

**MAGNIFICENT HOTEL  
INVESTMENTS LIMITED**  
( 華大酒店投資有限公司 )  
(Stock Code: 201)



INTERIM REPORT 2016



# MAGNIFICENT HOTEL INVESTMENTS LIMITED

(Stock Code: 201)

**2016 Interim Results**  
**Net profit after tax**  
**before revaluation and depreciation:**  
**HK\$60 million**  
**DTZ Valuations: HK\$9,653 million**



206 guest-room  
Best Western Plus Hotel  
Kowloon



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



318 guest-room  
Best Western Plus Hotel  
Hong Kong



396 guest-room  
Best Western Grand Hotel  
Tsimshatsui



258 guest-room  
Best Western Hotel  
Causeway Bay



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



408 guest-room  
Royal Scot Hotel  
London



213 guest-room  
Magnificent International Hotel  
Shanghai

## **CORPORATE INFORMATION**

### **Executive Directors**

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

### **Non-Executive Director**

Madam Mabel Lui Fung Mei Yee

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

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

### **Company Secretary**

Mr. Huen Po Wah

### **Auditor**

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

### **Solicitors**

CFN Lawyers  
27th Floor, Neich Tower  
128 Gloucester Road  
Wan Chai  
Hong Kong

### **Principal Bankers**

The Hongkong and Shanghai Banking  
Corporation Limited  
Chong Hing Bank Limited

### **Registered Office**

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

### **Share Registrars**

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

### **Company's Website**

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

## INTERIM RESULTS

The board of directors (the “Board”) of Magnificent Hotel Investments Limited (the “Company”) announces that the net profit after tax attributable to owners of the Company before revaluation gain of investment properties and depreciation of property, plant and equipment and release of prepaid lease payments for land for the six months ended 30th June, 2016 was HK\$60.5 million (six months ended 30th June, 2015: HK\$118.1 million).

## INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK0.077 cent per share for the six months ended 30th June, 2016 (six months ended 30th June, 2015: HK0.2 cent per share) payable on Tuesday, 18th July, 2017 to shareholders whose names appear on the register of members of the Company on Wednesday, 5th July, 2017. The dividend payout ratio is 30%.

## BOOK CLOSURE

The register of members will be closed from Thursday, 29th June, 2017 to Wednesday, 5th July, 2017, 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. on Wednesday, 28th June, 2017.

## MANAGEMENT DISCUSSION AND ANALYSIS

The **net profit after tax** attributable to owners of the Company before revaluation gain of investment properties and depreciation of property, plant and equipment and release of prepaid lease payments for land for the six months ended 30th June, 2016 was HK\$60.5 million (six months ended 30th June, 2015: HK\$118.1 million), decreased by 49%. (*See Note a below*)

During the period under review, the Group continued with its hotel investments and operation.

From 17th July, 2015, the Company completed the reorganisation proposal to focus on hotel investment and development business thereafter and the disposal of commercial investment properties business, namely 633 King’s Road and Shun Ho Tower. Therefore, the properties rental income decreased by 96%.

Grand City Hotel in Hong Kong commenced business in August 2015 and contributed hotel income to the Group. During the period, the hotel income of Grand City Hotel was HK\$19,272,000. At the same time, the operating cost and the depreciation were HK\$13 million and HK\$2.9 million respectively.

	<b>Six months ended</b>		Change
	30.6.2015 <i>HK\$'000</i> (unaudited)	<b>30.6.2016</b> <i>HK\$'000</i> (unaudited)	
Profit from operation of hotels	52,334	<b>33,565</b>	-36%
Properties rental income	59,169	<b>2,313</b>	-96%
Income from securities investments	236	<b>6,892</b>	+2,820%
Other income	<u>8,086</u>	<u><b>871</b></u>	-89%
	119,825	<b>43,641</b>	-64%
Administrative and other expenses	(13,684)	<b>(14,980)</b>	+9%
Income tax expense	<u>(19,496)</u>	<u><b>(5,630)</b></u>	-71%
Profit after taxation	86,645	<b>23,031</b>	-73%
Non-controlling interests	<u>(1,687)</u>	<u><b>-</b></u>	-100%
Profit after taxation and non-controlling interests	84,958	<b>23,031</b>	-73%
Add: Properties depreciation and release of prepaid lease payments for land	<u>33,149</u>	<u><b>37,461</b></u>	+13%
Net profit after tax before properties depreciation and release of prepaid lease payment for land	118,107	<b>60,492</b>	-49%

(Note a)

Overall net profit declined by of HK\$58 million and reasons for its reduction:

	<i>HK\$ million</i>
1) No rental income from commercial buildings	46
2) Decrease of hotel profit	<u>12</u>
	<u><u>58</u></u>

## PERFORMANCES

- For the six months ended 30th June, 2016, the **GROUP'S INCOME** was mostly derived from the income from operation of hotels, which was analysed as follows:

### Income

	Six months ended		Change	Reasoning
	30.6.2015 <i>HK\$'000</i> (unaudited)	30.6.2016 <i>HK\$'000</i> (unaudited)		
Income from operation of hotels	203,054	<b>198,557</b>	-2%	Due to continued decline of overnight PRC visitors and their spending power
Properties rental income	61,801	<b>2,313</b>	-96%	Due to Group reorganisation
Dividend income	236	<b>6,892</b>	+2,820%	From high yield stock investment
Other income	16,767	<b>871</b>	-95%	No more property management fee income from disposed rental properties
	_____	_____		
Total	<u>281,858</u>	<u><b>208,633</b></u>	-26%	

The total income for the Group decreased by 26% from HK\$282 million to HK\$209 million for the same period compared with last year.

The income from operation of hotels slightly decreased by 2% to HK\$199 million (six months ended 30th June, 2015: HK\$203 million).

	Best Western Plus Hotel Hong Kong		Best Western Plus Hotel Kowloon		Best Western Grand Hotel		Best Western Hotel Harbour View		Best Western Hotel Causeway Bay		Grand City Hotel		Magnificent International Hotel, Shanghai		Change
	Avg Room	Avg Room	Avg Room	Avg Room	Avg Room	Avg Room	Avg Room	Avg Room	Avg Room	Avg Room	Avg Room	Avg Room	Avg Room	Avg Room	
	Occupancy	Rate	Occupancy	Rate	Occupancy	Rate	Occupancy	Rate	Occupancy	Rate	Occupancy	Rate	Occupancy	Rate	
	%	HK\$	%	HK\$	%	HK\$	%	HK\$	%	HK\$	%	HK\$	%	HK\$	
<b>2016</b>															
Jan	99	633	99	800	99	717	99	539	99	633	99	548	74	305	
Feb	99	554	99	652	99	613	100	509	99	537	99	513	58	334	
Mar	99	494	99	617	99	561	100	417	99	527	99	453	90	365	
Apr	99	615	100	754	99	676	100	510	99	676	99	567	90	404	
May	99	466	99	534	100	505	99	381	99	428	99	411	83	357	
Jun	99	486	100	553	99	502	100	394	99	451	100	425	88	348	
<b>Total</b>	<b>HK\$32,924,000</b>		<b>HK\$25,600,000</b>		<b>HK\$46,080,000</b>		<b>HK\$38,148,000</b>		<b>HK\$26,155,000</b>		<b>HK\$19,272,000</b>		<b>HK\$10,378,000</b>		
Jan to Jun 2015 Total	HK\$38,434,000		HK\$28,955,000		HK\$49,354,000		HK\$44,971,000		HK\$31,048,000		N/A		HK\$10,292,000		
Change	-14%		-12%		-7%		-15%		-16%		N/A		+1%		-2%
Jan to Jun 2016 EBITDA Margin (Based on Revenue)	32%		33%		49%		37%		33%		32%		30%		

The Best Western Plus Hotel Kowloon is undergoing renovation to add approximately 40 hotel rooms and is expected to be completed in 2017.

For the period under review, the hotel industry has suffered noticeable decline of overnight PRC visitors and their spending power. According to Hong Kong Tourism Board, total overnight visitors declined by 2.1% (six months ended 30th June, 2015: declined by 3.8%) (12,427,158 visitors) during January to June 2016, the visitors segments were analysed as follows:

	No. of Visitors	%
Mainland China	8,004,698	-6.7
Other Asia markets	2,597,301	+10.9
Long haul markets	1,527,077	+3.4
New markets	298,082	-0.5

## COSTS

- **SERVICE COST** of the Group for the period was HK\$124 million (six months ended 30th June, 2015: HK\$112 million) representing hotel operations. Its HK\$12 million increase was due to the HK\$13 million service cost of the newly operated Grand City Hotel and **cost reduction from other Group hotels**.

Name of Hotel	Six months ended		Change
	30.6.2015 <i>HK\$ million per month</i>	30.6.2016 <i>HK\$ million per month</i>	
Best Western Plus Hotel Kowloon	2.88	<b>2.99</b>	+4 %
Best Western Plus Hotel Hong Kong	3.89	<b>3.86</b>	-1%
Best Western Grand Hotel	4.00	<b>3.92</b>	-2%
Best Western Hotel Harbour View	4.05	<b>3.99</b>	-1%
Best Western Hotel Causeway Bay	2.95	<b>2.93</b>	-1%
Grand City Hotel	N/A	<b>2.18</b>	N/A
Magnificent International Hotel, Shanghai	1.23	<b>1.22</b>	-1%

Cost of sale of HK\$2 million (six months ended 30th June, 2015: HK\$2 million) was from cost of food and beverage.

During the period, the **ADMINISTRATIVE EXPENSES** excluding depreciation was HK\$12.1 million (six months ended 30th June, 2015: HK\$12.4 million), **representing cost reduction** for corporate management office including directors' fees, salaries for executive staff and employees, rental, marketing expenses and office expenses.

The accounting standards require hotel properties of the Group to provide **DEPRECIATION** which amounted to HK\$34.6 million (six months ended 30th June, 2015: HK\$31.9 million) for the period. The increase was due to Grand City Hotel which was classified as property, plant and equipment after its commencement of business.



## DEPRECIATION OF HOTEL PROPERTIES

Name of Hotel	Six months ended		Change HK\$ million
	30.6.2015 HK\$ million	30.6.2016 HK\$ million	
Best Western Plus Hotel Kowloon	3.9	<b>4.0</b>	+0.1
Best Western Plus Hotel Hong Kong	1.8	<b>1.8</b>	–
Best Western Grand Hotel	15.1	<b>15.1</b>	–
Best Western Hotel Harbour View	3.5	<b>3.5</b>	–
Best Western Hotel Causeway Bay	6.1	<b>5.9</b>	-0.2
Grand City Hotel	N/A	<b>2.9</b>	+2.9
Magnificent International Hotel, Shanghai	<u>1.5</u>	<u>1.4</u>	-0.1
<b>Total amount for the period</b>	<u>31.9</u>	<u>34.6</u>	

## FUNDING

- As at 30th June, 2016, the **OVERALL DEBTS** of the Group were HK\$814 million (31st December, 2015: HK\$415 million), of which HK\$729 million (31st December, 2015: HK\$402 million) was bank borrowings and HK\$85 million (31st December, 2015: HK\$13 million) was advance from shareholders. The increase in overall debt was due to the deposits paid for the acquisition of Royal Scot Hotel in London in June 2016, the balance of which was financed by additional bank loan.

**The debt ratio was 8%** (31st December, 2015: 4%) in terms of overall debts of HK\$814 million (31st December, 2015: HK\$415 million) against the fully revalued assets of the Group amounted to HK\$9,653 million (31st December, 2015: HK\$9,864 million).

The gearing ratio was approximately 22% (31st December, 2015: 11%) in terms of overall debts of HK\$814 million (31st December, 2015: HK\$415 million) against funds employed of HK\$3,706 million (31st December, 2015: HK\$3,796 million).

The overall debts were analysed as follows:

	For the year	For the	Change	Interest Paid for the	
	ended	six months		six months ended	
	31.12.2015	30.06.2016		30.06.2015	30.06.2016
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Bank loans	402	<b>729</b>	+327	4.9	<b>3.8</b>
Shareholders' loans	13	<b>85</b>	+72	3.2	<b>0.1</b>
Overall debts	415	<b>814</b>	+399	8.1	<b>3.9</b>
Debt ratio (Based on Fully Revalued Assets)	4%	<b>8%</b>			

**FINANCE COST:** Of these loans, the bank loan interest expenses amounted to HK\$3.8 million (six months ended 30th June, 2015: HK\$4.9 million), the shareholders' loans interest expenses amounted to HK\$0.1 million (six months ended 30th June, 2015: HK\$3.2 million). The decrease of interest expense was due to decrease in the bank loans arose from commercial buildings after the group-reorganisation.

Out of these interests totally paid, no amount was capitalised during the period (six months ended 30th June, 2015: HK\$1.1 million) and HK\$3.9 million (six months ended 30th June, 2015: HK\$7.0 million) reflected in the expenses account.

**Cash flow of the Group**

	For the six months ended 30.06.2015 <i>HK\$ million</i>	For the six months ended <b>30.06.2016</b> <i>HK\$ million</i>
Gross income	282	<b>209</b>
Less:		
Operating expenses	(136)	<b>(139)</b>
Interests expenses	(5)	<b>(4)</b>
Various construction expenses	(19)	<b>(2)</b>
Acquisition of property, plant and equipment	(23)	<b>(8)</b>
Cash Inflow	99	<b>56</b>
Less:		
Acquisition of an investment property	–	<b>(798)</b>
Net (repayments) advances of bank loans	(29)	<b>328</b>
Cash inflow/(outflow)	70	<b>(414)</b>

The Group's bank borrowings carry interest at floating rates and are denominated in Hong Kong dollar and Pound Sterling, the exchange risk of the Group is minimal. During the period under review, the Group's staffing level did not have material change when compared with that of 31st December, 2015. Remuneration and benefit were set with reference to the market.

**LOOKING AHEAD**

The **corporate strategy** of Magnificent Hotel is to acquire hotel development opportunities in prime locations at low costs with potential to create substantial capital gain from redevelopment or extension.

During the period, the Group acquired the freehold property of Royal Scot Hotel situate at 100 King's Cross Road, London (the "Property") for the consideration of £70,300,000 (equivalent to approximately HK\$731,000,000). The current net income is £3,137,487 (equivalent to approximately HK\$32,629,865) per annum.

The Property comprises 408 rooms and is equipped with a restaurant and café and a car park providing approximately 40 car parking spaces. The internal area is approximately 133,532 sq.ft. The acquisition cost is equivalent to £172,300 (equivalent to approximately HK\$1,791,920) per room and £526 (equivalent to approximately HK\$5,470) per sq.ft. internal area. The management is confident that the total floor area of the Property can be further increased at a later stage through extensions and/or redevelopment.



Extension proposal: Three additional stories to become one of the largest freehold hotels in London with over 700 rooms.



The management believes the above acquisition of a substantial landmark stable London hotel at very prime location at a very low cost with sound recurring income plus substantial future extension and redevelopment potential ensuring capital gain potential.

Looking ahead, the local hotel industry will continue to suffer a decline of overnight PRC visitors, less spending power, increase of supply of new hotel rooms, competing room rate and occupancy.

The Company has successfully controlled costs by achieving reductions of hotel service costs and office administrations costs during the period.

The Group with 8 hotels has total assets value of approximately HK\$10 billion and will help the Group in a well position to take advantage of this adjusting market condition for future hotel investment/development opportunities.

Subsequent to 30th June, 2016, the Group disposed on-market an aggregate of 2,100,000 HSBC shares, representing the total amount of gain of HK\$8,870,000 (including the gain of HK\$564,000, dividend received of HK\$6,677,000 and dividend receivable of HK\$1,629,000). The reason to dispose the HSBC shares is to make ready cash resources available for future acquisition of more hotel properties in Hong Kong or London.

## 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, 2016, 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 Property Investments Limited ("Shun Ho Property") beneficially owned 2,709,650,873 shares of the Company (the "Shares") (30.29%) and was taken to be interested in 395,656,000 Shares (4.42%) held by Good Taylor Limited, 273,579,983 Shares (3.06%) held by South Point Investments Limited, 3,500,000 Shares (0.04%) held by Shun Ho Technology Developments Limited and 2,978,198,581 Shares (33.29%) held by Fastgrow Engineering & Construction Company Limited, representing a total of 6,360,585,437 Shares (71.09%). Mr. William Cheng Kai Man had controlling interest in the above-mentioned companies. All the above interests in the Shares are long position.

## Associated corporations

Name of director	Name of associated corporation	Capacity	Nature of interests	Number of shares held	Approximate % of shareholding
William Cheng Kai Man	Shun Ho Technology Holdings Limited (Now known as Shun Ho Property) ( <i>Note 1</i> )	Interest of controlled corporations	Corporate	359,543,999	62.02
William Cheng Kai Man	Shun Ho Resources Holdings Limited (Now known as Shun Ho Holdings Limited ("Shun Ho Holdings")) ( <i>Note 2</i> )	Interest of controlled corporations	Corporate	216,608,825	71.20
William Cheng Kai Man	Trillion Resources Limited ("Trillion Resources") ( <i>Note 3</i> )	Beneficial owner	Personal	1	100

### Notes:

1. Shun Ho Property, 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 Holdings, the Company's intermediate holding company, is a public limited company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange.
3. Trillion Resources, the Company's ultimate holding company, is a company incorporated in the British Virgin Islands.
4. All the above interests in the shares of the associated corporations are long position.

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

Save as disclosed above and save for shares in subsidiaries held by a director in trust for their immediate holding companies, as at 30th June, 2016, 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, 2016, the following persons (not being directors or chief executive of the Company) had interests in the Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Capacity	Number of Shares/ underlying Shares held	Approximate % of shareholding
Shun Ho Technology Holdings Limited (Now known as Shun Ho Property) ( <i>Note 1</i> )	Beneficial owner and interest of controlled corporations	6,360,663,987 (L)	71.09
Omnico Company Inc. (“Omnico”) ( <i>Note 2</i> )	Interest of controlled corporations	6,360,663,987 (L)	71.09
Shun Ho Resources Holdings Limited (Now known as Shun Ho Holdings) ( <i>Note 2</i> )	Interest of controlled corporations	6,360,663,987 (L)	71.09
Trillion Resources ( <i>Note 2</i> )	Interest of controlled corporations	6,360,663,987 (L)	71.09
Liza Lee Pui Ling ( <i>Note 3</i> )	Interest of Spouse	6,360,663,987 (L)	71.09
Fastgrow Engineering & Construction Company Limited	Beneficial owner	2,978,198,581 (L)	33.29
Shobokshi Hussam ( <i>Note 4</i> )	Beneficial owner and interest in person acting in concert	613,754,500 (L)	6.86
Saray Equities Investment Management ( <i>Note 4</i> )	Investment manager and interest in person acting in concert	613,754,500 (L)	6.86
Saray Developed Markets Value Fund ( <i>Note 4</i> )	Beneficial owner and interest in person acting in concert	613,754,500 (L)	6.86
North Salomon Limited ( <i>Note 4</i> )	Beneficial owner and interest in person acting in concert	613,754,500 (L)	6.86



<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of Shares/ underlying Shares held</b>	<b>Approximate % of shareholding</b>
Hashim Hashim Abdullah <i>(Note 4)</i>	Founder of a discretionary trust and interest in person acting in concert	613,754,500 (L)	6.86
Credit Suisse Trust Limited <i>(Note 4)</i>	Trustee and interest in person acting in concert	613,754,500 (L)	6.86
Desmarais Andre (as trustee of the Desmarais Family Residuary Trust) <i>(Note 5)</i>	Trustee	536,704,000 (L)	6.00
Desmarais Jacqueline (as trustee of the Desmarais Family Residuary Trust) <i>(Note 5)</i>	Trustee	536,704,000 (L)	6.00
Desmarais Jr. Paul (as trustee of the Desmarais Family Residuary Trust) <i>(Note 5)</i>	Trustee	536,704,000 (L)	6.00
Fortin Guy (as trustee of the Desmarais Family Residuary Trust) <i>(Note 5)</i>	Trustee	536,704,000 (L)	6.00
IGM Financial Inc. <i>(Note 5)</i>	Interest of controlled corporations	536,704,000 (L)	6.00
Pansolo Holding Inc. <i>(Note 5)</i>	Interest of controlled corporations	536,704,000 (L)	6.00
Plessis-Belair Michel (as trustee of the Desmarais Family Residuary Trust) <i>(Note 5)</i>	Trustee	536,704,000 (L)	6.00
Power Corporation of Canada <i>(Note 5)</i>	Interest of controlled corporations	536,704,000 (L)	6.00
Power Financial Corporation <i>(Note 5)</i>	Interest of controlled corporations	536,704,000 (L)	6.00
The Bank of New York Mellon Corporation <i>(Note 6)</i>	Interest of controlled corporation	515,590,000 (L) (LP)	5.76
The Bank of New York Mellon <i>(Note 6)</i>	Beneficial owner	515,590,000 (L)	5.76

*Notes:*

1. Shun Ho Property 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 Property.
2. Shun Ho Property is directly and indirectly owned as to 60.38% by Omnico, which was in turn owned as to 100% by Shun Ho Holdings, which was in turn directly owned as to 50.60% by Trillion Resources, which was in turn wholly-owned by Mr. William Cheng Kai Man. Therefore, Omnico, Shun Ho Holdings 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 Property.
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. Hashim Hashim Abdullah (“Hashim”) was a founder of a discretionary trust of 503,707,655 Shares. North Salomon Limited (“North”) beneficially owned 503,707,655 Shares. Credit Suisse Trust Limited (“Credit”) was a trustee of 503,707,655 Shares. Hashim, North and Credit had interest in person acting in concert of 7,327,984 Shares beneficially held by Shobokshi Hussam (“Shobokshi”) and 102,718,861 Shares beneficially held by Saray Developed Markets Value Fund (“Saray Developed”). Therefore, total number of Shares in which Hashim, North and Credit were interested under section 317 and 318 of SFO was 613,754,500 Shares.  
  
Shobokshi beneficially owned 7,327,984 Shares. Saray Developed beneficially owned 102,718,861 Shares. Saray Equities Investment Management (“Saray Equities”) was the investment manager of 102,718,861 Shares. Shobokshi had interest in person acting in concert of 102,718,861 Shares held by Saray Developed and 503,707,655 Shares held by North. Saray Developed and Saray Equities had interest in person acting in concert of 7,327,984 Shares held by Shobokshi and 503,707,655 Shares held by North. Therefore, total number of Shares in which Shobokshi, Saray Developed and Saray Equities were interested under section 317 and 318 of SFO is 613,754,500 Shares.
5. Mackenzie Financial Corporation (“MFC”) was interested in 536,704,000 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 60.21%) which was in turn an indirect non-wholly owned subsidiary of Power Corporation of Canada (held as to 65.59%). Power Corporation of Canada was 59.19% owned by Pansolo Holding Inc.. Desmarais Jr. Paul, Desmarais Andre, Desmarais Jacqueline, Fortin Guy and Plessis-Belair Michel (all were as trustees of the Desmarais Family Residuary Trust) became the holders of 99.99% of the interest in Pansolo Holding Inc.
6. The Bank of New York Mellon is a wholly-owned subsidiary of The Bank of New York Mellon Corporation. The Bank of New York Mellon Corporation was taken to be interested in 515,590,000 Shares held by The Bank of New York Mellon.

L: Long Position  
LP: Lending Pool

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

## **INDEPENDENT REVIEW**

The interim results for the six months ended 30th June, 2016 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 2016 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, 2016, 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*

Except two non-executive directors, 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, 30th August, 2016

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

# Deloitte.

# 德勤

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

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of Magnificent Hotel Investments Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 20 to 44, which comprise the condensed consolidated statement of financial position as of 30th June, 2016 and the related condensed consolidated statement of profit or loss, statement of total 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  
30th August, 2016

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE SIX MONTHS ENDED 30TH JUNE, 2016**

	NOTES	Six months ended 30th June, 2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
<b>Continuing operations</b>			
Revenue	3	207,762	207,183
Cost of sales		(2,065)	(2,022)
Other service costs		(124,472)	(112,105)
Depreciation of property, plant and equipment and release of prepaid lease payments for land		(34,609)	(31,867)
Gross profit		46,616	61,189
Other income and gains		871	9,115
Administrative expenses			
– Depreciation		(2,852)	(835)
– Others		(12,128)	(12,224)
Other expenses		(14,980)	(13,059)
Finance costs	5	–	(1,862)
		(3,846)	(4,726)
Profit before taxation		28,661	50,657
Income tax expense	6	(5,630)	(10,968)
Profit for the period from continuing operations	7	23,031	39,689
<b>Discontinued operations</b>			
Profit for the period from discontinued operations	23	–	46,956
Profit for the period		23,031	86,645
Profit for the period attributable to owners of the Company			
– from continuing operations		23,031	39,689
– from discontinued operations		–	45,269
Profit for the period attributable to owners of the Company		23,031	84,958
Profit for the period from discontinued operations attributable to non-controlling interests of the Company		–	1,687
		23,031	86,645
		HK cents	HK cents
Earnings per share			
From continuing and discontinued operations			
Basic	9	0.26	0.95
From continuing operations			
Basic	9	0.26	0.45

## CONDENSED CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

*FOR THE SIX MONTHS ENDED 30TH JUNE, 2016*

	Six months ended 30th June,	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit for the period	<b>23,031</b>	86,645
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
Exchange differences arising on translation of foreign operations	(30,406)	(346)
Fair value (loss) gain on available-for-sale investments	(37,430)	169,348
Other comprehensive income for the period	<b>(67,836)</b>	169,002
Total comprehensive income for the period	<b>(44,805)</b>	255,647
Total comprehensive income attributable to:		
Owners of the Company	(44,805)	253,960
Non-controlling interests	-	1,687
	<b>(44,805)</b>	255,647

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2016

	NOTES	As at 30th June, 2016 HK\$'000 (Unaudited)	As at 31st December, 2015 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	2,739,567	2,667,279
Prepaid lease payments for land		29,793	30,765
Investment properties	11	211,000	260,000
Properties under development	12	50,365	102,981
Available-for-sale investments	13	447,968	485,398
Payments for acquisition of an investment property	14	<u>769,797</u>	<u>–</u>
		<u>4,248,490</u>	<u>3,546,423</u>
<b>CURRENT ASSETS</b>			
Inventories		1,029	946
Prepaid lease payments for land		837	852
Trade and other receivables	15	9,909	18,664
Other deposits and prepayments		8,101	8,068
Pledged bank deposit	16	173,250	–
Bank balances and cash		<u>245,070</u>	<u>778,062</u>
		<u>438,196</u>	<u>806,592</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables and accruals	17	53,105	32,647
Rental and other deposits received		7,631	8,868
Advance from immediate holding company	20a	84,299	12,721
Advance from ultimate holding company	20b	447	438
Tax liabilities		10,986	4,953
Bank loans	18	<u>729,814</u>	<u>401,570</u>
		<u>886,282</u>	<u>461,197</u>
<b>NET CURRENT (LIABILITIES) ASSETS</b>		<u>(448,086)</u>	<u>345,395</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><u>3,800,404</u></u>	<u><u>3,891,818</u></u>



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

AT 30TH JUNE, 2016

		As at 30th June, 2016 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2015 <i>HK\$'000</i> (Audited)
<b>CAPITAL AND RESERVES</b>			
Share capital	19	841,926	841,926
Reserves		<u>2,864,404</u>	<u>2,953,944</u>
Total equity		<u>3,706,330</u>	<u>3,795,870</u>
<b>NON-CURRENT LIABILITIES</b>			
Rental deposits received		1,547	2,654
Deferred tax liabilities		<u>92,527</u>	<u>93,294</u>
		<u>94,074</u>	<u>95,948</u>
		<u><b>3,800,404</b></u>	<u><b>3,891,818</b></u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30TH JUNE, 2016**

	Attributable to owners of the Company									
	Share capital <i>HKS'000</i>	Special capital reserve <i>HKS'000</i> <i>(Note a)</i>	Property revaluation reserve <i>HKS'000</i> <i>(Note b)</i>	Securities revaluation reserve <i>HKS'000</i>	Foreign currency translation reserve <i>HKS'000</i>	Other reserve <i>HKS'000</i> <i>(Note c)</i>	Retained profits <i>HKS'000</i>	Sub-total <i>HKS'000</i>	Non- controlling interests <i>HKS'000</i>	Total <i>HKS'000</i>
At 1st January, 2015 (audited)	841,926	612,477	179	179,899	21,212	3,561	4,499,592	6,158,846	117,772	6,276,618
Profit for the period	-	-	-	-	-	-	84,958	84,958	1,687	86,645
Exchange differences arising on translation of foreign operations	-	-	-	-	(346)	-	-	(346)	-	(346)
Fair value gain on available-for-sale investments	-	-	-	169,348	-	-	-	169,348	-	169,348
Total comprehensive income for the period	-	-	-	169,348	(346)	-	84,958	253,960	1,687	255,647
Final dividend payable for year ended 31st December, 2014 <i>(note 8)</i>	-	-	-	-	-	-	(51,446)	(51,446)	-	(51,446)
At 30th June, 2015 (unaudited)	<u>841,926</u>	<u>612,477</u>	<u>179</u>	<u>349,247</u>	<u>20,866</u>	<u>3,561</u>	<u>4,533,104</u>	<u>6,361,360</u>	<u>119,459</u>	<u>6,480,819</u>
At 1st January, 2016 (audited)	841,926	612,477	179	283,957	16,453	3,561	2,037,317	3,795,870	-	3,795,870
Profit for the period	-	-	-	-	-	-	23,031	23,031	-	23,031
Exchange differences arising on translation of foreign operations	-	-	-	-	(30,406)	-	-	(30,406)	-	(30,406)
Fair value loss on available-for-sale investments	-	-	-	(37,430)	-	-	-	(37,430)	-	(37,430)
Total comprehensive income for the period	-	-	-	(37,430)	(30,406)	-	23,031	(44,805)	-	(44,805)
Final dividend payable for year ended 31st December, 2015 <i>(note 8)</i>	-	-	-	-	-	-	(44,735)	(44,735)	-	(44,735)
At 30th June, 2016 (unaudited)	<u>841,926</u>	<u>612,477</u>	<u>179</u>	<u>246,527</u>	<u>(13,953)</u>	<u>3,561</u>	<u>2,015,613</u>	<u>3,706,330</u>	<u>-</u>	<u>3,706,330</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**(Continued)**  
*FOR THE SIX MONTHS ENDED 30TH JUNE, 2016*

*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 proceeds 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.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 30TH JUNE, 2016**

	<b>Six months ended 30th June,</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Net cash from operating activities	<u><b>84,107</b></u>	<u>103,592</u>
Net cash used in investing activities		
Expenditure on properties under development	<b>(2,222)</b>	(18,887)
Acquisition of property, plant and equipment	<b>(7,330)</b>	(22,760)
Payments for acquisition of an investment property	<b>(798,256)</b>	–
Proceeds from disposal of property, plant and equipment	<b>117</b>	4,469
Increase in pledged bank deposit	<u><b>(173,250)</b></u>	<u>–</u>
	<u><b>(980,941)</b></u>	<u>(37,178)</u>
Net cash from (used in) financing activities		
Interest paid	<b>(3,733)</b>	(4,909)
New bank loan raised	<b>345,111</b>	–
Repayment of bank loans	<b>(16,867)</b>	(28,716)
Repayment to an intermediate holding company	–	(11,969)
Advance from immediate holding company	<b>42,560</b>	–
Repayment to immediate holding company	<b>(2,889)</b>	(3,584)
Repayment to ultimate holding company	<u>–</u>	<u>(3)</u>
	<u><b>364,182</b></u>	<u>(49,181)</u>
Net (decrease) increase in cash and cash equivalents	<b>(532,652)</b>	17,233
Cash and cash equivalents at the beginning of the period	<b>778,062</b>	1,164,762
Effect of foreign exchange rate changes	<u><b>(340)</b></u>	<u>–</u>
Cash and cash equivalents at the end of the period	<u><u><b>245,070</b></u></u>	<u><u>1,181,995</u></u>
Represented by:		
Bank balances and cash	<b>245,070</b>	1,168,811
Bank balances and cash classified as held for sale	<u>–</u>	<u>13,184</u>
	<u><u><b>245,070</b></u></u>	<u><u>1,181,995</u></u>

# **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*FOR THE SIX MONTHS ENDED 30TH JUNE, 2016*

## **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.

These condensed consolidated financial statements have been prepared on a going concern basis because the ultimate holding company has agreed to provide adequate funds to enable the Company to meet in full its financial obligations as they fall due for the foreseeable future.

The financial information relating to the year ended 31st December, 2015 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 31st December, 2015 to the Register of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

## **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.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2015.

## 2. PRINCIPAL ACCOUNTING POLICIES (*Continued*)

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 that are relevant for the preparation of the Group’s condensed consolidated financial statement:

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle

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

## 3. REVENUE

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

	Six months ended 30th June,	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Continuing operations</b>		
Income from operation of hotels	198,557	203,054
Income from property rental – shops	2,313	3,893
Dividend income	6,892	236
	<u>207,762</u>	<u>207,183</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 – Best Western Plus Hotel Kowloon
2. Hospitality services – Best Western Plus Hotel Hong Kong
3. Hospitality services – Magnificent International Hotel, Shanghai
4. Hospitality services – Best Western Hotel Causeway Bay
5. Hospitality services – Best Western Hotel Harbour View
6. Hospitality services – Best Western Grand Hotel
7. Hospitality services – Grand City Hotel (*note*)
8. Property investment – Shops
9. Securities investment
10. Property development for hotel (*note*)

*Note:* The hotel development was completed in August 2015 and accordingly transferred to the segment of “Hospitality services – Grand City Hotel”.

On 25th March, 2015, the Company entered into the sale and purchase agreement with its immediate holding company, Shun Ho Property Investments Limited (formerly known as Shun Ho Technology Holdings Limited), for the disposal of 100% interest in Houston Venture Limited and its subsidiary, Tennyland Limited, and 68% interest in Trans-Profit Limited (collectively referred to as “Disposed Subsidiaries”) together with its shareholder's loan due to the Company (the “Disposal”). Upon completion of the Disposal, the Disposed Subsidiaries ceased to be subsidiaries of the Company. The Disposed Subsidiaries are principally engaged in property investment in commercial buildings, namely, 633 King's Road and Shun Ho Tower. Accordingly, the segment information reported below does not include financial information in respect of the discontinued operations related to the Disposed Subsidiaries, which are described in more details in note 23.

Information regarding the above segments 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:

##### Continuing operations

	Segment revenue		Segment profit	
	Six months ended 30th June, 2016		Six months ended 30th June, 2015	
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Hospitality services	<b>198,557</b>	203,054	<b>37,411</b>	57,060
– Best Western Plus Hotel Kowloon	<b>25,600</b>	28,955	<b>3,643</b>	7,739
– Best Western Plus Hotel Hong Kong	<b>32,924</b>	38,434	<b>7,935</b>	13,306
– Magnificent International Hotel, Shanghai	<b>10,378</b>	10,292	<b>1,729</b>	1,417
– Best Western Hotel Causeway Bay	<b>26,155</b>	31,048	<b>2,654</b>	7,245
– Best Western Hotel Harbour View	<b>38,148</b>	44,971	<b>10,710</b>	17,146
– Best Western Grand Hotel	<b>46,080</b>	49,354	<b>7,445</b>	10,207
– Grand City Hotel	<b>19,272</b>	–	<b>3,295</b>	–
Property investment				
– Shops	<b>2,313</b>	3,893	<b>2,313</b>	3,893
Securities investment	<b>6,892</b>	236	<b>6,892</b>	236
	<b><u>207,762</u></b>	<b><u>207,183</u></b>	<b><u>46,616</u></b>	<b><u>61,189</u></b>
Other income and gains			<b>871</b>	9,115
Central administration costs and directors' emoluments			<b>(14,980)</b>	(13,059)
Other expenses			–	(1,862)
Finance costs			<b>(3,846)</b>	(4,726)
Profit before taxation			<b><u>28,661</u></b>	<b><u>50,657</u></b>



#### 4. SEGMENT INFORMATION (Continued)

##### Continuing operations (Continued)

Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' emoluments, 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 <b>30th June, 2016</b> <i>HK\$'000</i> <b>(Unaudited)</b>	As at 31st December, 2015 <i>HK\$'000</i> <b>(Audited)</b>
<b>Segment assets</b>		
Hospitality services	<b>2,767,253</b>	2,757,168
– Best Western Plus Hotel Kowloon	<b>293,119</b>	247,861
– Best Western Plus Hotel Hong Kong	<b>326,320</b>	330,523
– Magnificent International Hotel, Shanghai	<b>78,647</b>	81,101
– Best Western Hotel Causeway Bay	<b>351,688</b>	359,609
– Best Western Hotel Harbour View	<b>515,408</b>	522,054
– Best Western Grand Hotel	<b>793,311</b>	810,293
– Grand City Hotel	<b>408,760</b>	405,727
Property investment		
– Shops	<b>211,000</b>	260,000
Securities investment	<b>451,239</b>	485,398
Total segment assets	<b>3,429,492</b>	3,502,566
Unallocated assets	<b>1,257,194</b>	850,449
<b>Consolidated assets</b>	<b>4,686,686</b>	4,353,015

#### 4. SEGMENT INFORMATION (Continued)

##### Continuing operations (Continued)

	As at 30th June, 2016 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2015 <i>HK\$'000</i> (Audited)
<b>Segment liabilities</b>		
Hospitality services	<b>31,613</b>	33,132
– Best Western Plus Hotel Kowloon	<b>4,949</b>	5,064
– Best Western Plus Hotel Hong Kong	<b>5,186</b>	4,834
– Magnificent International Hotel, Shanghai	<b>1,747</b>	1,139
– Best Western Hotel Causeway Bay	<b>2,244</b>	3,058
– Best Western Hotel Harbour View	<b>3,034</b>	4,524
– Best Western Grand Hotel	<b>6,296</b>	7,794
– Grand City Hotel	<b>8,157</b>	6,719
Property investment		
– Shops	<b>2,224</b>	2,524
Securities investment	<b>63</b>	2
Total segment liabilities	<b>33,900</b>	35,658
Unallocated liabilities	<b>946,456</b>	521,487
<b>Consolidated liabilities</b>	<b>980,356</b>	557,145

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), payments for acquisition of an investment property, pledged bank deposit and bank balances and cash; and
- all liabilities are allocated to operating and reportable segments other than the Group's head office corporate liabilities, bank loans and current and deferred tax liabilities.

## 5. FINANCE COSTS

	Six months ended 30th June,	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<b>Continuing operations</b>		
Interests on:		
Bank loans	3,733	3,968
Advance from immediate holding company ( <i>note 20a</i> )	104	1,861
Advance from ultimate holding company ( <i>note 20b</i> )	9	9
	<u>3,846</u>	<u>5,838</u>
Less: amounts capitalised in properties under development	–	(1,112)
	<u><u>3,846</u></u>	<u><u>4,726</u></u>

## 6. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<b>Continuing operations</b>		
The taxation charge comprises:		
Current tax		
Hong Kong	5,977	9,767
The People's Republic of China ("PRC")	360	271
	<u>6,337</u>	<u>10,038</u>
Underprovision in prior years		
Hong Kong	60	–
	<u>6,397</u>	<u>10,038</u>
Deferred tax	(767)	930
	<u><u>5,630</u></u>	<u><u>10,968</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, 2016 (six months ended 30th June, 2015: 16.5%).

Taxation arising in the PRC 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\$108,000 (six months ended 30th June, 2015: HK\$81,000) were charged to profit or loss for the six months ended 30th June, 2016.

## 7. PROFIT FOR THE PERIOD

	Six months ended 30th June,	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)

### Continuing operations

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

Release of prepaid lease payments for land	418	451
Depreciation of property, plant and equipment	37,043	32,251
Interest on bank deposits (included in other income and gains)	(975)	(4,779)
Loss (gain) on disposal of property, plant and equipment (included in other income and gains)	104	(4,040)
	<u>104</u>	<u>(4,040)</u>

## 8. DIVIDEND

During the six months ended 30th June, 2016, a final dividend of HK0.5 cent per share amounting to HK\$44,735,000 was declared and payable to shareholders for the year ended 31st December, 2015 (six months ended 30th June, 2015: a final dividend of HK0.575 cent per share amounting to HK\$51,446,000 was paid to shareholders for the year ended 31st December, 2014).

The interim dividend in respect of the six months ended 30th June, 2016 of HK0.077 per share amounting to HK\$6,889,000 has been declared by the Board (six months ended 30th June, 2015: HK0.2 cent per share amounting to HK\$17,894,000).

## 9. EARNINGS PER SHARE

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

### From continuing and discontinued operations

	Six months ended 30th June,	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Earnings</b>		
Earnings for the purposes of basic earnings per share (profit for the period attributable to owners of the Company)	<u>23,031</u>	<u>84,958</u>
	2016	2015
	'000	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>8,947,051</u>	<u>8,947,051</u>

### From continuing operations

	Six months ended 30th June,	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings figures are calculated as follows:		
Earnings for the period attributable to owners of the Company	23,031	84,958
Less: Profit for the period from discontinued operations attributable to owners of the Company	<u>—</u>	<u>(45,269)</u>
Earnings for the purposes of basic earnings per share from continuing operations	<u>23,031</u>	<u>39,689</u>

### From discontinued operations

For the six months ended 30th June, 2015, basic earnings per share for the discontinued operations is HK0.5 cent per share based on the profit for the period from the discontinued operations of HK\$45 million.

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

## **10. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30th June, 2016, the Group has acquired furniture, fixtures and equipment of HK\$1,018,000 (six months ended 30th June, 2015: HK\$22,760,000), motor vehicles and vessels of HK\$794,000 (six months ended 30th June, 2015: nil), and incurred HK\$5,518,000 on structural improvement works on hotel premises (six months ended 30th June, 2015: nil). The Group has disposed of property, plant and equipment with carrying amount of HK\$221,000 (six months ended 30th June, 2015: HK\$429,000) during the period.

## **11. INVESTMENT PROPERTIES**

The fair values of the Group's investment properties at 30th June, 2016 and 31st December, 2015 have been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited, an independent qualified professional valuer not connected with the Group. The valuation reports on these properties are signed by a director of DTZ Debenham Tie Leung Limited who is a member of The Hong Kong Institute of Surveyors, and were arrived at by adopting the income capitalisation method and/or by making reference to comparable sales transactions as available in the market to assess the market value of the investment properties.

The investment properties of the Group with an aggregate carrying amount of approximately HK\$211 million (31st December, 2015: HK\$260 million) were rented out under operating leases at the end of the reporting period. There has been no change in the fair value of the investment properties for the six months ended 30th June, 2016 (six months ended 30th June, 2015: nil).

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

## **12. PROPERTIES UNDER DEVELOPMENT**

During the six months ended 30th June, 2016, the Group has incurred HK\$1,644,000 (six months ended 30th June, 2015: HK\$14,220,000) on construction cost of hotel premises, transferred a carrying amount of HK\$103,260,000 (six months ended 30th June, 2015: nil) to hotel premises under property, plant and equipment. In addition, properties under development with carrying amount of HK\$49,000,000 (six months ended 30th June, 2015: nil) is transferred from investment properties due to change in use from earning rental income from outsiders to owner occupation.

### 13. AVAILABLE-FOR-SALE INVESTMENTS

	As at 30th June, 2016 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2015 <i>HK\$'000</i> (Audited)
Listed equity securities in Hong Kong, at fair value	447,188	484,618
Unlisted equity investments, at cost	<u>780</u>	<u>780</u>
	<u><b>447,968</b></u>	<u><b>485,398</b></u>

### 14. PAYMENTS FOR ACQUISITION OF AN INVESTMENT PROPERTY

As at 30th June, 2016, aggregate payments of GBP73,806,025 (equivalent to HK\$769,797,000) is paid for the acquisition of an investment property in London (the "Acquisition"). Details of the Acquisition are set out in the announcement issued by the Company dated 27th June, 2016.

### 15. TRADE AND OTHER RECEIVABLES

	As at 30th June, 2016 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2015 <i>HK\$'000</i> (Audited)
Analysed for reporting as:		
Trade receivables	6,048	17,127
Other receivables	<u>3,861</u>	<u>1,537</u>
	<u><b>9,909</b></u>	<u><b>18,664</b></u>

## 15. TRADE AND OTHER RECEIVABLES (Continued)

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, 2016 HK\$'000 (Unaudited)	As at 31st December, 2015 HK\$'000 (Audited)
Not yet due	5,806	16,239
Overdue:		
0 – 30 days	204	855
31 – 60 days	38	23
61 – 90 days	–	10
	<u>6,048</u>	<u>17,127</u>

## 16. PLEDGED BANK DEPOSIT

Pledged bank deposit represents deposit pledged to the bank to secure a banking facility granted to the Group. Deposit amounting to HK\$173,250,000 (31st December, 2015: nil) has been pledged to secure a bank loan classified as a current liability and is therefore classified as a current asset.

## 17. TRADE AND OTHER PAYABLES AND ACCRUALS

	As at 30th June, 2016 HK\$'000 (Unaudited)	As at 31st December, 2015 HK\$'000 (Audited)
Analysed for reporting as:		
Trade payables	3,593	3,703
Dividend payable	18,105	5,173
Other payables and accruals (note)	<u>31,407</u>	<u>23,771</u>
	<u>53,105</u>	<u>32,647</u>



## 17. TRADE AND OTHER PAYABLES AND ACCRUALS (Continued)

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:

	<b>As at 30th June, 2016 HK\$'000 (Unaudited)</b>	As at 31st December, 2015 HK\$'000 (Audited)
0 – 30 days	3,027	2,953
31 – 60 days	545	722
61 – 90 days	<u>21</u>	<u>28</u>
	<b><u>3,593</u></b>	<b><u>3,703</u></b>

*Note:* Other payables and accruals include construction costs payable of HK\$4,604,000 (31st December, 2015: HK\$5,182,000).

## 18. BANK LOANS

	<b>As at 30th June, 2016 HK\$'000 (Unaudited)</b>	As at 31st December, 2015 HK\$'000 (Audited)
Secured bank loans	<b><u>729,814</u></b>	<b><u>401,570</u></b>
Carrying amounts of bank loans that contain a repayment on demand clause:		
Repayable within one year from the end of the reporting period	509,006	163,798
Not repayable within one year from the end of the reporting period shown under current liabilities	<u>220,808</u>	<u>237,772</u>
Amounts shown under current liabilities	<b><u>729,814</u></b>	<b><u>401,570</u></b>

All the Group's bank loans are floating rate borrowings. Except for a bank loan amounting to GBP33,088,271 (equivalent to HK\$345,111,000) (31st December, 2015: nil) carries interests at London Interbank Offered Rate ("LIBOR") plus a margin at approximately 0.3% per annum for the six months ended 30th June, 2016, the remaining bank loans 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, 2016 (31st December, 2015: HIBOR plus a margin of approximately 1.5% per annum). The bank loans are secured over certain of the Group's properties and bank deposit. Interest rates on the Group's bank loans are repriced according to the LIBOR/HIBOR monthly. Effective interest rate is 1.3% per annum (31st December, 2015: 1.5% per annum).

## 19. SHARE CAPITAL

	Number of shares '000	Amount HK\$ '000
Ordinary shares		
Issued and fully paid:		
At 31st December, 2015 (audited) and 30th June, 2016 (unaudited)	<u>8,947,051</u>	<u>841,926</u>

## 20. 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,	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
<b>THE GROUP</b>		
<b>Shun Ho Property Investments Limited (formerly known as Shun Ho Technology Holdings Limited) (the Company's immediate holding company) and its subsidiaries*</b>		
Rental expenses	1,079	520
Interest expenses on advance to the Group ( <i>note a</i> )	104	2,953
Corporate management fee income for administrative facilities provided	1,226	1,513
Dividend declared	31,803	36,573
Dividend income	3,271	–
<b>Shun Ho Holdings Limited (formerly known as Shun Ho Resources Holdings Limited) (the Company's intermediate holding company)</b>		
Corporate management fee income for administrative facilities provided	50	50
Interest expenses on advance to the Group	–	241
<b>Trillion Resources Limited (the Company's ultimate holding company)</b>		
Interest expenses on advance to the Group ( <i>note b</i> )	9	9
Compensation of key management personnel ( <i>note c</i> )	<u>2,680</u>	<u>4,076</u>

\* exclude the Company and its subsidiaries

## **20. RELATED PARTY TRANSACTIONS (Continued)**

*Notes:*

- (a) The advance amounted to HK\$44,524,000 (31st December, 2015: HK\$12,721,000) which is interest-free and repayable on 15th July, 2016. The remaining advance from the immediate holding company carries interest at HIBOR plus 4% (31st December, 2015: HIBOR plus 4%) per annum and repayable on demand. The advance from immediate holding company is unsecured.
- (b) The advance from ultimate holding company is unsecured, carries interest at HIBOR plus 4% (31st December, 2015: HIBOR plus 4%) per annum and is repayable on demand.
- (c) The compensation of key management personnel comprised short-term and post employment benefits attributable to such personnel.

## **21. PROJECT/CAPITAL COMMITMENTS**

At 30th June, 2016, 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\$1,258,000 (31st December, 2015: HK\$2,157,000).

## **22. PLEDGE OF ASSETS**

At 30th June, 2016, the bank loan facilities of the Group were secured by the followings:

- (a) investment properties and property, plant and equipment of the Group with carrying amounts of approximately HK\$105 million (31st December, 2015: HK\$110 million), and HK\$2,346 million (31st December, 2015: HK\$2,367 million), respectively;
- (b) pledge of shares in and subordination of loans due from certain subsidiaries with an aggregate carrying amount of approximately HK\$1,110 million (31st December, 2015: HK\$1,129 million);
- (c) pledge of bank deposit with carrying amount of approximately HK\$173 million (31st December, 2015: nil); and
- (d) assignment of the Group's hotel revenue.

### 23. DISCONTINUED OPERATIONS

On 25th March, 2015, the Company entered into the sale and purchase agreement with its immediate holding company, Shun Ho Property Investments Limited, for the disposal of 100% interest in the Disposed Subsidiaries together with its shareholder's loan due to the Company. Upon completion of the Disposal, the Disposed Subsidiaries ceased to be subsidiaries of the Company. The Disposed Subsidiaries are principally engaged in property investment in commercial buildings, namely, 633 King's Road and Shun Ho Tower. Details of the Disposal are set out in the circular issued by the Company dated 28th May, 2015 (the "Circular").

The consideration was satisfied by the issue to the Company of Share Entitlement Note (as defined in the Circular), which shall confer on the holder the right to call for the issue of 147,626,347 shares of Shun Ho Property Investments Limited credited as fully paid.

The Disposal was completed on 17th July, 2015.

The profit for the six months ended 30th June, 2015 from the discontinued operations was analysed as follows:

	Six months ended 30th June, 2015 <i>HK\$'000</i> (Unaudited)
Revenue	57,908
Other service costs	<u>(358)</u>
Gross profit	57,550
Other income and gains	7,652
Administrative expenses	(625)
Other expenses	(6,819)
Finance costs ( <i>note a</i> )	<u>(2,274)</u>
Profit before taxation	55,484
Income tax expense ( <i>note b</i> )	<u>(8,528)</u>
Profit for the period ( <i>note c</i> )	<u><u>46,956</u></u>

### 23. DISCONTINUED OPERATIONS (Continued)

Notes:

(a) Finance costs

Six months  
ended 30th June,  
2015  
*HK\$'000*  
(Unaudited)

Interests on:

Bank loans	941
Advance from immediate holding company	1,092
Advance from an intermediate holding company	241

2,274

(b) Income tax expense

Six months  
ended 30th June,  
2015  
*HK\$'000*  
(Unaudited)

Hong Kong Profits Tax	7,578
Deferred tax	950

8,528

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

Six months  
ended 30th June,  
2015  
*HK\$'000*  
(Unaudited)

Depreciation of property, plant and equipment	447
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## 24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

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

Financial asset	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30th June, 2016 HK\$'000 (Unaudited)	31st December, 2015 HK\$'000 (Audited)		
Listed equity securities classified as available-for-sale investments	447,188	484,618	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.