the year ended 31.12.2011 <i>HK\$ million</i>	For the six months ended 30.06.2012 <i>HK\$ million</i>	Change <i>HK\$ million</i>	Interest Paid For the six months ended 30.06.2012 <i>HK\$ million</i>
Overall debt	1,275	<b>1,288</b>	+13	<b>14.4</b>
– bank loans	1,111	<b>1,104</b>	-7	<b>11.7</b>
– shareholders' loans	164	<b>184</b>	+20	<b>2.7</b>
Debt ratio (based on Fully Revalued Assets)	14%	<b>12%</b>		

**FINANCE COST:** Of these loans, the bank interest expenses amounted to HK\$11.7 million (six months ended 30th June, 2011: HK\$6.4 million), the shareholders loans interest expenses amounted to HK\$2.7 million (six months ended 30th June, 2011: HK\$0.8 million). The mandatory convertible bond matured on 13th April, 2011, no interest expenses on mandatory convertible bond during the period (six months ended 30th June, 2011: HK\$0.7 million) were paid.

Out of these interests totally paid, HK\$8.5 million (six months ended 30th June, 2011: HK\$4.2 million) was capitalized and **HK\$5.9 million** (six months ended 30th June, 2011: **HK\$3.7 million**) reflected in the expenses account.

- Regarding the **CASH FLOW** of the Group for the period, the gross income was HK\$223 million (six months ended 30th June, 2011: HK\$170 million) with operating expenses of HK\$88 million (six months ended 30th June, 2011: HK\$71 million), interests paid of HK\$12 million (six months ended 30th June, 2011: HK\$18 million) and repayment of bank loans of HK\$7 million (six months ended 30th June, 2011: HK\$2 million), the **positive cash flow was therefore HK\$116 million** (six months ended 30th June, 2011: HK\$79 million) which was spent on various construction expenses and acquisition of property, plant and equipment.

The Group's bank borrowings carry interest at floating rates and are mainly denominated in Hong Kong dollar. Accordingly, the exchange risk of the Group is minimal. During the period under review, there was about 18% increase in the Group's staffing level compared to 30th June, 2011. Remuneration and benefit were set with reference to the market.

## FUTURE PROSPECTS

- For the period under review, the investment properties such as Shun Ho Tower, 633 King's Road and shops in Ramada Hotel Kowloon, Ramada Hong Kong Hotel and Best Western Hotel Taipa, Macau remained almost fully letted. It is expected that the rental revenue from these properties will have modest increase in 2012.

As at the date of this report, the leasing of the grade A office building at 633 King's Road achieved HK\$71 million (excluding rates and management fee incomes) per annum. The management envisages the office building will have modest rental increase in 2012 as most leases are due for renewal.

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

For the period under review, the turnover for the five hotels was amounted to HK\$165 million, increased by 43%.

Name of Hotel	Avg Room Rates		Change
	Jan to Jun	Jan to Jun	
	2011 HK\$	2012 HK\$	
Ramada Hotel Kowloon	915	<b>992</b>	+8%
Ramada Hong Kong Hotel	787	<b>854</b>	+9%
Best Western Hotel Causeway Bay	N/A	<b>877</b>	N/A
Best Western Hotel Taipa, Macau	561	<b>654</b>	+17%
Magnificent International Hotel, Shanghai	345	<b>338</b>	-2%

The Best Western Hotel Causeway Bay achieved remarkable performance, the nearly full occupancies will significantly increase future hotel revenues.

Best Western Hotel Harbour View commenced operation since 21st July, 2012, its nearly full occupancy performance will contribute to the Group's hotel revenue for the second half of the year.

In the coming year, it is envisaged that the hotel business would be improving due to the continuous increase of inbound tourists and devaluation of Hong Kong dollar against Renminbi. The leisure travelling continues to improve due to continuous increase of inbound tour from global interests in Asia and implementation of the CEPA and further relaxation of mainlanders to travel freely. The management of the hotels will endeavour to maintain the high occupancy but will focus on obtaining higher room rates.

The hotel turnover from July to August 2012 of the Group's six hotels amounted to HK\$76 million, representing 31% improvement compared with 2011.

	Ramada Hotel		Ramada Hong Kong		Best Western Hotel		Best Western Hotel		Magnificent		Best Western Hotel		Improvement Compared with 2011
	Kowloon		Hotel		Causeway Bay		Taipa, Macau		International Hotel, Shanghai		Harbour View		
	Avg Room Occupancy	Avg Room Rate	Avg Room Occupancy	Avg Room Rate	Avg Room Occupancy	Avg Room Rate	Avg Room Occupancy	Avg Room Rate	Avg Room Occupancy	Avg Room Rate	Avg Room Occupancy	Avg Room Rate	
	%	HK\$	%	HK\$	%	HK\$	%	HK\$	%	HK\$	%	HK\$	
Jul	99	975	97	829	98	872	97	651	91	326	84	785	+15%
Aug	98	1,184	97	938	99	973	98	696	89	325	97	839	+45%
<b>Total:</b>	<b>HK\$14,000,000</b>		<b>HK\$17,780,000</b>		<b>HK\$14,676,000</b>		<b>HK\$11,090,000</b>		<b>HK\$3,615,000</b>		<b>HK\$14,820,000</b>		

With the positive cash flow surplus of HK\$116 million for the six months ended 30th June, 2012, the forecasted increase of rental incomes and steady hotel operations will ensure stronger future annual cash flow surplus which will help to ease the construction costs required to build the new hotels that will increase the incomes and value of the Group.

It is the intention of the Group to build a portfolio of 3-4 stars hotels with significant market shares in Hong Kong. The expected annual operating return on these hotels will exceed 10% on development cost and real estate capital gain potential of 50%. The Board believes these opportunities are readily available. The current six hotels owned by the Group offer about 1,690 rooms and the hotel development sites in Sheung Wan and Tsimshatsui will add an additional 610 rooms. The number of hotel rooms will soon be about 2,300 rooms to become a leading hotel room supplier in Hong Kong. Such strategy has and will continue to increase the value and recurring income of the Group substantially.

**Best Western Grand Hotel**  
**No. 23 Austin Avenue, Tsimshatsui Hotel Development**

The 397 rooms hotel development in the excellent shopping location in Tsimshatsui. The occupation permit was issued in August 2012. Operation commencement is expected in late 2012.

**No. 338 Queen's Road West Hotel Development**

A 214 serviced apartments hotel development was approved to be built. Superstructure construction will commence early 2013. Approval has been obtained to increase the plot ratio from 12 to 13.2 with no premium payment required. The construction of the Western MTR Line will improve future value and business of this property significantly.

**LOOKING AHEAD**, the management expects 2012 will be an outstandingly improved year for hotel operation. The hotels occupancy remain high because of the increasing leisure travelling from the PRC and their further visa relaxation and devaluation of Hong Kong dollar against Renminbi. The hotels room rates will increase due to the return of higher yield commercial travellers. Thus, the management expects higher yield commercial travellers and prospects of further multiple visa relaxation in China and rapid middle class population growth in China will result in room rates and revenue increment. The improving hotel business will help to increase the Group's overall turnover.

The management is most pleased with the commencement of operation of the 258 rooms Best Western Hotel Causeway Bay and its immediate remarkable nearly full occupancies since July 2011 and its additional contribution has assisted increase Group hotels revenue by 43% from January to June this year.

The 432 rooms Best Western Hotel Harbour View has commenced operation since 21st July this year and has since enjoyed nearly full occupancy. The additional revenue of the new Best Western Hotel Harbour View has assisted the Group August hotel revenue to increase by 45%. The significant 432 rooms Best Western Hotel Harbour View will surely make significant improvement to the Group's hotel revenue in the years to come.

The 397 rooms Best Western Grand Hotel, Tsimshatsui to be completed this year will undoubtedly make further substantial contribution to the Group's hotel revenue.

Thus 2012, 2013 and onwards will be the **HARVESTING YEARS** for Magnificent Estates Limited after many years of development of the new hotels.

The management will take best advantage of the improving rental incomes of the commercial buildings and shops, strong growth of the hotels revenue, low interest rate environment, competitive Hong Kong dollar, inflation and low 12% debt ratio to enhance the Group's incomes and values with the aim to increase future dividend policy.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

## DIRECTORS' INTERESTS IN LISTED SECURITIES

As at 30th June, 2012, 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	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 these companies.

## Associated corporations

Name of director	Name of associated corporation	Capacity	Nature of interests	Number of shares held	Approximate % of shareholding
William Cheng Kai Man	Shun Ho Technology (Note 1)	Interest of controlled corporations	Corporate	350,043,999	65.18
William Cheng Kai Man	Shun Ho Resources Holdings Limited ("Shun Ho Resources") (Note 2)	Interest of controlled corporations	Corporate	216,608,825	71.20
William Cheng Kai Man	Trillion Resources Limited ("Trillion Resources") (Note 3)	Beneficial owner	Personal	1	100

### Notes:

1. Shun Ho Technology, the Company's immediate holding company, is a public limited company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange.
2. Shun Ho Resources, the Company's intermediate holding company, is a public limited company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange.
3. Trillion Resources, the Company's ultimate holding company, is a company incorporated in the British Virgin Islands.

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

Save as disclosed above and save for shares in subsidiaries held by a director in trust for their immediate holding companies, as at 30th June, 2012, 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, 2012, the following persons (not being directors or chief executive of the Company) had interests in the shares in the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Capacity	Number of Shares/ underlying Shares held	Approximate % of shareholding
Shun Ho Technology ( <i>Note 1</i> )	Beneficial owner and interest of controlled corporations	6,360,663,987	71.09
Omnico Company Inc. ("Omnico") ( <i>Note 2</i> )	Interest of controlled corporations	6,360,663,987	71.09
Shun Ho Resources ( <i>Note 2</i> )	Interest of controlled corporations	6,360,663,987	71.09
Trillion Resources ( <i>Note 2</i> )	Interest of controlled corporations	6,360,663,987	71.09
Liza Lee Pui Ling ( <i>Note 3</i> )	Interest of spouse	6,360,663,987	71.09
Fastgrow Engineering & Construction Company Limited	Beneficial owner	2,978,198,581	33.29
Power Financial Corporation ( <i>Note 4</i> )	Interest of controlled corporations	807,060,000	9.02
Power Corporation of Canada ( <i>Note 4</i> )	Interest of controlled corporations	807,060,000	9.02
Nordex Inc. ( <i>Note 4</i> )	Interest of controlled corporations	807,060,000	9.02
IGM Financial Inc. ( <i>Note 4</i> )	Interest of controlled corporations	807,060,000	9.02
Gelco Enterprises Ltd. ( <i>Note 4</i> )	Interest of controlled corporations	807,060,000	9.02
Desmarais Paul G. ( <i>Note 4</i> )	Interest of controlled corporations	807,060,000	9.02



*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 807,060,000 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 57.69%) which was in turn an indirect non-wholly owned subsidiary of Power Corporation of Canada (held as to 66.06%). Power Corporation of Canada was 53.62% owned by Gelco Enterprises Ltd, a 94.95% subsidiary of Nordex Inc. Desmarais Paul G. was holder of 68% of the interest in Nordex Inc.

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, 2012 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 19 of this interim report. The interim results and the interim report 2012 have also been reviewed by the Group’s Audit Committee.

## CORPORATE GOVERNANCE

### (a) Compliance with the Code on Corporate Governance Practices and Code on Corporate Governance

During the six months ended 30th June, 2012, the Company has complied with all the code provisions set out in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (Code on Corporate Governance Practices) (effective until 31st March, 2012) and Corporate Governance Code (effective from 1st April, 2012) with the exception of the following deviations:

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

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

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

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

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

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

*Code Provision A.6.7: independent non-executive directors and non-executive directors should attend general meetings*

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

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

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

**(b) Compliance with the Model Code**

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

By Order of the Board

**William CHENG Kai Man**  
*Chairman*

Hong Kong, 28th August, 2012

# 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 20 to 38, which comprise the condensed consolidated statement of financial position as of 30th June, 2012 and the related condensed consolidated statement of 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  
28th August, 2012

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2012

		Six months ended 30th June,	
		2012	2011
	NOTES	HK\$'000 (Unaudited)	HK\$'000 (Restated)
Revenue	3	214,888	162,379
Cost of sales		(1,571)	(1,451)
Other service costs		(66,060)	(51,255)
Depreciation of property, plant and equipment and release of prepaid lease payments for land		<u>(14,209)</u>	<u>(9,297)</u>
Gross profit		133,048	100,376
Increase in fair value of investment properties	11	129,820	324,280
Other income		8,315	7,671
Loss on fair value changes of investments held for trading		–	(2)
Administrative expenses		(10,748)	(9,955)
– Depreciation		(1,485)	(2,436)
– Others		(9,263)	(7,519)
Other expenses		(11,047)	(10,578)
Finance costs	5	<u>(5,886)</u>	<u>(3,737)</u>
Profit before taxation		243,502	408,055
Income tax expense	6	<u>(20,724)</u>	<u>(12,256)</u>
Profit for the period attributable to owners of the Company	7	<u>222,778</u>	<u>395,799</u>
<b>Other comprehensive (expense) income</b>			
Exchange differences arising on translation of foreign operations		(1,191)	1,545
Gain on fair value changes of available-for-sale investments		<u>8,139</u>	<u>2,614</u>
Other comprehensive income for the period		<u>6,948</u>	<u>4,159</u>
Total comprehensive income for the period attributable to owners of the Company		<u>229,726</u>	<u>399,958</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
Basic	9	<u>2.49</u>	<u>4.43</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2012

		As at 30th June, 2012 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2011 <i>HK\$'000</i> (Restated)
	<i>NOTES</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	<i>10</i>	1,125,457	1,133,012
Prepaid lease payments for land		59,859	61,049
Investment properties	<i>11</i>	2,756,700	2,626,880
Properties under development	<i>10</i>	1,613,063	1,517,390
Available-for-sale investments	<i>12</i>	<u>139,661</u>	<u>131,522</u>
		<u>5,694,740</u>	<u>5,469,853</u>
<b>CURRENT ASSETS</b>			
Inventories		825	660
Properties held for sale		21,650	21,650
Prepaid lease payments for land		1,502	1,502
Trade and other receivables	<i>13</i>	13,876	19,939
Other deposits and prepayments		11,033	6,938
Pledged bank deposits	<i>19(d)</i>	110	110
Bank balances and cash		<u>111,207</u>	<u>99,540</u>
		<u>160,203</u>	<u>150,339</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables and accruals	<i>14</i>	64,526	62,802
Rental and other deposits received		3,941	6,786
Advance from immediate holding company	<i>17(a)</i>	123,189	104,245
Advance from ultimate holding company	<i>17(a)</i>	60,954	59,960
Advance from a fellow subsidiary		4,745	4,745
Tax liabilities		26,127	14,164
Bank loans	<i>15</i>	<u>1,103,925</u>	<u>1,110,957</u>
		<u>1,387,407</u>	<u>1,363,659</u>
<b>NET CURRENT LIABILITIES</b>		<u>(1,227,204)</u>	<u>(1,213,320)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><u>4,467,536</u></u>	<u><u>4,256,533</u></u>

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

AT 30TH JUNE, 2012

		As at 30th June, 2012 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2011 <i>HK\$'000</i> (Restated)
<b>CAPITAL AND RESERVES</b>			
Share capital	16	89,471	89,471
Share premium and reserves		<u>4,274,639</u>	<u>4,071,754</u>
		<u>4,364,110</u>	<u>4,161,225</u>
<b>NON-CURRENT LIABILITIES</b>			
Rental deposits received		28,632	26,993
Deferred tax liabilities		<u>74,794</u>	<u>68,315</u>
		<u>103,426</u>	<u>95,308</u>
		<u><u>4,467,536</u></u>	<u><u>4,256,533</u></u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE SIX MONTHS ENDED 30TH JUNE, 2012

	Attributable to owners of the Company								
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Mandatory convertible bonds equity reserve <i>HK\$'000</i>	Special capital reserve <i>HK\$'000</i> <i>(Note a)</i>	Property revaluation reserve <i>HK\$'000</i> <i>(Note b)</i>	Securities revaluation reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January, 2011 (audited)	59,651	341,293	441,012	612,477	179	84,911	16,342	1,876,368	3,432,233
Effect of change in accounting policy <i>(note 2)</i>	-	-	-	-	-	-	-	289,208	289,208
At 1st January, 2011 (restated)	<u>59,651</u>	<u>341,293</u>	<u>441,012</u>	<u>612,477</u>	<u>179</u>	<u>84,911</u>	<u>16,342</u>	<u>2,165,576</u>	<u>3,721,441</u>
Profit for the period	-	-	-	-	-	-	-	395,799	395,799
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	1,545	-	1,545
Gain on fair value changes of available-for-sale investments	-	-	-	-	-	2,614	-	-	2,614
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,614</u>	<u>1,545</u>	<u>395,799</u>	<u>399,958</u>
Final dividend for year ended 31st December, 2010 <i>(note 8)</i>	-	-	-	-	-	-	-	(26,841)	(26,841)
Conversion of mandatory convertible bonds	29,820	411,192	(441,012)	-	-	-	-	-	-
Expense incurred in connection with issue of shares	-	(30)	-	-	-	-	-	-	(30)
At 30th June, 2011 (restated)	<u>89,471</u>	<u>752,455</u>	<u>-</u>	<u>612,477</u>	<u>179</u>	<u>87,525</u>	<u>17,887</u>	<u>2,534,534</u>	<u>4,094,528</u>
Profit for the period	-	-	-	-	-	-	-	92,020	92,020
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	2,188	-	2,188
Loss on fair value changes of available-for-sale investments	-	-	-	-	-	(27,511)	-	-	(27,511)
Total comprehensive (expense) income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(27,511)</u>	<u>2,188</u>	<u>92,020</u>	<u>66,697</u>
At 31st December, 2011 (restated)	<u>89,471</u>	<u>752,455</u>	<u>-</u>	<u>612,477</u>	<u>179</u>	<u>60,014</u>	<u>20,075</u>	<u>2,626,554</u>	<u>4,161,225</u>
Profit for the period	-	-	-	-	-	-	-	222,778	222,778
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	(1,191)	-	(1,191)
Gain on fair value changes of available-for-sale investments	-	-	-	-	-	8,139	-	-	8,139
Total comprehensive income (expense) for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,139</u>	<u>(1,191)</u>	<u>222,778</u>	<u>229,726</u>
Final dividend for year ended 31st December, 2011 <i>(note 8)</i>	-	-	-	-	-	-	-	(26,841)	(26,841)
At 30th June, 2012 (unaudited)	<u><u>89,471</u></u>	<u><u>752,455</u></u>	<u><u>-</u></u>	<u><u>612,477</u></u>	<u><u>179</u></u>	<u><u>68,153</u></u>	<u><u>18,884</u></u>	<u><u>2,822,491</u></u>	<u><u>4,364,110</u></u>

**Notes:**

- (a) The special capital reserve represents the difference arising from the reduction of the nominal value of the Company's share in 1999.
- (b) The property revaluation reserve arose upon the transfer of properties from property, plant and equipment to investment properties and will be transferred to retained profits when the relevant properties are disposed of.



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
*FOR THE SIX MONTHS ENDED 30TH JUNE, 2012*

	<b>Six months ended 30th June,</b>	
	<b>2012</b>	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Net cash from operating activities	<u><b>116,253</b></u>	<u>81,773</u>
Cash used in investing activities:		
Expenditure on properties under development	<b>(95,231)</b>	(44,063)
Acquisition of property, plant and equipment	<u><b>(7,831)</b></u>	<u>(14,323)</u>
	<u><b>(103,062)</b></u>	<u>(58,386)</u>
Net cash used in financing activities:		
Advance from immediate holding company	<b>17,221</b>	10,103
Interest paid	<b>(11,713)</b>	(18,295)
Repayment of bank loans	<b>(7,032)</b>	(2,560)
New bank loan raised	<u>–</u>	<u>553</u>
	<u><b>(1,524)</b></u>	<u>(10,199)</u>
Net increase in cash and cash equivalents	<b>11,667</b>	13,188
Cash and cash equivalents at the beginning of the period	<u><b>99,540</b></u>	<u>40,586</u>
Cash and cash equivalents at the end of the period, represented by bank balances and cash	<u><u><b>111,207</b></u></u>	<u><u>53,774</u></u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2012

## 1. BASIS OF PREPARATION

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

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Excepted as described below, the accounting policies used in the condensed consolidated financial statements for the six months ended 30th June, 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2011.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

### **Amendments to HKAS 12 “Deferred Tax: Recovery of Underlying Assets”**

Under the amendments to HKAS 12 “Deferred Tax: Recovery of Underlying Assets”, investment properties that are measured using the fair value model in accordance with HKAS 40 “Investment Property” are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group’s investment property portfolios and concluded that the Group’s investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodies in the investment properties over time, and that the presumption set out in the amendments to HKAS 12 is not rebutted.

As a result of the application of the amendments to HKAS 12, the Group does not recognise any deferred taxes on changes in fair value of certain investment properties as the Group is not subject to any income taxes on disposal of those investment properties. Previously, the Group recognised deferred taxes on changes in fair value of investment properties based on the tax consequences that would follow from the manner in which the Group expects to recover the carrying amount of the investment properties.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Amendments to HKAS 12 “Deferred Tax: Recovery of Underlying Assets” (Continued)

The amendments to HKAS 12 have been applied retrospectively, resulting in the Group’s deferred tax liabilities being decreased by HK\$336,312,000 as at 31st December, 2011, with the corresponding adjustment being recognised in retained profits. In addition, the application of the amendments has resulted in the Group’s income tax expense for the six months ended 30th June, 2012 and 30th June, 2011 being reduced by HK\$20,844,000 and HK\$52,678,000 respectively and hence resulted in the profit for the six months ended 30th June, 2012 and 30th June, 2011 being increased by HK\$20,844,000 and HK\$52,678,000 respectively.

The effect of the change in accounting policy described above on the results for the current and preceding interim periods by line items presented in the condensed consolidated statement of comprehensive income is as follows:

	<b>Six months ended 30th June,</b>	
	<b>2012</b>	2011
	<b>HK\$’000</b>	HK\$’000
Decrease in income tax expense of the Group and increase in profit for the period	<u><b>20,844</b></u>	<u>52,678</u>

The effect of the change in accounting policy described above on the financial position of the Group as at the end of the immediately preceding financial year, i.e. 31st December, 2011, is as follows:

	As at 31st December, 2011 (Originally stated) HK\$’000	Adjustments HK\$’000	As at 31st December, 2011 (Restated) HK\$’000
Effects on net assets:			
Deferred tax liabilities	<u>404,627</u>	<u>(336,312)</u>	<u>68,315</u>
Effects on equity:			
Retained profits	<u>2,290,242</u>	<u>336,312</u>	<u>2,626,554</u>

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Amendments to HKAS 12 “Deferred Tax: Recovery of Underlying Assets” (Continued)

The effect of the change in accounting policy described above on the financial position of the Group as at the beginning of the comparative period, i.e. 1st January, 2011, is as follows:

	As at 1st January, 2011 (Originally stated) <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	As at 1st January, 2011 (Restated) <i>HK\$'000</i>
Effects on net assets:			
Deferred tax liabilities	<u>343,981</u>	<u>(289,208)</u>	<u>54,773</u>
Effects on equity:			
Retained profits	<u>1,876,368</u>	<u>289,208</u>	<u>2,165,576</u>

### Impact on basic earnings per share

	<b>Six months ended 30th June,</b>	
	<b>2012</b>	2011
	<i>HK cents</i>	<i>HK cents</i>
Basic earnings per share before adjustments	<b>2.26</b>	3.84
Adjustments arising from change in accounting policy in relation to:		
– application of amendments to HKAS 12 in respect of deferred taxes on investment properties	<u>0.23</u>	<u>0.59</u>
	<u><b>2.49</b></u>	<u>4.43</u>

Except as described above, the application of other amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

### 3. REVENUE

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

	Six months ended 30th June,	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Income from operation of hotels	<b>165,103</b>	115,841
Property rental	<b>49,785</b>	46,538
	<b><u>214,888</u></b>	<b><u>162,379</u></b>

### 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
4. Hospitality services – Magnificent International Hotel, Shanghai
5. Hospitality services – Best Western Hotel Causeway Bay
6. Property investment – 633 King's Road
7. Property investment – Shun Ho Tower
8. Property investment – Shops
9. Securities investment and trading
10. Property development for hotel – 239 Queen's Road West
11. Property development for hotel – 23 Austin Avenue
12. Property development for hotel – 338 Queen's Road West

Information regarding the above segments is reported below.

#### 4. SEGMENT INFORMATION (Continued)

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

	Segment revenue		Segment profit (loss)	
	Six months ended 30th June,		Six months ended 30th June,	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hospitality services	<b>165,103</b>	115,841	<b>83,381</b>	54,454
– Ramada Hotel Kowloon	<b>37,304</b>	34,346	<b>16,816</b>	15,080
– Ramada Hong Kong Hotel	<b>47,960</b>	43,512	<b>28,562</b>	25,237
– Best Western Hotel Taipa, Macau	<b>31,145</b>	27,214	<b>16,870</b>	13,659
– Magnificent International Hotel, Shanghai	<b>9,742</b>	8,361	<b>1,454</b>	833
– Best Western Hotel Causeway Bay	<b>38,952</b>	2,408	<b>19,679</b>	(355)
Property investment	<b>49,785</b>	46,538	<b>179,487</b>	370,202
– 633 King's Road	<b>35,223</b>	34,145	<b>101,152</b>	313,646
– Shun Ho Tower	<b>8,993</b>	7,988	<b>32,166</b>	20,151
– Shops	<b>5,569</b>	4,405	<b>46,169</b>	36,405
Securities investment and trading	–	–	–	(2)
Property development for hotel	–	–	–	–
– 239 Queen's Road West	–	–	–	–
– 23 Austin Avenue	–	–	–	–
– 338 Queen's Road West	–	–	–	–
	<b><u>214,888</u></b>	<b><u>162,379</u></b>	<b><u>262,868</u></b>	424,654
Other income			<b>8,315</b>	7,671
Other expenses			<b>(11,047)</b>	(10,578)
Central administration costs and directors' salaries			<b>(10,748)</b>	(9,955)
Finance costs			<b>(5,886)</b>	(3,737)
Profit before taxation			<b><u>243,502</u></b>	<b><u>408,055</u></b>

#### 4. SEGMENT INFORMATION (Continued)

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

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

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

	<b>As at 30th June, 2012 HK\$'000 (Unaudited)</b>	As at 31st December, 2011 HK\$'000 (Audited)
<b>Segment assets</b>		
Hospitality services	<b>1,126,726</b>	1,146,010
– Ramada Hotel Kowloon	<b>158,277</b>	163,623
– Ramada Hong Kong Hotel	<b>341,489</b>	343,582
– Best Western Hotel Taipa, Macau	<b>130,017</b>	132,399
– Magnificent International Hotel, Shanghai	<b>92,681</b>	94,845
– Best Western Hotel Causeway Bay	<b>404,262</b>	411,561
Property investment	<b>2,758,620</b>	2,629,149
– 633 King's Road	<b>1,851,552</b>	1,786,128
– Shun Ho Tower	<b>484,068</b>	460,621
– Shops	<b>423,000</b>	382,400
Securities investment and trading	<b>139,661</b>	131,522
Property development for hotels	<b>1,622,693</b>	1,519,692
– 239 Queen's Road West	<b>536,130</b>	484,883
– 23 Austin Avenue	<b>855,790</b>	808,407
– 338 Queen's Road West	<b>230,773</b>	226,402
<b>Unallocated assets</b>	<b>5,647,700</b>	5,426,373
	<b>207,243</b>	193,819
	<b><u>5,854,943</u></b>	<u>5,620,192</u>

## 5. FINANCE COSTS

	Six months ended 30th June,	
	2012 <i>HK\$'000</i> (Unaudited)	2011 <i>HK\$'000</i> (Unaudited)
Interests on:		
Bank loans wholly repayable within five years	11,713	6,400
Advance from immediate holding company wholly repayable within five years ( <i>note 17(a)</i> )	1,723	465
Advance from ultimate holding company wholly repayable within five years ( <i>note 17(a)</i> )	994	360
Effective interest expense on mandatory convertible bonds	–	702
	<u>14,430</u>	<u>7,927</u>
Less: amounts capitalised in properties under development	<u>(8,544)</u>	<u>(4,190)</u>
	<u><u>5,886</u></u>	<u><u>3,737</u></u>

## 6. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2012 <i>HK\$'000</i> (Unaudited)	2011 <i>HK\$'000</i> (Restated)
Current tax		
Hong Kong	12,242	10,418
The People's Republic of China ("PRC")	252	139
Other jurisdiction	1,751	1,366
	<u>14,245</u>	<u>11,923</u>
Deferred tax		
Current period	6,479	333
	<u><u>20,724</u></u>	<u><u>12,256</u></u>

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, 2012 (six months ended 30th June, 2011: 16.5%).



## 6. INCOME TAX EXPENSE (Continued)

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\$75,000 (six months ended 30th June, 2011: HK\$42,000) were charged to profit or loss for the six months ended 30th June, 2012.

## 7. PROFIT FOR THE PERIOD

	Six months ended 30th June,	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)

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

Release of prepaid lease payments for land	784	751
Depreciation of property, plant and equipment	14,910	10,982
Pre-operating expenses (included in other expenses)	4,236	4,146
Interest on bank deposits (included in other income)	<u>(362)</u>	<u>(4)</u>

## 8. DIVIDEND

During the six months ended 30th June, 2012, a final dividend of HK0.3 cent per share amounting to HK\$26,841,000 was payable to shareholders for the year ended 31st December, 2011 (six months ended 30th June, 2011: a final dividend of HK0.3 cent per share amounting to HK\$26,841,000 was paid to shareholders for the year ended 31st December, 2010).

The interim dividend in respect of the six months ended 30th June, 2012 of HK0.15 cent per share amounting to HK\$13,421,000 has been declared by the Board (six months ended 30th June, 2011: Nil).

## 9. EARNINGS PER SHARE

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

### Earnings

	Six months ended 30th June,	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Restated)
Profit for the period attributable to owners of the Company	222,778	395,799
Effective interest expense on mandatory convertible bonds	—	702
Earnings for the purpose of basic earnings per share	<u>222,778</u>	<u>396,501</u>

### Number of shares

	Six months ended 30th June,	
	2012	2011
	'000	'000
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue	8,947,051	7,266,594
Effect of ordinary shares to be issued upon the conversion of mandatory convertible bonds	—	1,680,457
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>8,947,051</u>	<u>8,947,051</u>

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

## 10. PROPERTY, PLANT AND EQUIPMENT/PROPERTIES UNDER DEVELOPMENT

During the six months ended 30th June, 2012, the Group has acquired furniture, fixtures and equipment of HK\$7,831,000 and incurred HK\$87,129,000 on construction costs of new hotel premises. The Group did not dispose of any property, plant and equipment during the period.

During the six months ended 30th June, 2011, the Group has acquired land and buildings of HK\$13,640,000 and furniture, fixtures and equipment of HK\$3,274,000 and incurred HK\$105,186,000 on construction costs of new hotel premises. The Group did not dispose of any property, plant and equipment during the six months ended 30th June, 2011. In addition, the Group has transferred a property under development of HK\$415,389,000 to property, plant and equipment.

## 11. INVESTMENT PROPERTIES

The fair values of the Group's investment properties at 30th June, 2012 and 31st December, 2011 have been arrived at on the basis of valuations carried out as of these dates by Dudley Surveyors Limited, an independent qualified professional valuer not connected to the Group. The valuation was arrived by adopting the direct comparison approach making reference to recent transactions of similar properties in similar location and condition under the prevailing market conditions. The resulting gain on fair value changes of investment properties of HK\$129,820,000 has been recognised directly in profit or loss for the six months ended 30th June, 2012 (six months ended 30th June, 2011: HK\$324,280,000).

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

## 12. AVAILABLE-FOR-SALE INVESTMENTS

	<b>Available-for-sale investments</b>	
	<b>Non-current</b>	
	<b>As at</b>	<b>As at</b>
	<b>30th June,</b>	<b>31st December</b>
	<b>2012</b>	<b>2011</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Listed equity securities in Hong Kong at fair value	<b>138,881</b>	130,742
Unlisted equity investments	<b>780</b>	780
	<b><u>139,661</u></b>	<b><u>131,522</u></b>

## 13. TRADE AND OTHER RECEIVABLES

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

### 13. TRADE AND OTHER RECEIVABLES (Continued)

	As at 30th June, 2012 HK\$'000 (Unaudited)	As at 31st December, 2011 HK\$'000 (Audited)
Not yet due	11,282	16,923
Overdue:		
0 – 30 days	1,119	596
31 – 60 days	42	56
Over 60 days	–	90
	<u>12,443</u>	<u>17,665</u>

Analysed for reporting as:

Trade receivables	12,443	17,665
Other receivables	<u>1,433</u>	<u>2,274</u>
	<u>13,876</u>	<u>19,939</u>

### 14. TRADE AND OTHER PAYABLES AND ACCRUALS

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

	As at 30th June, 2012 HK\$'000 (Unaudited)	As at 31st December, 2011 HK\$'000 (Audited)
0 – 30 days	2,554	2,611
31 – 60 days	101	299
Over 60 days	<u>403</u>	<u>380</u>
	<u>3,058</u>	<u>3,290</u>

Analysed for reporting as:

Trade payables	3,058	3,290
Other payables and accruals (Note)	<u>61,468</u>	<u>59,512</u>
	<u>64,526</u>	<u>62,802</u>

Note: Other payables and accruals include construction costs payable of HK\$36,522,000 (31st December, 2011: HK\$44,624,000).

## 15. BANK LOANS

	<b>As at 30th June, 2012 HK\$'000 (Unaudited)</b>	As at 31st December, 2011 HK\$'000 (Audited)
Secured bank loans	<u><b>1,103,925</b></u>	<u>1,110,957</u>
Carrying amounts of bank loans that contain a repayment on demand clause:		
Repayable within one year from the end of the reporting period, shown under current liabilities	<b>338,160</b>	314,712
Not repayable within one year from the end of the reporting period shown, under current liabilities	<u><b>765,765</b></u>	<u>796,245</u>
	<b>1,103,925</b>	1,110,957
Less: Amounts shown under current liabilities	<u><b>1,103,925</b></u>	<u>1,110,957</u>
Amounts shown under non-current liabilities	<u><b>-</b></u>	<u>-</u>

During the current period, the Group has obtained new bank loan amounting to nil (six months ended 30th June, 2011: HK\$553,000) and repaid bank loans of HK\$7,032,000 (six months ended 30th June, 2011: HK\$2,560,000). 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 2% per annum for the six months ended 30th June, 2012 (year ended 31st December, 2011: HIBOR plus a margin of approximately 1% 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 2.1% per annum (year ended 31st December, 2011: 1.3% per annum).

## 16. SHARE CAPITAL

	<b>Number of shares '000</b>	<b>Nominal value HK\$'000</b>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31st December, 2011 (audited) and 30th June, 2012 (unaudited)	<u><b>80,000,000</b></u>	<u><b>800,000</b></u>
Issued and fully paid:		
At 1st January, 2011 (audited)	5,965,063	59,651
Issue on conversion of mandatory convertible bonds	<u>2,981,988</u>	<u>29,820</u>
At 31st December, 2011 (audited) and 30th June, 2012 (unaudited)	<u><b>8,947,051</b></u>	<u><b>89,471</b></u>

## 17. RELATED PARTY TRANSACTIONS

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

	Six months ended 30th June,	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<b>THE GROUP</b>		
<b>Shun Ho Technology Holdings Limited</b>		
<b>(the Company's immediate holding company)</b>		
<b>and its subsidiaries*</b>		
Rental expenses	520	520
Interest expenses on advances to the Group ( <i>note a</i> )	1,723	465
Effective interest expense on mandatory convertible bonds	–	702
Corporate management fees income for administrative facilities provided	1,034	867
<b>Shun Ho Resources Holdings Limited</b>		
<b>(an intermediate holding company of the Company)</b>		
Corporate management fees for administrative facilities provided received	50	50
<b>Trillion Resources Limited</b>		
<b>(the Company's ultimate holding company)</b>		
Interest expenses on advances to the Group ( <i>note a</i> )	994	360
Compensation of key management personnel ( <i>note b</i> )	<u>2,631</u>	<u>2,247</u>

\* exclude Magnificent Estates Limited and its subsidiaries

*Notes:*

- (a) The advances from immediate holding company and ultimate holding company are unsecured, carry interest at HIBOR plus 3% (31st December, 2011: HIBOR plus 1%) per annum and are repayable on demand.
- (b) The compensation of key management personnel comprised short-term and post employment benefits attributable to such personnel.

## **18. PROJECT COMMITMENTS**

At 30th June, 2012, the Group had outstanding commitments contracted for but not provided in the condensed consolidated financial statements in respect of expenditure on properties under development amounting to HK\$39,159,000 (31st December, 2011: HK\$111,700,000).

## **19. PLEDGE OF ASSETS**

At 30th June, 2012, the bank loan facilities of subsidiaries were secured by the following:

- (a) investment properties, properties under development and property, plant and equipment of the Group with carrying amounts of approximately HK\$2,117 million (31st December, 2011: HK\$2,015 million), HK\$1,613 million (31st December, 2011: HK\$1,517 million) and HK\$889 million (31st December, 2011: HK\$899 million), respectively;
- (b) pledge of shares in and subordination of loans due from subsidiaries with an aggregate carrying amount of approximately HK\$1,153 million (31st December, 2011: HK\$1,087 million);
- (c) assignment of the Group's rentals and hotel revenue respectively; and
- (d) bank deposits with a carrying amount of HK\$110,000 (31st December, 2011: HK\$110,000).