

MAGNIFICENT ESTATES LIMITED

(華大地產投資有限公司)

(Stock Code: 201)



INTERIM REPORT 2014





Shun Ho Tower
Central

MAGNIFICENT ESTATES
(Stock Code: 201)
(a subsidiary of Shun Ho Group)
www.magnificentestatesltd.com

2014 Interim Results

Total Assets: HK\$ **13.3** billion

Consolidated Profit: HK\$748 m

Operating Profit: HK\$159 m

Net Asset Value: HK\$12.2 billion (by DTZ)
HK\$1.36 per share



633 King's Road
North Point



206 guest-room
Ramada Hotel Kowloon
Tsimshatsui



318 guest-room
Ramada Hong Kong Hotel



396 guest-room
Best Western Grand Hotel
Tsimshatsui



258 guest-room
Best Western Hotel
Causeway Bay



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



213 guest-room
Magnificent International Hotel
Shanghai



214 guest-room
Grand City Hotel
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

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

Winston & Strawn
42th Floor, Bank of China Tower
1 Garden Road
Central, Hong Kong

Principal Bankers

The Hongkong and Shanghai Banking
Corporation Limited
Chong Hing Bank Limited

Registered Office

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

Share Registrars

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong
Tel: 2980 1333

Company's Website

www.magnificentstatesltd.com

INTERIM RESULTS

The board of directors (the “Board”) of Magnificent Estates Limited (the “Company”) announces that the unaudited consolidated profit after tax of the Company and its subsidiaries (together the “Group”) for the six months ended 30th June, 2014 attributable to owners of the Company amounted to HK\$748,171,000 (six months ended 30th June, 2013: HK\$338,136,000), increased by 121%.

The results of the Group for the six months ended 30th June, 2014 and its financial position as at that date are set out in the condensed consolidated financial statements on pages 22 to 44 of this report.

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK0.2 cent per share for the six months ended 30th June, 2014 (six months ended 30th June, 2013: HK0.2 cent per share) payable on Friday, 17th July, 2015 to shareholders whose names appear on the register of members of the Company on Friday, 3rd July, 2015. The full year dividend is envisaged to be no less than last year (2013: HK0.775 cent per share).

BOOK CLOSURE

The register of members will be closed from Monday, 29th June, 2015 to Friday, 3rd July, 2015, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company’s Share Registrars, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 4:30 p.m. Friday, 26th June, 2015.

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 after tax** of the Group for the six months ended 30th June, 2014 attributable to owners of the Company amounted to HK\$748,171,000 (six months ended 30th June, 2013: HK\$338,136,000), increased by 121%. (See Note a)

	Six months ended		Change
	30.6.2013	30.6.2014	
	<i>HK\$'000</i>	<i>HK\$'000</i>	
	(unaudited)	(unaudited)	
Revaluation profit of investment properties	207,600	1,900	-99%
Income from operation of hotels	114,564	109,051	-5%
Properties rental income	49,978	56,314	+13%
Other income	<u>2,510</u>	<u>5,868</u>	+134%
	374,652	173,133	-54%
Administrative and other expenses	(13,466)	(14,397)	+7%
Gain on disposal of subsidiaries	-	620,478	N/A
Income tax expense	<u>(22,554)</u>	<u>(29,485)</u>	+31%
Profit after taxation	338,632	749,729	+121%
Non-controlling interests	<u>(496)</u>	<u>(1,558)</u>	+214%
Profit after taxation and non-controlling interests	338,136	748,171	+121%
			<i>(Note a)</i>
Less: Revaluation profit of investment properties	(207,600)	(1,900)	
Add: Properties depreciation and release of prepaid lease payments for land	<u>34,283</u>	<u>32,770</u>	
Net profit after tax before revaluation of investment properties	164,819	779,041	+373%
			<i>(Note b)</i>

The **net profit after tax** before revaluation of investment properties of the Group for the six months ended 30th June, 2014 was HK\$779 million (six months ended 30th June, 2013: HK\$165 million), increased by 373%. *(See Note b)*

Matters that reduced operating profit after tax for the period:

	<i>HK\$ million</i>
1) Loss of Macau hotel after tax profit for the period	7
2) Income tax expense increase	
Mainly due to no tax write back compared with last year	3
Deferred tax amount increase	2
Profit tax increase	2
	14

As at 30th June, 2014, the net assets after deducting non-controlling interests and before revaluation on all asset properties and before deferred tax of the Group amounted to HK\$6,109 million (31st December, 2013: HK\$5,399 million), the net asset value per ordinary share is HK\$0.68 (31st December, 2013: HK\$0.60).

As at 30th June, 2014, the **net assets after deducting non-controlling interests and after revaluation on all asset properties** but before deferred tax of the Group amounted to **HK\$12,172 million** (31st December, 2013: HK\$12,070 million), the **adjusted net asset value per ordinary share is HK\$1.36** (31st December, 2013: HK\$1.35). All the asset properties of the Group are valued by DTZ Debenham Tie Leung Limited, a well-known valuer worldwide.

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 six hotels including: (1) Ramada Hotel Kowloon, (2) Ramada Hong Kong Hotel, (3) Best Western Hotel Causeway Bay, (4) Best Western Hotel Harbour View, (5) Best Western Grand Hotel and (6) Magnificent International Hotel, Shanghai, with 1,823 rooms together with the new Grand City Hotel at Queen's Road West under development, the Group will have 2,037 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:

	31.12.2011	31.12.2012	31.12.2013	30.06.2014
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Adjusted Shareholders' Fund	7,715	10,461	12,070	12,172
Adjusted Net Asset Value Per Ordinary Share	HK\$0.86	HK\$1.17	HK\$1.35	HK\$1.36

PERFORMANCES

- For the six months ended 30th June, 2014, 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:

Revenue

	Six months ended		Change
	30.6.2013 <i>HK\$'000</i> (unaudited)	30.6.2014 <i>HK\$'000</i> (unaudited)	
Income from operation of hotels	271,308	264,322	-3%
Properties rental income	51,686	57,721	+12%
Other income	9,379	12,708	+35%
Total	332,373	334,751	+1%

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

The total income for the Group increased by 1% from HK\$332 million to HK\$335 million for the same period compared with last year.

The income from operation of hotels decreased by 3% to HK\$264 million (six months ended 30th June, 2013: HK\$271million). The decrease was due to the disposal of Macau hotel since March 2014. **Revenue of other hotels increased by 4% for the period.**

	Ramada Hotel Kowloon		Ramada Hong Kong Hotel		Best Western Hotel Causeway Bay		Best Western Hotel Harbour View		Best Western Grand Hotel		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	Avg Room Occupancy	Avg Room Rate	Avg Room Occupancy	Avg Room Rate
	%	HK\$	%	HK\$	%	HK\$	%	HK\$	%	HK\$	%	HK\$	%	HK\$
2014														
Jan	98	1,003	98	757	98	873	99	621	99	887	96	647	55	327
Feb	99	1,098	99	811	99	926	100	632	99	918	97	859	76	331
Mar	99	1,065	98	872	99	982	99	759	99	937	98	555	82	343
Apr	98	1,018	98	851	98	904	98	775	99	922	N/A	N/A	90	357
May	99	824	98	684	98	746	98	579	97	757	N/A	N/A	87	353
Jun	99	860	98	683	99	703	99	577	99	730	N/A	N/A	88	332
Total		HK\$37,658,000		HK\$45,906,000		HK\$40,543,000		HK\$52,888,000		HK\$63,354,000		HK\$14,258,000		HK\$9,715,000
Jan to Jun 2013 Total		HK\$36,764,000		HK\$45,337,000		HK\$38,722,000		HK\$52,635,000		HK\$59,690,000		HK\$13,546,000 (Jan to 20th Mar, 2013)		HK\$8,429,000
Change		+2%		+1%		+5%		0%		+6%		+5%		+15% +4%
Jan to Jun 2014 EBITDA Margin (Based on Revenue)		51%		51%		56%		55%		62%		47%		25%

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 (up to 20th March, 2014) amounted to HK\$58 million (six months ended 30th June, 2013: HK\$52 million). At the date of this report, 633 King's Road provided an annual rental income of HK\$90 million (excluding rates and management fee incomes).

The properties rental income was analysed as follows:

	Six months ended		Change
	30.6.2013 HK\$'000 (unaudited)	30.6.2014 HK\$'000 (unaudited)	
633 King's Road	35,882	42,715	+19%
Shun Ho Tower	9,701	10,032	+3%
Shops	6,103	4,974	-18%
Total	51,686	57,721	+12%

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

OTHER INCOME amounted to HK\$12.7 million (six months ended 30th June 2013: HK\$9.4 million) which was mostly property management fee incomes of HK\$7.7 million (six months ended 30th June, 2013: HK\$7.7 million) with related expenses of HK\$6.8 million (six months ended 30th June, 2013: HK\$6.9 million) and interest income HK\$5 million (six months ended 30th June, 2013: HK\$0.6 million) from cash deposits.

	Six months ended		Change
	30.6.2013 <i>HK\$'000</i> (unaudited)	30.6.2014 <i>HK\$'000</i> (unaudited)	
Revenue	322,994	322,043	-0.3%
Cost of sales	(2,052)	(2,117)	
Other service costs	(111,966)	(117,644)	+5%
Depreciation of property, plant and equipment and release of prepaid lease payments for land	<u>(32,748)</u>	<u>(31,237)</u>	-5%
Gross profit	176,228	171,045	
Increase in fair value of investment properties	207,600	1,900	
Other income and gain	9,379	12,708	
Gain on disposal of subsidiaries	–	620,478	
Administrative expenses			
– Depreciation	(1,535)	(1,533)	
– Others	(11,931)	(12,864)	
	(13,466)	(14,397)	
Other expenses	(6,869)	(6,840)	
Finance costs	<u>(11,686)</u>	<u>(5,680)</u>	-51%
Profit before taxation	361,186	779,214	
Income tax expense	<u>(22,554)</u>	<u>(29,485)</u>	
Profit for the period	338,632	749,729	

On 20th December, 2013, the Group entered into an agreement with an independent third party to dispose of subsidiaries holding interest in Best Western Hotel Taipa, Macau at the consideration of HK\$900 million, the disposal of which was completed on 20th March, 2014. **The disposal incurred in a reportable earning of approximately HK\$620 million for the first half of 2014.**

COSTS

- **OVERALL SERVICE COSTS** of the Group for the period was HK\$119.8 million (six months ended 30th June, 2013: HK\$114 million), of which HK\$119.5 million (six months ended 30th June, 2013: HK\$113.7 million) was for the hotel operations including food and beverage and costs of sales and HK\$0.3 million (six months ended 30th June, 2013: HK\$0.3 million) was mainly for rates and leasing commission paid for investment properties. The leasing commissions paid for the leased premises represent total commissions payable for three years of the rental period.

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

Name of Hotel	Six months ended		Change
	30.6.2013 <i>HK\$ million per month</i>	30.6.2014 <i>HK\$ million per month</i>	
Ramada Hotel Kowloon	2.84	2.84	–
Ramada Hong Kong Hotel	3.37	3.67	+9%
Best Western Hotel Causeway Bay	2.76	2.94	+7%
Magnificent International Hotel, Shanghai	1.12	1.22	+9%
Best Western Hotel Harbour View	3.36	3.98	+18%*
Best Western Grand Hotel	3.32	4.06	+22%*
Average expenses per month	<u>16.77</u>	<u>18.71</u>	+12%
Subtotal amount for the period	100.62	112.26	+12%
Best Western Hotel Taipa, Macau	13.08	7.24 (up to 20th March, 2014)	-45%
Total amount for the period	113.70	119.50	+5%

- * The increase of hotel operation costs for the newly opened Best Western Hotel Harbour View and Best Western Grand Hotel were mostly due to normalised salary, bonus, government rate, sales commission compared with unstable first year.

During the period, the **ADMINISTRATIVE EXPENSES** excluding depreciation was HK\$12.9 million (six months ended 30th June, 2013: HK\$11.9 million) for corporate management office including directors' fees, salaries for executive staff and employees, rental, marketing expenses and office expenses.

OTHER EXPENSES were property management expenses amounted to HK\$6.9 million (six months ended 30th June, 2013: HK\$6.9 million).

The accounting standards require hotel properties of the Group to provide **DEPRECIATION** which amounted to HK\$31.2 million (six months ended 30th June, 2013: HK\$32.7 million) for the period.

DEPRECIATION OF HOTEL PROPERTIES

Name of Hotel	Six months ended		Change HK\$ million
	30.6.2013 HK\$ million	30.6.2014 HK\$ million	
Ramada Hotel Kowloon	3.3	3.3	–
Ramada Hong Kong Hotel	1.8	1.8	–
Best Western Hotel Taipa, Macau	1.7	–	-1.7
Magnificent International Hotel, Shanghai	1.5	1.5	–
Best Western Hotel Causeway Bay	5.9	6.0	+0.1
Best Western Hotel Harbour View	3.5	3.5	–
Best Western Grand Hotel	<u>15.0</u>	<u>15.1</u>	+0.1
Total amount for the period	32.7	31.2	-1.5

FUNDING

- As at 30th June, 2014, the **OVERALL DEBTS** of the Group were HK\$761 million (31st December, 2013: HK\$759 million), of which HK\$650 million (31st December, 2013: HK\$676 million) was bank borrowings and HK\$111 million (31st December, 2013: HK\$83 million) was advance from shareholders.

The debt ratio was 6% (31st December, 2013: 6%) in term of overall debts of HK\$761 million (31st December, 2013: HK\$759 million) against the fully revalued assets of the Group amounted to HK\$13,112 million (31st December, 2013: HK\$13,162 million).

The gearing ratio was approximately 13% (31st December, 2013: 14%) in term of overall debts of HK\$761 million (31st December, 2013: HK\$759 million) against funds employed of HK\$5,994 million (31st December, 2013: HK\$5,290 million).

The overall debts were analysed as follows:

	For the year ended 31.12.2013 <i>HK\$ million</i>	For the six months ended 30.06.2014 <i>HK\$ million</i>	Change <i>HK\$ million</i>	Interest Paid For the six months ended 30.06.2014 <i>HK\$ million</i>
Bank loans	676	650	-26	5.3
Shareholders' loans	83	111	+28	1.5
Overall debts	759	761	+2	6.8
Debt ratio (Based on Fully Revalued Assets)	6%	6%		

FINANCE COST: Of these loans, the total interest expenses amounted to HK\$5.3 million (six months ended 30th June, 2013: HK\$10.7 million), the shareholders' loans interest expenses amounted to HK\$1.5 million (six months ended 30th June, 2013: HK\$2.8 million).

Out of these interests totally paid, HK\$1.1 million (six months ended 30th June, 2013: HK\$1.8 million) was capitalized and HK\$5.7 million (six months ended 30th June, 2013: HK\$11.7 million) reflected in the expenses account. The decrease of interest expense amount was due to the repayment of bank loans amounted to HK\$385 million during the second half of 2013.

- Regarding the **CASH FLOW** of the Group for the period, the gross income of the Group was HK\$335 million (six months ended 30th June, 2013: HK\$332 million) with operating expenses of HK\$139 million (six months ended 30th June, 2013: HK\$133 million), interests paid out of the Group of HK\$5 million (six months ended 30th June, 2013: HK\$11 million), and net repayment of bank loans of HK\$26 million (six months ended 30th June, 2013: HK\$13 million), various construction expenses and acquisition of property, plant and equipment and available-for-sale investments of HK\$53 million (six months ended 30th June, 2013: HK\$31 million). With the HK\$720 million cash inflow from the disposal for Best Western Hotel Taipa, Macau, **a positive cash flow amounted to HK\$832 million** (six months ended 30th June, 2013: HK\$144 million) is in cash reserve of the Group.

The Group's bank borrowings carry interest at floating rates and are mainly denominated in Hong Kong dollar. Accordingly, the exchange risk of the Group is minimal. During the period under review, the Group's staffing level is about 15% less than that of 31st December, 2013 due to the disposal of Best Western Hotel Taipa, Macau. 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 (up to 20th March, 2014) remained fully letted.

As at the date of this report, the leasing of the grade A office building at 633 King's Road achieved HK\$90 million (excluding rates and management fee incomes) per annum. The management envisages the office building will have modest rental increase in 2014 as most leases are due for renewal.

For the period under review, the travel industry have suffered lesser spending willingness from our largest PRC guests segment, probably due to the low economic cycle being encountered in the PRC. However, visitors coming to Hong Kong continue to grow by 12.5% from January to June 2014 according to the Hong Kong Tourist Board. The turnover for the seven group hotels was amounted to HK\$264,322,000, decreased by 3%. The minor decrease of revenue is due to the disposal of Best Western Hotel Taipa, Macau in March 2014. Existing hotels turnover for the period increased by 4%.

Name of Hotel	Avg Room Rates		Change
	Jan to Jun	Jan to Jun	
	2013	2014	
	HK\$	HK\$	
Ramada Hotel Kowloon	971	976	+1%
Ramada Hong Kong Hotel	792	776	-2%
Best Western Hotel Causeway Bay	830	855	+3%
Best Western Hotel Harbour View	693	657	-5%
Best Western Grand Hotel	861	861	—
Best Western Hotel Taipa, Macau (up to 20th March, 2014)	638	718	+13%
Magnificent International Hotel, Shanghai	339	342	+1%

The management of the hotels will endeavour to maintain the high occupancy and will also focus on obtaining higher room rates.

The turnover of the Group's six hotels from July to August, 2014 amounted to HK\$92,183,000, representing 1% improvement for the same period compared with 2013.

	Ramada Hotel Kowloon		Ramada Hong Kong Hotel		Best Western Hotel Causeway Bay		Best Western Hotel Harbour View		Best Western Grand Hotel		Magnificent International Hotel, Shanghai		Change
	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\$	
2014													
Jul	99	990	99	814	100	855	100	723	99	870	95	345	+6%
Aug	99	1,074	99	852	99	908	99	755	100	947	96	353	-3%
Total		HK\$13,606,000		HK\$17,115,000		HK\$14,337,000		HK\$20,407,000		HK\$22,622,000		HK\$4,096,000	+1%

No. 338 Queen's Road West Hotel Development

The 214 rooms hotel development is named the Grand City Hotel and is expected to have occupation permit in December 2014. The connection of the Western MTR Line will improve future value and business of this property significantly.

LOOKING AHEAD

Magnificent Estates has a magnificent portfolio of well performing recurring income portfolio of commercial and hotel properties with cash deposit in excess of HK\$1 billion.

The management is most excited with the connection of the MTR Western line near end of 2014 which will significantly benefit three of our group hotels with about 1,000 rooms in terms of occupancies, room rates and hotel values.

However, both commercial and hotel segments are showing strong signs of difficulties with more supplies and lesser demand. The disposed Macau hotel has the effect of reducing operating profit by HK\$37 million per year. Stable operating profit growth is therefore at risk from market conditions and Macau hotel disposal. The new Grand City Hotel may contribute about the same operating profit per year to replenish the profit reduced by the disposed Macau hotel. The management aims to increase dividend payout through the increase of annual operating profit. The management is most eager to make use of our cash deposit to increase operating profit by another HK\$50 million per annum through the acquisition of commercial or hotel investment/developments.

For 2013, the total dividend was HK0.775 cent per share and the dividend payout ratio was 17%. For 2014, the management envisages the full year dividend would not be less than 2013.

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, 2014, the interests or short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (a) to be entered in the register required to be kept by the Company under section 352 of the SFO; or (b) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

The Company

Name of director	Capacity	Nature of interests	Number of shares/underlying shares held	Approximate % of shareholding
William Cheng Kai Man	Interest of controlled corporations	Corporate	6,360,585,437 (Note)	71.09

Note:

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

Associated corporations

Name of director	Name of associated corporation	Capacity	Nature of interests	Number of shares held	Approximate % of shareholding
William Cheng Kai Man	Shun Ho Technology (Note 1)	Interest of controlled corporations	Corporate	359,543,999	66.94
William Cheng Kai Man	Shun Ho Resources Holdings Limited ("Shun Ho Resources") (Note 2)	Interest of controlled corporations	Corporate	216,608,825	71.20
William Cheng Kai Man	Trillion Resources Limited ("Trillion Resources") (Note 3)	Beneficial owner	Personal	1	100

Notes:

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

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

Save as disclosed above and save for shares in subsidiaries held by a director in trust for their immediate holding companies, as at 30th June, 2014, 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, 2014, 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
Desmarais Andre (as trustee of the Desmarais Family Residuary Trust) (<i>Note 4</i>)	Trustee	803,622,000	8.98
Desmarais Jacqueline (as trustee of the Desmarais Family Residuary Trust) (<i>Note 4</i>)	Trustee	803,622,000	8.98
Desmarais Jr. Paul (as trustee of the Desmarais Family Residuary Trust) (<i>Note 4</i>)	Trustee	803,622,000	8.98
Fortin Guy (as trustee of the Desmarais Family Residuary Trust) (<i>Note 4</i>)	Trustee	803,622,000	8.98
Gelco Enterprises Ltd (<i>Note 4</i>)	Interest of controlled corporations	803,622,000	8.98
IGM Financial Inc. (<i>Note 4</i>)	Interest of controlled corporations	803,622,000	8.98

Name of shareholder	Capacity	Number of Shares/ underlying Shares held	Approximate % of shareholding
Nordex Inc. (Note 4)	Interest of controlled corporations	803,622,000	8.98
Plessis-Belair Michel (as trustee of the Desmarais Family Residuary Trust) (Note 4)	Trustee	803,622,000	8.98
Power Corporation of Canada (Note 4)	Interest of controlled corporations	803,622,000	8.98
Power Financial Corporation (Note 4)	Interest of controlled corporations	803,622,000	8.98

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 803,622,000 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 58.63%) which was in turn an indirect non-wholly owned subsidiary of Power Corporation of Canada (held as to 65.78%). Power Corporation of Canada was 53.61% owned by Gelco Enterprises Ltd, a 94.95% subsidiary of Nordex Inc. Desmarais Paul G. was the holder of 68% interest in Nordex Inc. and he passed away on 8th October, 2013. Desmarais Jr. Paul, Desmarais Andre, Desmarais Jacqueline, Fortin Guy and Plessis-Belair Michel (all as trustees of the Desmarais Family Residuary Trust) became the holders of 68% of the interest in Nordex Inc.

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, 2014 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, by Deloitte Touche Tohmatsu, whose independent review report is included on page 21 of this interim report. The interim results and the interim report 2014 have also been reviewed by the Group’s Audit Committee.

CORPORATE GOVERNANCE

(a) Compliance with the Corporate Governance Code

During the period ended 30th June, 2014, the Company has complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited with the exception of the following deviations:

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

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

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

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

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

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

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

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

(b) Compliance with the Model Code

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

By Order of the Board

William CHENG Kai Man
Chairman

Hong Kong, 14th August, 2014

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Magnificent Estates Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 22 to 44, which comprise the condensed consolidated statement of financial position as of 30th June, 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
14th August, 2014

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

FOR THE SIX MONTHS ENDED 30TH JUNE, 2014

		Six months ended 30th June,	
		2014	2013
	NOTES	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	322,043	322,994
Cost of sales		(2,117)	(2,052)
Other service costs		(117,644)	(111,966)
Depreciation of property, plant and equipment and release of prepaid lease payments for land		<u>(31,237)</u>	<u>(32,748)</u>
Gross profit		171,045	176,228
Increase in fair value of investment properties	11	1,900	207,600
Other income and gains		12,708	9,379
Gain on disposal of subsidiaries	20	620,478	–
Administrative expenses			
– Depreciation		(1,533)	(1,535)
– Others		(12,864)	(11,931)
		(14,397)	(13,466)
Other expenses		(6,840)	(6,869)
Finance costs	5	<u>(5,680)</u>	<u>(11,686)</u>
Profit before taxation		779,214	361,186
Income tax expense	6	<u>(29,485)</u>	<u>(22,554)</u>
Profit for the period	7	<u>749,729</u>	<u>338,632</u>
Other comprehensive income (expense)			
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		(2,431)	1,055
Fair value gain (loss) on available-for-sale investments		<u>9,676</u>	<u>(3,922)</u>
Other comprehensive income (expense) for the period		<u>7,245</u>	<u>(2,867)</u>
Total comprehensive income for the period		<u><u>756,974</u></u>	<u><u>335,765</u></u>

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

FOR THE SIX MONTHS ENDED 30TH JUNE, 2014

		Six months ended 30th June,	
	NOTE	2014 <i>HK\$'000</i> (Unaudited)	2013 <i>HK\$'000</i> (Unaudited)
Profit for the period attributable to:			
Owners of the Company		748,171	338,136
Non-controlling interests		<u>1,558</u>	<u>496</u>
		<u>749,729</u>	<u>338,632</u>
Total comprehensive income attributable to:			
Owners of the Company		755,416	335,269
Non-controlling interests		<u>1,558</u>	<u>496</u>
		<u>756,974</u>	<u>335,765</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
Basic	9	<u>8.36</u>	<u>3.78</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2014

		As at 30th June, 2014 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2013 <i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	2,350,295	2,381,561
Prepaid lease payments for land		33,775	35,014
Investment properties	11	3,066,000	3,064,000
Properties under development	10	327,495	263,276
Available-for-sale investments	12	232,491	217,186
		<u>6,010,056</u>	<u>5,961,037</u>
CURRENT ASSETS			
Inventories		859	826
Prepaid lease payments for land		898	922
Trade and other receivables	13	13,458	23,855
Other deposits and prepayments		7,733	12,124
Bank balances and cash		1,131,908	314,280
		<u>1,154,856</u>	352,007
Assets classified as held for sale	20	–	290,560
		<u>1,154,856</u>	<u>642,567</u>
CURRENT LIABILITIES			
Trade and other payables and accruals	14	72,848	31,177
Rental and other deposits received		8,625	18,804
Advance from immediate holding company	17(a)	104,984	76,557
Advance from an intermediate holding company	17(b)	5,370	5,973
Advance from ultimate holding company	17(c)	414	405
Advance from a fellow subsidiary		–	4,745
Tax liabilities		36,149	18,525
Bank loans	15	650,449	676,325
		<u>878,839</u>	832,511
Liabilities associated with assets classified as held for sale	20	–	202,030
		<u>878,839</u>	<u>1,034,541</u>
NET CURRENT ASSETS (LIABILITIES)		<u>276,017</u>	<u>(391,974)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,286,073</u>	<u>5,569,063</u>

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

AT 30TH JUNE, 2014

		As at 30th June, 2014	As at 31st December, 2013
	NOTE	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
CAPITAL AND RESERVES			
Share capital	16	841,926	89,471
Reserves		<u>5,152,479</u>	<u>5,200,964</u>
Equity attributable to owners of the Company		5,994,405	5,290,435
Non-controlling interests		<u>146,097</u>	<u>144,539</u>
		<u>6,140,502</u>	<u>5,434,974</u>
NON-CURRENT LIABILITIES			
Rental deposits received		30,575	25,762
Deferred tax liabilities		<u>114,996</u>	<u>108,327</u>
		<u>145,571</u>	<u>134,089</u>
		<u>6,286,073</u>	<u>5,569,063</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH JUNE, 2014

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Special capital reserve HK\$'000 (Note a)	Property revaluation reserve HK\$'000 (Note b)	Securities revaluation reserve HK\$'000	Foreign currency translation reserve HK\$'000	Other reserve HK\$'000 (Note c)	Retained profits HK\$'000	Sub-total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 1st January, 2013 (audited)	89,471	752,455	612,477	179	114,355	21,311	-	3,103,119	4,693,367	-	4,693,367
Profit for the period	-	-	-	-	-	-	-	338,136	338,136	496	338,632
Exchange differences arising on translation of foreign operations	-	-	-	-	-	1,055	-	-	1,055	-	1,055
Fair value loss on available-for-sale investments	-	-	-	-	(3,922)	-	-	-	(3,922)	-	(3,922)
Total comprehensive (expense) income for the period	-	-	-	-	(3,922)	1,055	-	338,136	335,269	496	335,765
Final dividend payable for year ended 31st December, 2012 (note 8)	-	-	-	-	-	-	-	(44,735)	(44,735)	-	(44,735)
Disposal of partial interest in a subsidiary	-	-	-	-	-	-	3,561	-	3,561	141,178	144,739
At 30th June, 2013 (unaudited)	<u>89,471</u>	<u>752,455</u>	<u>612,477</u>	<u>179</u>	<u>110,433</u>	<u>22,366</u>	<u>3,561</u>	<u>3,396,520</u>	<u>4,987,462</u>	<u>141,674</u>	<u>5,129,136</u>
At 1st January, 2014 (audited)	<u>89,471</u>	<u>752,455</u>	<u>612,477</u>	<u>179</u>	<u>145,678</u>	<u>23,354</u>	<u>3,561</u>	<u>3,663,260</u>	<u>5,290,435</u>	<u>144,539</u>	<u>5,434,974</u>
Profit for the period	-	-	-	-	-	-	-	748,171	748,171	1,558	749,729
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(2,431)	-	-	(2,431)	-	(2,431)
Fair value gain on available-for-sale investments	-	-	-	-	9,676	-	-	-	9,676	-	9,676
Total comprehensive income (expense) for the period	-	-	-	-	9,676	(2,431)	-	748,171	755,416	1,558	756,974
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance (Note d)	752,455	(752,455)	-	-	-	-	-	-	-	-	-
Final dividend payable for year ended 31st December, 2013 (note 8)	-	-	-	-	-	-	-	(51,446)	(51,446)	-	(51,446)
At 30th June, 2014 (unaudited)	<u>841,926</u>	<u>-</u>	<u>612,477</u>	<u>179</u>	<u>155,354</u>	<u>20,923</u>	<u>3,561</u>	<u>4,359,985</u>	<u>5,994,405</u>	<u>146,097</u>	<u>6,140,502</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Continued)
FOR THE SIX MONTHS ENDED 30TH JUNE, 2014

Notes:

- (a) The special capital reserve represents the difference arising from the reduction of the nominal value of the Company's shares in 1999.
- (b) The property revaluation reserve is frozen upon the transfer of properties from property, plant and equipment to investment properties and will be transferred to retained profits when the relevant properties are disposed of.
- (c) The other reserve represents the difference between the sales proceed from the disposal of partial interest in a subsidiary and the reduction of interest in the carrying amounts of assets and liabilities of the subsidiary.
- (d) The Company has no authorised share capital and its shares have no par value from the commencement date of the new Hong Kong Companies Ordinance (i.e. 3rd March, 2014).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2014

		Six months ended 30th June,	
	<i>NOTE</i>	2014	2013
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Net cash from operating activities		<u>198,751</u>	<u>217,648</u>
Net cash from (used in) investing activities:			
Expenditure on properties under development		(44,436)	(29,161)
Purchase of available-for-sale investments		(5,629)	–
Acquisition of property, plant and equipment		(2,465)	(2,238)
Expenditure on investment properties		(100)	–
Proceed from disposal of subsidiaries, net of cash and cash equivalents	20	712,542	–
Proceeds from disposal of property, plant and equipment		<u>–</u>	<u>1,057</u>
		<u>659,912</u>	<u>(30,342)</u>
Net cash used in financing activities:			
Interest paid		(5,344)	(10,717)
Repayment of bank loans		(25,876)	(12,984)
Repayment to a fellow subsidiary (Repayment to) advance from an intermediate holding company		(4,745)	–
(Repayment to) advance from immediate holding company		(746)	6,717
Repayment to ultimate holding company		(9,434)	32,562
		<u>–</u>	<u>(51,360)</u>
		<u>(46,145)</u>	<u>(35,782)</u>
Net increase in cash and cash equivalents		812,518	151,524
Cash and cash equivalents at the beginning of the period		<u>319,390</u>	<u>179,759</u>
Cash and cash equivalents at the end of the period, represented by bank balances and cash		<u><u>1,131,908</u></u>	<u><u>331,283</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2014

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2013.

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

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

3. REVENUE

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

	Six months ended 30th June,	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Income from operation of hotels	264,322	271,308
Income from property rental	<u>57,721</u>	<u>51,686</u>
	<u>322,043</u>	<u>322,994</u>

4. SEGMENT INFORMATION

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

1. Hospitality services – Ramada Hotel Kowloon
2. Hospitality services – Ramada Hong Kong Hotel
3. Hospitality services – Best Western Hotel Taipa, Macau (Note a)
4. Hospitality services – Magnificent International Hotel, Shanghai
5. Hospitality services – Best Western Hotel Causeway Bay
6. Hospitality services – Best Western Hotel Harbour View
7. Hospitality services – Best Western Grand Hotel
8. Property investment – 633 King's Road
9. Property investment – Shun Ho Tower
10. Property investment – Shops
11. Securities investment and trading
12. Property development for hotel – 338 Queen's Road West

Note:

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

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,	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hospitality services	264,322	271,308	113,650	124,773
– Ramada Hotel Kowloon	37,658	36,764	17,436	16,496
– Ramada Hong Kong Hotel	45,906	45,337	22,072	23,333
– Best Western Hotel Taipa, Macau	14,258	29,731	7,038	14,925
– Magnificent International Hotel, Shanghai	9,715	8,429	879	178
– Best Western Hotel Causeway Bay	40,543	38,722	16,848	16,132
– Best Western Hotel Harbour View	52,888	52,635	25,482	28,971
– Best Western Grand Hotel	63,354	59,690	23,895	24,738
Property investment	57,721	51,686	59,295	259,055
– 633 King's Road	42,715	35,882	52,508	195,724
– Shun Ho Tower	10,032	9,701	9,813	9,629
– Shops	4,974	6,103	(3,026)	53,702
Securities investment and trading	–	–	–	–
Property development for hotel – 338 Queen's Road West	–	–	–	–
	<u>322,043</u>	<u>322,994</u>	<u>172,945</u>	<u>383,828</u>
Other income and gains			12,708	9,379
Gain on disposal of subsidiaries			620,478	–
Central administration costs and directors' emoluments			(14,397)	(13,466)
Other expenses			(6,840)	(6,869)
Finance costs			(5,680)	(11,686)
Profit before taxation			<u>779,214</u>	<u>361,186</u>

4. SEGMENT INFORMATION (Continued)

Segment profit/loss represents the profit earned/loss incurred by each segment without allocation of central administration costs, directors' emoluments, gain on disposal of subsidiaries, other income and gains, other expenses and finance costs. This is the measure reported to the chief operating decision maker, Chairman of the Company, for the purposes of resources allocation and performance assessment.

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

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

	As at 30th June, 2014 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2013 <i>HK\$'000</i> (Audited)
Segment assets		
Hospitality services	2,330,237	2,501,969
– Ramada Hotel Kowloon	147,280	151,994
– Ramada Hong Kong Hotel	333,871	338,837
– Best Western Hotel Taipa, Macau	–	125,451
– Magnificent International Hotel, Shanghai	89,569	93,024
– Best Western Hotel Causeway Bay	376,552	384,516
– Best Western Hotel Harbour View	529,775	536,235
– Best Western Grand Hotel	853,190	871,912
Property investment	3,068,668	3,225,372
– 633 King's Road	2,172,459	2,160,974
– Shun Ho Tower	536,209	536,398
– Shops	360,000	528,000
Securities investment and trading	232,491	217,186
Property development for hotel		
– 338 Queen's Road West	327,882	263,348
	5,959,278	6,207,875
Unallocated assets	1,205,634	395,729
	7,164,912	6,603,604

4. SEGMENT INFORMATION (Continued)

	As at 30th June, 2014 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2013 <i>HK\$'000</i> (Audited)
Segment liabilities		
Hospitality services	28,625	35,092
– Ramada Hotel Kowloon	3,640	4,071
– Ramada Hong Kong Hotel	3,468	3,174
– Best Western Hotel Taipa, Macau	–	5,309
– Magnificent International Hotel, Shanghai	1,543	948
– Best Western Hotel Causeway Bay	2,463	2,135
– Best Western Hotel Harbour View	7,474	5,745
– Best Western Grand Hotel	10,037	13,710
Property investment	38,718	38,186
– 633 King's Road	28,886	27,632
– Shun Ho Tower	6,217	5,898
– Shops	3,615	4,656
Securities investment and trading	2	2
Property development for hotel		
– 338 Queen's Road West	22,934	739
	90,279	74,019
Unallocated liabilities	934,131	1,094,611
	1,024,410	1,168,630

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

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

5. FINANCE COSTS

	Six months ended 30th June,	
	2014 <i>HK\$'000</i> (Unaudited)	2013 <i>HK\$'000</i> (Unaudited)
Interests on:		
Bank loans wholly repayable within five years	5,344	10,717
Advance from immediate holding company wholly repayable within five years (<i>note 17(a)</i>)	1,288	2,011
Advance from an intermediate holding company wholly repayable within five years (<i>note 17(b)</i>)	143	61
Advance from ultimate holding company wholly repayable within five years (<i>note 17(c)</i>)	9	685
	<u>6,784</u>	<u>13,474</u>
Less: amounts capitalised in properties under development	<u>(1,104)</u>	<u>(1,788)</u>
	<u><u>5,680</u></u>	<u><u>11,686</u></u>

6. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2014 <i>HK\$'000</i> (Unaudited)	2013 <i>HK\$'000</i> (Unaudited)
The taxation charge comprises:		
Current tax		
Hong Kong	22,070	19,435
The People's Republic of China ("PRC")	126	–
Other jurisdiction	715	1,519
	<u>22,911</u>	<u>20,954</u>
Overprovision in prior years		
Hong Kong	–	(3,160)
Deferred tax		
Current period	6,574	4,760
	<u><u>29,485</u></u>	<u><u>22,554</u></u>

6. INCOME TAX EXPENSE (Continued)

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The annual tax rate used is 16.5% for the six months ended 30th June, 2014 (six months ended 30th June, 2013: 16.5%).

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

Deferred tax liabilities on the temporary differences attributable to the undistributed retained profits earned by the Group's PRC subsidiary amounted to HK\$38,000 (six months ended 30th June, 2013: Nil) were charged to profit or loss for the six months ended 30th June, 2014.

7. PROFIT FOR THE PERIOD

	Six months ended 30th June,	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Release of prepaid lease payments for land	449	800
Depreciation of property, plant and equipment	32,321	33,483
Interest on bank deposits (included in other income and gains)	(5,153)	(619)
Loss (gain) on disposal of property, plant and equipment	<u>23</u>	<u>(1,050)</u>

8. DIVIDEND

During the six months ended 30th June, 2014, a final dividend of HK0.575 cent per share amounting to HK\$51,446,000 was declared and payable to shareholders for the year ended 31st December, 2013 (six months ended 30th June, 2013: a final dividend of HK0.5 cent per share amounting to HK\$44,735,000 was paid to shareholders for the year ended 31st December, 2012).

The interim dividend in respect of the six months ended 30th June, 2014 of HK0.2 cent per share amounting to HK\$17,894,000 has been declared by the Board (six months ended 30th June, 2013: HK0.2 cent per share amounting to HK\$17,894,000).

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the period attributable to the owners of the Company of HK\$748,171,000 (six months ended 30th June, 2013: HK\$338,136,000) and on 8,947,051,000 shares (six months ended 30th June, 2013: 8,947,051,000 shares) in issue during the period.

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

10. PROPERTY, PLANT AND EQUIPMENT/PROPERTIES UNDER DEVELOPMENT

During the six months ended 30th June, 2014, the Group has acquired furniture, fixtures and equipment of HK\$2,465,000 (six months ended 30th June, 2013: HK\$2,238,000) and incurred HK\$63,115,000 (six months ended 30th June, 2013: HK\$6,720,000) on construction costs of new hotel premises. The Group has disposed of property, plant and equipment with carrying amount of HK\$23,000 (six months ended 30th June, 2013: HK\$7,000) during the period.

11. INVESTMENT PROPERTIES

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

The fair value of the Group's investment properties at 31st December, 2013 had been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited and Dudley Surveyors Limited, independent qualified professional valuers not connected with the Group. The valuation reports on these properties were signed by directors of DTZ Debenham Tie Leung Limited and Dudley Surveyors Limited who are members of The Hong Kong Institute of Surveyors, and were arrived at by adopting the income capitalisation method and/or by making reference to comparable sales transactions as available in the market to assess the market value of the investment properties.

The investment properties of the Group with an aggregate carrying amount of approximately HK\$3,066 million (2013: HK\$3,064 million) were rented out under operating leases at the end of the reporting period. The resulting gain on fair value changes of investment properties of HK\$1,900,000 has been recognised directly in profit or loss for the six months ended 30th June, 2014 (six months ended 30th June, 2013: HK\$207,600,000).

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

12. AVAILABLE-FOR-SALE INVESTMENTS

	As at 30th June, 2014 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2013 <i>HK\$'000</i> (Audited)
Listed equity securities in Hong Kong at fair value	231,711	216,406
Unlisted equity investments, at cost	<u>780</u>	<u>780</u>
	<u>232,491</u>	<u>217,186</u>

13. TRADE AND OTHER RECEIVABLES

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

	As at 30th June, 2014 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2013 <i>HK\$'000</i> (Audited)
Not yet due	8,695	20,210
Overdue:		
0 – 30 days	754	2,338
31 – 60 days	87	164
61 – 90 days	<u>–</u>	<u>13</u>
	<u>9,536</u>	<u>22,725</u>
Analysed for reporting as:		
Trade receivables	9,536	22,725
Other receivables	<u>3,922</u>	<u>1,130</u>
	<u>13,458</u>	<u>23,855</u>

14. TRADE AND OTHER PAYABLES AND ACCRUALS

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

	As at 30th June, 2014 HK\$'000 (Unaudited)	As at 31st December, 2013 HK\$'000 (Audited)
0 – 30 days	2,931	2,349
31 – 60 days	173	190
61 – 90 days	19	54
	<u>3,123</u>	<u>2,593</u>
Analysed for reporting as:		
Trade payables	3,123	2,593
Other payables and accruals (<i>Note</i>)	<u>69,725</u>	<u>28,584</u>
	<u>72,848</u>	<u>31,177</u>

Note: Other payables and accruals include construction costs payable of HK\$25,872,000 (31st December, 2013: HK\$7,193,000).

15. BANK LOANS

	As at 30th June, 2014 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2013 <i>HK\$'000</i> (Audited)
Secured bank loans	<u>650,449</u>	<u>676,325</u>
Carrying amounts of bank loans that contain a repayment on demand clause:		
Repayable within one year from the end of the reporting period	287,432	284,592
Not repayable within one year from the end of the reporting period shown under current liabilities	<u>363,017</u>	<u>391,733</u>
Amounts shown under current liabilities	<u>650,449</u>	<u>676,325</u>

All the Group's bank loans are floating rate borrowings, which carry interests at Hong Kong Interbank Offered Rate ("HIBOR") plus a margin of approximately 1.5% per annum for the six months ended 30th June, 2014 (year ended 31st December, 2013: HIBOR plus a margin of approximately 2% per annum). The bank loans are secured over certain of the Group's properties. Interest rates on the Group's bank loans are repriced according to the HIBOR monthly. Effective interest rate is 1.7% per annum (year ended 31st December, 2013: 2.1% per annum).

16. SHARE CAPITAL

	Number of shares '000	HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1st January, 2013 (audited) and 31st December, 2013 (audited)	<u>80,000,000</u>	<u>800,000</u>
At 30th June, 2014	<u>N/A (Note)</u>	<u>N/A (Note)</u>
Issued and fully paid:		
At 1st January, 2013 (audited) and 31st December, 2013 (audited)	8,947,051	89,471
Transfer from share premium upon abolition of par value	<u>–</u>	<u>752,455</u>
At 30th June, 2014	<u>8,947,051</u>	<u>841,926</u>

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

17. RELATED PARTY TRANSACTIONS

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

	Six months ended 30th June,	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
THE GROUP		
Shun Ho Technology Holdings Limited (the Company's immediate holding company) and its subsidiaries*		
Rental expenses	520	520
Interest expenses on advance to the Group (<i>Note a</i>)	1,288	2,011
Corporate management fee income for administrative facilities provided	1,490	1,504
Sales proceeds from a disposal of partial interest in a subsidiary (<i>Note e</i>)	–	113,077
Dividend	36,534	31,803
Shun Ho Resources Holdings Limited (the Company's intermediate holding company) and its subsidiaries*		
Corporate management fee income for administrative facilities provided	50	50
Interest expenses on advance to the Group (<i>Note b</i>)	143	61
Sales proceeds from a disposal of partial interest in a subsidiary (<i>Note e</i>)	–	31,662
Trillion Resources Limited (the Company's ultimate holding company)		
Interest expenses on advance to the Group (<i>Note c</i>)	9	685
Compensation of key management personnel (<i>Note d</i>)	<u>4,421</u>	<u>4,675</u>

* exclude the Company and its subsidiaries

17. RELATED PARTY TRANSACTIONS *(Continued)*

Notes:

- (a) The advance amounted to HK\$19,178,000 (31st December, 2013: HK\$21,334,000) carries fixed interest at 5% (31st December, 2013: 5%) per annum and repayable on demand. The advance amounted to HK\$49,295,000 (31st December, 2013: HK\$12,721,000) is interest-free and repayable on 18th July, 2014. The remaining advance from the immediate holding company carries interest at HIBOR plus 4% (31st December, 2013: HIBOR plus 4%) per annum and repayable on demand. The advance from immediate holding company is unsecured.
- (b) The advance from an intermediate holding company is unsecured, carries fixed interest at 5% (31st December, 2013: 5%) per annum and repayable on demand.
- (c) The advance from ultimate holding company is unsecured, carries interest at HIBOR plus 4% (31st December, 2013: HIBOR plus 4%) per annum and is repayable on demand.
- (d) The compensation of key management personnel comprised short-term and post employment benefits attributable to such personnel.
- (e) During the six months ended 30th June, 2013, the Group disposed of 25% and 7% equity interest of its wholly-owned subsidiary to its immediate holding company and intermediate holding company respectively.

18. PROJECT COMMITMENTS

At 30th June, 2014, 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\$67,072,000 (31st December, 2013: HK\$114,535,000).

19. PLEDGE OF ASSETS

At 30th June, 2014, the bank loan facilities of the Group were secured by the following:

- (a) investment properties, properties under development and property, plant and equipment of the Group with carrying amounts of approximately HK\$2,280 million (31st December, 2013: HK\$2,272 million), HK\$327 million (31st December, 2013: HK\$263 million) and HK\$2,047 million (31st December, 2013: HK\$2,070 million), respectively;
- (b) pledge of shares in and subordination of loans due from certain subsidiaries with an aggregate carrying amount of approximately HK\$1,250 million (31st December, 2013: HK\$1,294 million); and
- (c) assignment of the Group's rentals and hotel revenue respectively.

20. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE/DISPOSAL OF SUBSIDIARIES

On 20th December, 2013, the Group entered into an agreement with an independent third party for the disposal of entire equity interest in Himson Enterprises Limited (“Himson”) and Longham Investment Limited (“Longham”), the wholly owned subsidiaries incorporated in the British Virgin Islands, together with shareholder’s loans of Himson and Longham due to the Group for an aggregate consideration of HK\$900,000,000 (the “Disposal”). Himson and Longham hold 70% and 30% interests in Grand-Invest & Development Company Limited, a company incorporated in Macau respectively and its principal activities are property investment and operation of Best Western Hotel Taipa, Macau. The Group received HK\$180,000,000 as deposit and included in liabilities associated with assets classified as held for sale as at 31st December, 2013.

The financial information of Himson and Longham had been classified as held for sale as at 31st December, 2013.

The Disposal was completed on 20th March, 2014. The net assets of the subsidiaries at the date of disposal were as follows:

	<i>HK\$’000</i>
Property, plant and equipment	95,529
Prepaid lease payments for land	24,846
Investment properties	160,000
Trade and other receivables	296
Other deposits and prepayments	205
Bank balances and cash	748
Rental and other deposits received	(1,615)
Deferred tax liabilities	(12,197)
	<hr/>
Net assets disposed of	<u><u>267,812</u></u>

Gain on disposal of subsidiaries

	<i>HK\$’000</i>
Cash consideration	900,000
Net assets disposed of	(267,812)
Legal and professional fees directly attributable to the Disposal	(11,710)
	<hr/>
Gain on disposal	<u><u>620,478</u></u>

20. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE/DISPOSAL OF SUBSIDIARIES
(Continued)

Net cash inflow arising on disposal

	<i>HK\$'000</i>
Cash consideration	900,000
Deposits received during the year ended 31st December, 2013	(180,000)
Legal and professional fees paid during the six months ended 30th June, 2014	(6,710)
Bank balances and cash disposed of	(748)
	712,542

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

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

	Fair value as at		Valuation
Financial asset	30th June, 2014	31st December, 2013	Fair value hierarchy technique(s) and key input(s)
Listed equity securities classified as available-for-sale investments	HK\$231,711,000	HK\$216,406,000	Level 1 Quoted bid prices in an active market

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