

MAGNIFICENT ESTATES LIMITED

(華 大 地 產 投 資 有 限 公 司)

(Stock Code: 201)



Interim Report 2009

MAGNIFICENT ESTATES LIMITED



**Shun Ho Tower
Central**



**633 King's Road
North Point**



**Ramada Hotel
Kowloon**



**Ramada Hotel
Hong Kong**



**Best Western
Hotel, Taipa
Macau**



**Magnificent
International Hotel
Shanghai**



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



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



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



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

Corporate Information

Executive Directors

Mr. William Cheng Kai Man (*Chairman*)

Mr. Albert Hui Wing Ho

Non-Executive Director

Madam Mabel Lui Fung Mei Yee

Independent Non-Executive Directors

Mr. Vincent Kwok Chi Sun

Mr. Chan Kim Fai

Mr. Hui Kin Hing

Company Secretary

Mr. Huen Po Wah

Auditor

Deloitte Touche Tohmatsu

35th Floor, One Pacific Place

88 Queensway

Hong Kong

Solicitors

Dibb Lupton Alsop

40th Floor, Bank of China Tower

1 Garden Road

Central, Hong Kong

Woo, Kwan, Lee & Lo

26th Floor, Jardine House

1 Connaught Place

Hong Kong

Principal Bankers

The Hongkong and Shanghai Banking

Corporation Limited

Chong Hing Bank Limited

Registered Office

3rd Floor, Shun Ho Tower

24-30 Ice House Street

Central, Hong Kong

Share Registrars

Tricor Tengis Limited

26th Floor, Tesbury Centre

28 Queen's Road East

Hong Kong

Tel: 2980 1333

Company's Website

www.shunho.com.hk

INTERIM RESULTS

The board of directors (the “Board”) of Magnificent Estates Limited (the “Company”) announces that the unaudited consolidated profit attributable to shareholders of the Company and its subsidiaries (together the “Group”) for the six months ended 30th June, 2009 amounted to HK\$52,993,000 (six months ended 30th June, 2008: HK209,159,000).

The results of the Group for the six months ended 30th June, 2009 and its financial position as at that date are set out in the condensed financial statements on pages 17 to 36 of this report.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June, 2009 (six months ended 30.6.2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

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

The unaudited consolidated profit attributable to shareholders of the Company for the six months ended 30th June, 2009 amounted to HK\$52,993,000.

As at 30th June, 2009, the net assets after valuation on all asset properties but before deferred tax of the Group amounted to **HK\$4,865 million** (2008: HK\$4,976 million), **HK\$0.82 per share** (2008: HK\$0.83 per share).

- For the six months ended 30th June, 2009, the Group’s revenue 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	
	30.6.2009 HK\$'000 (unaudited)	30.6.2008 HK\$'000 (unaudited)
Income from operation of hotels	78,744	102,421
Properties rental	42,739	36,033
Interest from debt securities	–	616
Dividend	–	40
Other income	7,310	7,378
Total	128,793	146,488

The income for the Group decreased by 12% from HK\$146 million to HK\$129 million for the same period compared with last year. The decrease of revenue for the period was due to 23% drop in hotel revenue but there was 19% increase in rental income.

	Ramada Hotel Kowloon		Ramada Hong Kong Hotel		Best Western Hotel Taipa, Macau		Magnificent International Hotel, Shanghai	
	Avg Room Occupancy %	Avg Room Rate HK\$	Avg Room Occupancy %	Avg Room Rate HK\$	Avg Room Occupancy %	Avg Room Rate HK\$	Avg Room Occupancy %	Avg Room Rate HK\$
2009								
Jan	96	775	90	643	87	508	52	277
Feb	96	570	92	518	97	359	64	272
Mar	98	621	95	557	99	359	68	286
Apr	96	658	92	560	98	396	78	281
May	95	538	80	440	93	350	67	277
Jun	95	481	80	431	91	297	58	305
Total								
Revenue (HK\$)	23,961,000		29,572,000		18,450,000		6,761,000	
Operating								
Expenses (HK\$)	(12,600,000)		(15,000,000)		(10,200,000)		(4,800,000)	
Gross								
Profit (HK\$)	11,361,000		14,572,000		8,250,000		1,961,000	

The properties rental income was derived from office building of 633 King's Road and Shun Ho Tower and various shops of Ramada Hotel Kowloon, Ramada Hong Kong Hotel and Best Western Hotel Taipa, Macau amounted to approximately HK\$42,739,000. Rental income was affected by the demolition of Swire & Maclaine House. As of the date of this interim report, rent leases of HK\$65 million attributable to 2009 (excluding rates and management fee) of 633 King's Road has been signed, only one and a half floors remain unleased.

Properties rental income was analysed as follows:

	2009	2008	Change
	Jan to Jun	Jan to Jun	%
	<i>HK\$'000</i>	<i>HK\$'000</i>	
633 King's Road	30,323	18,970	+60
Shun Ho Tower	7,902	6,633	+19
19-23 Austin Avenue	–	5,635	–
Shops	4,514	4,795	-6
Total	<u>42,739</u>	<u>36,033</u>	+19

Other income amounted to HK\$7.3 million which was mostly property management fee income of HK\$7 million with related expenses of HK\$5.2 million.

- Overall service costs for the Group for the period was HK\$47 million, which HK\$46 million was for the hotel operations and HK\$1 million was mainly for rates and leasing commission paid for investment properties. The overall service costs decreased by 15% compared with last period.

The approximate operating cost and improvement cost for each operating hotel was as follows:

Name of Hotel	2009
	<i>HK\$ million</i>
	<i>per month</i>
Centralized sales office	0.6
Ramada Hotel Kowloon	2.1
Ramada Hong Kong Hotel	2.5
Best Western Hotel Taipa, Macau	1.7
Magnificent International Hotel, Shanghai	0.8
Total amount per month	<u>7.7</u>
Total amount for the period	<u><u>46.2</u></u>

Administrative expenses for the period represented corporate management office including directors' fees, salaries for executive staff and employees, rental, marketing and office expenses was HK\$7 million which was the same as last period.

The accounting standards require hotel properties to provide depreciation which amounted to HK\$12,039,000 (30.6.2008: HK\$11,893,000) for the period which affected the hotel operating profit. Other plants and machinery depreciations amounted to HK\$2 million.

- As at 30th June, 2009, the overall debts of the Group was HK\$1,160 million (31.12.2008: HK\$1,150 million), of which HK\$1,044 million (31.12.2008: HK\$1,044 million) was bank borrowings and HK\$116 million (31.12.2008: HK\$106 million) was advance from shareholders.

The debt ratio was 19% (31.12.2008: 18%) in term of overall debt of HK\$1,160 million (31.12.2008: HK\$1,150 million) against the total fully valued assets of the Group amounted to HK\$6,136 million (31.12.2008: HK\$6,246 million).

The gearing ratio was approximately 41% (31.12.2008: 41%) against funds employed of HK\$2,860 million (before revaluation of all property assets).

The overall debts was analysed as follows:

	Interest Paid			
	30.06.2009	30.06.2009	31.12.2008	Change
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Overall debt	20	1,160	1,150	+10
– bank loans	13	1,044	1,044	–
– shareholders' loans	1	116	106	+10
Debt ratio		19%	18%	+1%
Mandatorily convertible bonds (the bonds will be mandatorily converted to capital on 13th April, 2011)	6	477	477	–

- Of these loans, the total interest expenses amounted to HK\$20 million (30.6.2008: HK\$22 million), of which HK\$13 million (30.6.2008: HK\$13 million) was paid to bank borrowings, HK\$1 million (30.6.2008: HK\$9 million) was paid to shareholders loans and HK\$6 million (30.6.2008: Nil) was paid to bonds holders.

Out of these interests totally paid, HK\$7 million (30.6.2008: HK\$4 million) was capitalized and HK\$13 million (30.6.2008: HK\$18 million) reflected in the expenses account.

Regarding the cash flow of the Group for the period, the gross income of the Group was HK\$128,793,000 with operating expenses of HK\$61,444,000 and interests paid out of the Group of HK\$13,000,000, the positive cash flow was therefore HK\$55 million which was spent on various construction expenses.

The Group's bank borrowings carry interest at floating rates and are mainly denominated in Hong Kong dollar. Accordingly, the exchange risk of the Group is minimal. During the period under review, there was no significant change in the Group's staffing level, remuneration and benefit. 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, various shops in Ramada Hong Kong Hotel, Ramada Hotel Kowloon and Best Western Hotel Taipa, Macau were fully letted. It is expected that the rental revenue from these properties will continue to increase.

During the period under review, the leasing of the grade A office building at 633 King's Road achieved HK\$65 million per annum from 2009 with one and a half floors remaining vacant. The management envisages the office building will be fully leased in the nearest future.

For the period under review, there was no property disposal. However, the houses at Gold Coast Marina, Tuen Mun are already available for leasing and rental income.

- For the period under review, the revenue for the 4 hotels was amounted to approximately HK\$79 million, a 23% decrease.

Name of Hotel	Avg Room Rate	Avg Room Rate
	2009 (Jan to Jun) HK\$	2008 (Jan to Jun) HK\$
Ramada Hotel Kowloon	554	697
Ramada Hong Kong Hotel	529	681
Best Western Hotel Taipa, Macau	377	405
Magnificent International Hotel, Shanghai	<u>283</u>	<u>380</u>

In the coming half year, it is envisaged that the hotel business should improve due to traditional travel Autumn peak season. The management of the hotels will endeavour to maintain the high occupancy but will focus on obtaining higher room rates.

	Ramada Hotel Kowloon		Ramada Hong Kong 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
	%	HK\$	%	HK\$	%	HK\$	%	HK\$
2009								
Jul	96	475	90	400	95	296	71	270
Aug	97	520	94	429	97	377	67	303

- With the positive cash flow surplus of HK\$55 million for the six months ended 30th June, 2009, the forecasted increase of rental incomes and steady hotel operations will ensure stronger future annual cash flow surplus which will help to ease the construction costs required to build the new hotels that will increase the incomes and value of the Group.

It is the intention of the Group to build a portfolio of 3-4 stars hotels with significant market shares in Hong Kong. The expected annual operating return on these hotels will be about 10% on development cost and real estate capital gain potential of 50%. The Board believes these opportunities are readily available. The current four hotels owned by the Group offer about 1,000 rooms and the newly acquired hotel development sites in Sheung Wan, Causeway Bay and Tsimshatsui will add an additional 1,300 rooms. The Board aims to increase the number of hotel rooms to about 2,300 rooms to become a leading hotel rooms supplier in Hong Kong. Such strategy has and will continue to increase the value of the Group substantially.

Nos.239-251 Queen's Road West Hotel Developments

A 435 rooms hotel development has been approved by the relevant authorities. Foundation work was completed. The recent commencement of the Western MTR Line will improve future value of this property significantly.

Nos.338-346 Queen's Road West Hotel Developments

A 214 serviced apartments hotel development is approved to be built. Application is in process to increase the Plot Ratio from 12 to 15. Foundation contract was already awarded. The recent commencement of the Western MTR Line will improve future value of this property significantly.

Nos.19-23 Austin Avenue, Tsimshatsui

A 300 rooms hotel development has been approved by the relevant authorities. Application is being made to increase room number to 397. Foundation piling is underway. Commencement of hotel business expects in 2011.

Nos.30-40 Bowrington Road, Causeway Bay

A 265 rooms hotel development has been approved by the relevant authorities. Superstructure construction is in progress. Commencement of hotel business expects in Spring 2010.

The Board continues to study carefully various options to lower existing level of the Group's debts.

During the financial period under review, efforts have already made by the Group to lower the Group's staffing level. Administrative and operating expenses have successfully been lowered by 14%.

Looking ahead, the management expects 2009 continue to be a difficult year for hotel operation. The hotels occupancy remain high because of the increasing leisure travelling from the PRC and their further visa relaxation. The hotels room rates have fallen due to the lack of higher yield commercial travellers because of the global economic slowdown. With the many global economic rescue packages announced, the world's economic activities should resume normal at later part of this year. Thus, the management expects higher yield commercial travellers will return in Autumn that will compliment the already busy leisure travelling market which will result in room rates and revenue recovery.

The adverse effect of the temporary hotel business slowdown is partially compensated by significant reduction of the Group's interests expenses.

The rental incomes of the commercial buildings and shops are expected to remain stable since the average rental leases are of 3 years.

The slowdown of economic demands and low inflation have helped to control operating costs and most importantly the lowering of construction costs for the four hotels developments.

The low interest rate environment and tight land supply government policy back the demand in the local property market that benefit the Group's property portfolio especially the office buildings in Central and North Point. The conservative 19% debt ratio ensures the Group's stability over any further unforeseeable global financial turmoils.

The management will continue to adopt a conservative approach and will not make further asset acquisitions but to make best endeavour to complete the construction of the 4 new hotels in Hong Kong to increase the earning base and value for the Group.

In view of the substantial construction costs outlay for 2009 to 2011 and the present difficult hotel business, the management is trying best endeavour to streamline cashflow in order to ensure the Group's future obligations are met. As soon as there is hotel business recovery and the office rental incomes continue to be stable, the management will resume annual dividend payments.

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, 2009, 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 Companies, 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	3,382,465,406	
			(Note 1)	
			2,978,198,581	
			(Note 2)	
				71.09
				(Note 3)

Notes:

1. Shun Ho Technology Holdings Limited ("Shun Ho Technology") beneficially owned 2,709,729,423 shares of the Company (the "Shares") (45.43%) and was taken to be interested in 395,656,000 Shares (6.63%) held by Good Taylor Limited, 273,579,983 Shares (4.59%) held by South Point Investments Limited and 3,500,000 Shares (0.06%) held by Shun Ho Technology Developments Limited, representing a total of 3,382,465,406 Shares (56.71%). Mr. William Cheng Kai Man had controlling interest in these companies.
2. Shun Ho Technology and Mr. William Cheng Kai Man were deemed to have interest in 2,978,198,581 units of convertible bonds held by South Point Investments Limited.
3. This represents the percentage of interests to the enlarged issued share capital of the Company on the assumption that the convertible bonds have been fully converted into Shares as at 30th June, 2009 (i.e. 8,947,051,324 Shares).

The aggregate of Shares (i.e. 3,382,465,406) and the underlying Shares (i.e. 2,978,198,581) represents 106.64% to the total issued share capital of the Company as at 30th June, 2009 (i.e. 5,964,700,883 Shares).

Associated corporations

Name of director	Name of associated corporation	Capacity	Nature of interests	Number of shares held	Approximate % of shareholding
William Cheng Kai Man	Shun Ho Technology (Note 1)	Interest of controlled corporations	Corporate	350,742,682	65.31
William Cheng Kai Man	Shun Ho Resources Holdings Limited ("Shun Ho Resources") (Note 2)	Interest of controlled corporations	Corporate	216,608,825	71.20
William Cheng Kai Man	Trillion Resources Limited ("Trillion Resources") (Note 3)	Beneficial owner	Personal	1	100

Notes:

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

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

Save as disclosed above and save for shares in subsidiaries held by a director in trust for their immediate holding companies, as at 30th June, 2009, 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 Companies 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, 2009, 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 Holdings Limited ("Shun Ho Technology")	Beneficial owner and interest of controlled corporations	3,382,465,406 <i>(Note 1)</i>	71.09 <i>(Note 6)</i>
		2,978,198,581 <i>(Note 2)</i>	
Omnico Company Inc. ("Omnico") <i>(Note 3)</i>	Interest of controlled corporations	3,382,465,406 <i>(Note 1)</i>	71.09 <i>(Note 6)</i>
		2,978,198,581 <i>(Note 2)</i>	
Shun Ho Resources Holdings Limited ("Shun Ho Resources") <i>(Note 3)</i>	Interest of controlled corporations	3,382,465,406 <i>(Note 1)</i>	71.09 <i>(Note 6)</i>
		2,978,198,581 <i>(Note 2)</i>	
Trillion Resources Limited ("Trillion Resources") <i>(Note 3)</i>	Interest of controlled corporations	3,382,465,406 <i>(Note 1)</i>	71.09 <i>(Note 6)</i>
		2,978,198,581 <i>(Note 2)</i>	
Liza Lee Pui Ling <i>(Note 4)</i>	Interest of spouse	3,382,465,406 <i>(Note 1)</i>	71.09 <i>(Note 6)</i>
		2,978,198,581 <i>(Note 2)</i>	
South Point Investments Limited	Beneficial owner	273,579,983 <i>(Note 1)</i>	36.34 <i>(Note 7)</i>
		2,978,198,581 <i>(Note 2)</i>	
Mackenzie Cundill Recovery Fund	Beneficial owner	500,000,000 <i>(Note 5)</i>	8.38
Power Financial Corporation	Interest of controlled corporation	656,146,000 <i>(Note 5)</i>	11.00

Name of shareholder	Capacity	Number of shares/ underlying shares held	Approximate % of shareholding
Power Corporation of Canada	Interest of controlled corporation	656,146,000 (Note 5)	11.00
Nordex Inc.	Interest of controlled corporation	656,146,000 (Note 5)	11.00
IGM Financial Inc.	Interest of controlled corporation	656,146,000 (Note 5)	11.00
Gelco Enterprises Ltd.	Interest of controlled corporation	656,146,000 (Note 5)	11.00
Desmarais Paul G.	Interest of controlled corporation	656,146,000 (Note 5)	11.00

Notes:

1. Shun Ho Technology beneficially owned 2,709,729,423 shares of the Company (the “Shares”) (45.43%) and was taken to be interested in 395,656,000 Shares (6.63%) held by Good Taylor Limited, 273,579,983 Shares (4.59%) held by South Point Investments Limited and 3,500,000 Shares (0.06%) held by Shun Ho Technology Developments Limited, representing a total of 3,382,465,406 Shares (56.71%), all of which are wholly-owned subsidiaries of Shun Ho Technology.
2. Shun Ho Technology was deemed to have interest in 2,978,198,581 unit of convertible bonds held by South Point Investments Limited.
3. 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. So, Omnico, Shun Ho Resources and Trillion Resources were taken to be interested in 3,382,465,406 Shares and 2,978,198,581 unit of convertible bonds by virtue of their direct and indirect interests in Shun Ho Technology.
4. Madam Liza Lee Pui Ling was deemed to be interested in 3,382,465,406 Shares and 2,978,198,581 unit of convertible bonds by virtue of the interest in such Shares and bonds of her spouse, Mr. William Cheng Kai Man, a director of the Company.

5. Mackenzie Cundill Recovery Fund was an investment fund managed by Mackenzie Financial Corporation (“MFC”). MFC was, through its subsidiaries, interested in the total number of 656,146,000 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 56.0%) which was in turn an indirect non-wholly owned subsidiary of Power Corporation of Canada (held as to 66.4%). Power Corporation of Canada was 53.8% owned by Gelco Enterprises Ltd, a 95.0% subsidiary of Nordex Inc. Desmarais Paul G. was holder of 68.0% of the interest in Nordex Inc.

6. This represents the percentage of interests to the enlarged issued share capital of the Company on the assumption that the convertible bonds have been fully converted into Shares as at 30th June, 2009 (i.e. 8,947,051,324 Shares).

The aggregate of Shares (i.e. 3,382,465,406) and the underlying Shares (i.e. 2,978,198,581) represents 106.64% to the total issued share capital of the Company as at 30th June, 2009 (i.e. 5,964,700,883 Shares).

7. This represents the percentage of interests to the enlarged issued share capital of the Company on the assumption that the convertible bonds have been fully converted into Shares as at 30th June, 2009 (i.e. 8,947,051,324 Shares).

The aggregate of Shares (i.e. 273,579,983) and the underlying Shares (i.e. 2,978,198,581) represents 54.52% to the total issued share capital of the Company as at 30th June, 2009 (i.e. 5,964,700,883 Shares).

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, 2009 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 16 of this interim report. The interim results have also been reviewed by the Group’s Audit Committee.

CORPORATE GOVERNANCE

(a) Compliance with the Code on Corporate Governance Practices

During the period, the Company has complied with the code provisions set out in the Code of Corporate Governance Practices (the “Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) except the following:

Code Provision A.2.1

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 will also facilitate 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 of the Company have no set term of office but retire from office on a rotational basis at least once every three years. According to the articles of association of the Company, every director shall be subject to retirement by rotation at least once every three years. The Company considers that sufficient measures have been taken to ensure that its corporate governance practices are no less exacting than those in the Code.

(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

Huen Po Wah
Secretary

Hong Kong, 17th September, 2009

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Deloitte.

德勤

**TO THE BOARD OF DIRECTORS OF
MAGNIFICENT ESTATES LIMITED**

(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 17 to 36, which comprises the condensed consolidated statement of financial position of Magnificent Estates Limited (the “Company”) and its subsidiaries as of 30th June, 2009 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated 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 this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information 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 interim financial information 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 interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
17th September, 2009

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

		Six months ended 30th June,	
		2009	2008
	<i>NOTES</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)
Revenue	3	121,483	139,110
Cost of sales		(1,948)	(2,108)
Other service costs		(46,947)	(54,988)
Depreciation and release of prepaid lease payments for land		(12,039)	(11,893)
Gross profit		60,549	70,121
Increase in fair value of investment properties	10	23,000	184,927
Other income		7,310	7,378
Gain on fair value changes of investments held for trading		6	643
Administrative expenses		(9,289)	(8,956)
– Depreciation		(2,249)	(1,905)
– Others		(7,040)	(7,051)
Other expenses		(5,209)	(4,959)
Finance costs	5	(12,868)	(18,080)
Profit before taxation	6	63,499	231,074
Income tax expense	7	(10,506)	(21,915)
Profit for the period attributable to shareholders of the Company		52,993	209,159
Other comprehensive income			
Exchange differences arising on translation of foreign operations		35	2,666
Fair value loss on available-for-sale investments		(15,359)	(24,438)
Other comprehensive income for the period		(15,324)	(21,772)
Total comprehensive income for the period attributable to shareholders of the Company		37,669	187,387
		<i>HK cent</i>	<i>HK cents</i>
Earnings per share			
Basic	9	0.67	3.51

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2009

		As at 30th June, 2009	As at 31st December, 2008
NOTES		HK\$'000 (Unaudited)	HK\$'000 (Audited)
NON-CURRENT ASSETS			
		391,841	407,376
		1,094,780	1,101,064
	10	1,940,580	1,917,580
		776,543	741,914
	11	109,012	124,371
		235	167
		4,312,991	4,292,472
CURRENT ASSETS			
		629	814
		21,895	21,650
	11	7	1
		12,568	12,568
	12	13,307	18,888
		4,792	5,165
		–	23
		29	28
		110	110
		–	2,500
		40,942	18,644
		94,279	80,391
	19	4,851	–
		99,130	80,391

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AT 30TH JUNE, 2009

		As at 30th June, 2009 HK\$'000 (Unaudited)	As at 31st December, 2008 HK\$'000 (Audited)
	NOTES		
CURRENT LIABILITIES			
Trade and other payables	13	25,631	40,374
Rental and other deposits received		31,389	30,108
Amount due to immediate holding company		156	–
Advance from immediate holding company	18(a)	54,793	45,408
Advance from ultimate holding company	18(a)	60,799	60,427
Advance from a fellow subsidiary		4,745	4,746
Tax liabilities		8,916	4,963
Bank loans	14	292,112	181,914
Mandatory convertible bonds liability		13,785	11,280
		<u>492,326</u>	<u>379,220</u>
Liabilities associated with assets classified as held for sale	19	351	–
		<u>492,677</u>	<u>379,220</u>
NET CURRENT LIABILITIES		<u>(393,547)</u>	<u>(298,829)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>3,919,444</u></u>	<u><u>3,993,643</u></u>
CAPITAL AND RESERVES			
Share capital	15	59,647	59,647
Share premium and reserves		2,806,596	2,768,927
		<u>2,866,243</u>	<u>2,828,574</u>
NON-CURRENT LIABILITIES			
Mandatory convertible bonds liability		20,417	27,995
Bank loans	14	752,425	862,425
Deferred tax liabilities		280,359	274,649
		<u>1,053,201</u>	<u>1,165,069</u>
		<u><u>3,919,444</u></u>	<u><u>3,993,643</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

	Attributable to shareholders of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Mandatory convertible bonds equity reserve HK\$'000	Special capital reserve HK\$'000 (Note a)	Property revaluation reserve HK\$'000 (Note b)	Securities revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st January, 2008 (audited)	59,647	341,243	–	612,477	179	130,892	4,801	1,211,553	2,360,792
Profit for the period	–	–	–	–	–	–	–	209,159	209,159
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	2,666	–	2,666
Fair value loss on available-for-sale investments	–	–	–	–	–	(24,438)	–	–	(24,438)
Total comprehensive income for the period	–	–	–	–	–	(24,438)	2,666	209,159	187,387
Final dividend for year ended 31st December, 2007, paid (note 8)	–	–	–	–	–	–	–	(14,315)	(14,315)
At 30th June, 2008 (unaudited)	59,647	341,243	–	612,477	179	106,454	7,467	1,406,397	2,533,864
Loss for the period	–	–	–	–	–	–	–	(86,044)	(86,044)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	(350)	–	(350)
Fair value loss on available-for-sale investments	–	–	–	–	–	(59,962)	–	–	(59,962)
Total comprehensive income for the period	–	–	–	–	–	(59,962)	(350)	(86,044)	(146,356)
Issue of mandatory convertible bonds	–	–	441,066	–	–	–	–	–	441,066
At 31st December, 2008 (audited)	59,647	341,243	441,066	612,477	179	46,492	7,117	1,320,353	2,828,574
Profit for the period	–	–	–	–	–	–	–	52,993	52,993
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	35	–	35
Fair value loss on available-for-sale investments	–	–	–	–	–	(15,359)	–	–	(15,359)
Total comprehensive income for the period	–	–	–	–	–	(15,359)	35	52,993	37,669
At 30th June, 2009 (unaudited)	59,647	341,243	441,066	612,477	179	31,133	7,152	1,373,346	2,866,243

Notes:

- The special capital reserve represents the difference arising from the reduction of the nominal value of the Company's share in 1999.
- 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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

	Six months ended 30th June,	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash from operating activities	<u>55,141</u>	<u>75,509</u>
Net cash used in investing activities:		
Expenditure on property under development	(23,876)	(12,255)
Acquisition of property, plant and equipment	(2,257)	(2,206)
Deposit for acquisition of property, plant and equipment	(68)	–
Decrease in time deposits	2,500	–
Proceeds from disposal of property, plant and equipment	1,950	850
Balance paid for prepaid lease payments for land	–	(89,186)
Deposit paid for acquisition of land	–	(29,700)
Purchase of investment properties	–	(2,993)
	<u>(21,751)</u>	<u>(135,490)</u>
Net cash (used in) from financing activities:		
Interest paid	(13,718)	(21,698)
Advance from immediate holding company	2,626	14,127
Advance from ultimate holding company	–	59,470
New bank loans raised	–	49,000
Repayment of bank loans	–	(24,250)
Dividend paid	–	(14,315)
	<u>(11,092)</u>	<u>62,334</u>
Net increase in cash and cash equivalents	22,298	2,353
Cash and cash equivalents at the beginning of the period	<u>18,644</u>	<u>10,965</u>
Cash and cash equivalents at the end of the period, represented by bank balances and cash	<u>40,942</u>	<u>13,318</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

A number of new or revised standards, amendments and interpretations (“new HKFRSs”) are effective for the Group’s financial year beginning on 1st January, 2009. Except as described below, the same accounting policies, presentation and methods of computation have been followed in these condensed consolidated financial statements as were applied in the preparation of the Group’s consolidated financial statements for the year ended 31st December, 2008.

HKAS 1 (revised 2007) *Presentation of Financial Statements*

(effective for annual periods beginning on or after 1st January, 2009)

HKAS 1 (revised 2007) has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (revised 2007) has had no impact on the reported results or financial position of the Group.

HKFRS 8 *Operating Segments*

(effective for annual periods beginning on or after 1st January, 2009)

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1st January, 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14, *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity’s “system of internal financial reporting to key management personnel” serving only as the starting point for the identification of such segments. In the past, the Group’s primary reporting format was by business segments. The application of HKFRS 8 has resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

HKFRS 8 Operating Segments (Continued)

(effective for annual periods beginning on or after 1st January, 2009)

In prior years, primary segment information was analysed on the basis of the operation of the Group's businesses, including hospitality services, property investment, property development and securities investment and trading. However, information reported to the chief operating decision maker, Chairman of the Group, for the purposes of resources allocation and performance assessment focuses more specifically on the performance of each hotel and investment property for hospitality services and property investment operation.

Information regarding the operating segments is reported in note 4. Amounts reported for the prior period have been restated to conform to the requirements of HKFRS 8.

The adoption of the remaining new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following revised standards, amendments or interpretations that have been issued by the HKICPA but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of the Improvements to HKFRSs issued in 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 ²
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements ¹
HKAS 39 (Amendment)	Eligible Hedged Items ¹
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ³
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ³
HKFRS 3 (Revised 2008)	Business Combinations ¹
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC) – Int 18	Transfers of Assets from Customers ⁴

¹ Effective for annual periods beginning on or after 1st July, 2009

² Amendments that are effective for annual periods beginning on or after 1st July, 2009 and 1st January, 2010, as appropriate

³ Effective for annual periods beginning on or after 1st January, 2010

⁴ Effective for transfers on or after 1st July, 2009

The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. REVENUE

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

	Six months ended 30th June,	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Income from operation of hotels	78,744	102,421
Property rental	42,739	36,033
Interest from debt securities	–	616
Dividend	–	40
	<u>121,483</u>	<u>139,110</u>

4. SEGMENT INFORMATION

The Group's operating segments under HKFRS 8 are as follows:

1. Hospitality services – Ramada Hotel Kowloon
2. Hospitality services – Ramada Hong Kong Hotel
3. Hospitality services – Best Western Hotel Taipa, Macau
4. Hospitality services – Magnificent International Hotel, Shanghai
5. Property investment – 633 King's Road
6. Property investment – Shun Ho Tower
7. Property investment – 19-23 Austin Avenue
8. Property investment – Shops
9. Securities investment and trading
10. Property development

4. SEGMENT INFORMATION (Continued)

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

	Segment revenue		Segment profit	
	Six months ended 30th June,		Six months ended 30th June,	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hospitality services	78,744	102,421	18,923	38,979
– Ramada Hotel Kowloon	23,961	30,013	4,198	9,250
– Ramada Hong Kong Hotel	29,572	39,745	9,815	18,720
– Best Western Hotel Taipa, Macau	18,450	22,256	5,690	9,023
– Magnificent International Hotel, Shanghai	6,761	10,407	(780)	1,986
Property investment	42,739	36,033	64,626	215,413
– 633 King's Road	30,323	18,970	29,423	138,886
– Shun Ho Tower	7,902	6,633	23,919	53,826
– 19-23 Austin Avenue (Note)	–	5,635	–	14,533
– Shops	4,514	4,795	11,284	8,168
Securities investment and trading	–	656	6	1,299
Property development	–	–	–	–
	<u>121,483</u>	<u>139,110</u>	83,555	255,691
Other income			7,310	7,378
Other expenses			(5,209)	(4,959)
Unallocated administration costs and directors' salaries			(9,289)	(8,956)
Finance costs			(12,868)	(18,080)
Profit before taxation			<u>63,499</u>	<u>231,074</u>

4. SEGMENT INFORMATION (Continued)

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

Segment profit represents the profit earned by each segment without allocation of investment revenue, central administration costs and directors' salaries and finance costs. This is the measure reported to the Group's Chairman for the purposes of resources allocation and assessment of segment performance.

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

	As at 30th June, 2009 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2008 <i>HK\$'000</i> (Audited)
Segment assets		
Hospitality services	2,236,039	2,220,545
– Ramada Hotel Kowloon	177,249	183,235
– Ramada Hong Kong Hotel	351,127	355,841
– Best Western Hotel Taipa, Macau	138,873	141,695
– Magnificent International Hotel, Shanghai	86,997	89,354
– 239-251 Queen's Road West	344,531	336,059
– 19-23 Austin Avenue (<i>Note</i>)	651,459	646,437
– 30-40 Bowrington Road	280,544	265,357
– 338-346 Queen's Road West	205,259	202,567
Property investment	1,951,333	1,929,400
– 633 King's Road	1,300,241	1,301,095
– Shun Ho Tower	377,421	361,404
– Shops	273,671	266,901
Securities investment and trading	109,057	124,410
Property development	21,916	21,670
	4,318,345	4,296,025
Unallocated corporate assets	93,776	76,838
	4,412,121	4,372,863

The adoption of HKFRS 8 has resulted in a redesignation of the Group's reportable segments and has changed the basis of measurement of the Group's segment assets.

Note: During the six months ended 30th June, 2008, the property situated at 19-23 Austin Avenue previously held under investment properties was transferred to the balance of properties under development for the redevelopment into a hotel.

5. FINANCE COSTS

	Six months ended 30th June,	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interests on:		
Bank loans wholly repayable within five years	13,038	13,016
Effective interest expense on mandatory convertible bonds	6,759	–
Advance from immediate holding company wholly repayable within five years	309	8,212
Advance from ultimate holding company wholly repayable within five years	371	470
	<u>20,477</u>	21,698
Less: amount capitalised in property under development	<u>(7,609)</u>	(3,618)
	<u>12,868</u>	<u>18,080</u>

6. PROFIT BEFORE TAXATION

	Six months ended 30th June,	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Release of prepaid lease payments for land	6,283	6,130
Less: amount capitalised in property under development	<u>(3,144)</u>	(2,991)
	3,139	3,139
Depreciation of property, plant and equipment	11,149	10,659
Interest on bank deposits, included in other income	(43)	(120)
Gain on disposal of property, plant and equipment, included in other income	<u>(255)</u>	(371)

7. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
The taxation charge comprises:		
Current tax		
Hong Kong	4,050	4,195
The People's Republic of China ("PRC")	–	520
Other jurisdiction	409	–
	<u>4,459</u>	<u>4,715</u>
Deferred tax		
Current period	6,047	32,379
Attributable to a change in tax rate	–	(15,179)
	<u>6,047</u>	<u>17,200</u>
	<u>10,506</u>	<u>21,915</u>

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profits tax rate by 1% to 16.5% effective from the year of assessment 2008/2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the six months ended 30th June, 2008. The estimated average annual tax rate used is 16.5% (six months ended 30th June, 2008: 16.5%) for six months period ended 30th June, 2009.

Taxation arising in 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.

According to a joint circular of the Ministry of Finance and State Administration of Taxation – Cai Shui [2008] No. 1, dividend distributed out of the profits generated since 1st January, 2008 and which held by the PRC entity shall be subject to PRC Enterprise Income Tax pursuant to Articles 3 and 27 of the Income Tax Law Concerning Foreign Investment Enterprises and Foreign Enterprises and Article 91 of the Detailed Rules for the Implementation of the Income Tax Law for Enterprises with Foreign Investment Enterprises and Foreign Enterprises.

No deferred tax liabilities on the temporary differences attributable to the undistributed retained profits earned by the Group's PRC subsidiary were charged to the condensed consolidated statement of comprehensive income for the six months ended 30th June, 2009 as the management considered that the amount is not significant.

8. DIVIDEND

During the period ended 30th June, 2009, no final dividend in respect of the year ended 31st December, 2008 was declared to shareholders (six months ended 30th June, 2008: final dividend in respect of the year ended 31st December, 2007 of 0.24 HK cent per share).

The directors have resolved not to declare an interim dividend in respect of the current period (six months ended 30th June, 2008: nil).

9. EARNINGS PER SHARE

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

Earnings

	Six months ended 30th June,	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period attributable to equity holders of the Company	52,993	209,159
Effective interest expense on mandatory convertible bonds	<u>6,759</u>	<u>–</u>
Earnings for the purpose of calculating basic earnings per share	<u>59,752</u>	<u>209,159</u>
	Number of shares	
	'000	'000
Weighted average number of ordinary shares in issue	5,964,701	5,964,701
Effect of ordinary shares to be issued upon the conversion of mandatory convertible bonds	<u>2,982,350</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>8,947,051</u>	<u>5,964,701</u>

Diluted earnings per share for both periods are not shown as there are no dilutive ordinary shares subsist during both periods presented.

10. INVESTMENT PROPERTIES

The Group's investment properties at 30th June, 2009 were valued by Dudley Surveyors Limited. The increase in fair value of the investment properties amounted to HK\$23,000,000 (six months ended 30th June, 2008: HK\$184,927,000) has been recognised in the condensed consolidated statement of comprehensive income.

During the six months ended 30th June, 2008, certain investment properties with an aggregate carrying value of approximately HK\$645,000,000 were transferred to the balance of properties under development. The fair value of such investment properties at the date of transfer was also determined by reference to a valuation carried out by Dudley Surveyors Limited. The valuation was carried out by reference to market evidence of transaction prices for similar properties in similar location and condition under the prevailing market conditions. The increase in fair value of such investment properties amounted to HK\$9,000,000 was included in the increase in fair value of investment properties of HK\$184,927,000 during such period.

Dudley Surveyors Limited is an independent firm of property valuers not connected with the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

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

11. AVAILABLE-FOR-SALE INVESTMENTS/INVESTMENTS HELD FOR TRADING

	Available-for-sale investments Non-current		Investments held for trading Current	
	As at 30th June, 2009 HK\$'000 (Unaudited)	As at 31st December, 2008 HK\$'000 (Audited)	As at 30th June, 2009 HK\$'000 (Unaudited)	As at 31st December, 2008 HK\$'000 (Audited)
Listed equity securities in Hong Kong at fair value	108,232	123,591	7	1
Unlisted equity investments	<u>780</u>	<u>780</u>	<u>-</u>	<u>-</u>
	<u>109,012</u>	<u>124,371</u>	<u>7</u>	<u>1</u>

12. TRADE AND OTHER RECEIVABLES

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

	As at 30th June, 2009 HK\$'000 (Unaudited)	As at 31st December, 2008 HK\$'000 (Audited)
Not yet due	6,718	9,494
0 – 30 days	2,879	6,772
31 – 60 days	749	634
Over 60 days	42	96
	<u>10,388</u>	<u>16,996</u>

Analysed for reporting as:

Trade receivables	10,388	16,996
Other receivables	<u>2,919</u>	<u>1,892</u>
	<u>13,307</u>	<u>18,888</u>

13. TRADE AND OTHER PAYABLES

The following is an aged analysis of the Group's trade payables at the end of the reporting period:

	As at 30th June, 2009 HK\$'000 (Unaudited)	As at 31st December, 2008 HK\$'000 (Audited)
0 – 30 days	11,980	8,522
31 – 60 days	48	633
Over 60 days	<u>1,728</u>	<u>6,488</u>
	<u>13,756</u>	<u>15,643</u>

The average credit period on purchase of goods is 30 days. The Group has financial risk management policies in place to ensure that all payables are within credit timeframe.

Analysed for reporting as:

	As at 30th June, 2009 HK\$'000 (Unaudited)	As at 31st December, 2008 HK\$'000 (Audited)
Trade payables	13,756	15,643
Other payables	<u>11,875</u>	<u>24,731</u>
	<u>25,631</u>	<u>40,374</u>

14. BANK LOANS

	As at 30th June, 2009 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2008 <i>HK\$'000</i> (Audited)
Secured bank loans	<u>1,044,537</u>	<u>1,044,339</u>
Carrying amount repayable:		
On demand or within one year	292,112	181,914
More than one year, but not exceeding two years	653,425	763,425
More than two years, but not more than five years	<u>99,000</u>	<u>99,000</u>
	1,044,537	1,044,339
Less: Amounts due within one year shown under current liabilities	<u>(292,112)</u>	<u>(181,914)</u>
	<u>752,425</u>	<u>862,425</u>

All the Group's bank loans are floating-rate borrowings, which carry interests at HIBOR plus 0.8% to 1.25% (year ended 31st December, 2008: 0.65% to 1.2%) in respect of the period/year presented. The bank loans are secured over certain of the Group's properties. Interest rate on the Group's bank loans are repriced according to the HIBOR monthly. Effective interest rate is 1.25% (year ended 31st December, 2008: 2.9%) per annum.

At the end of the reporting period, the available banking facilities of the Group amounted to approximately HK\$1,495 million (31st December, 2008: HK\$1,495 million), which was utilised to the extent of approximately HK\$1,045 million (31st December, 2008: HK\$1,045 million). In the opinion of the directors of the Company, the Group expects to renew the existing banking facilities on similar terms and conditions when the existing banking facilities of the Group mature.

15. SHARE CAPITAL

	Number of shares '000	Nominal value HK\$ '000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 30th June, 2009 (unaudited) and 31st December, 2008 (audited)	<u>80,000,000</u>	<u>800,000</u>
Issued and fully paid:		
At 30th June, 2009 (unaudited) and 31st December, 2008 (audited)	<u>5,964,701</u>	<u>59,647</u>

16. PROJECT COMMITMENTS

At the end of the reporting date, the Group had outstanding commitments contracted for but not provided in the condensed consolidated financial statements in respect of the following:

	As at 30th June, 2009 HK\$'000 (Unaudited)	As at 31st December, 2008 HK\$ '000 (Audited)
(a) Property development expenditure	<u>136,071</u>	<u>12,958</u>
(b) Acquisition of property, plant and equipment	<u>2,115</u>	<u>1,503</u>

17. PLEDGE OF ASSETS

At 30th June, 2009, the bank loan facilities of subsidiaries were secured by the following:

- (a) prepaid lease payments for land, investment properties, property under development and property, plant and equipment of the Group with carrying amounts of HK\$1,050 million (31st December, 2008: HK\$1,083 million), HK\$1,437 million (31st December, 2008: HK\$1,435 million), HK\$777 million (31st December, 2008: HK\$742 million) and HK\$178 million (31st December, 2008: HK\$180 million), respectively;
- (b) pledge of shares in and subordination of loans due from subsidiaries with an aggregate carrying amount of approximately HK\$846 million (31st December, 2008: HK\$840 million);
- (c) assignment of the Group's rentals and hotel revenue; and
- (d) pledge of bank deposits with a carrying amount of HK\$110,000 (31st December, 2008: HK\$110,000).

18. RELATED PARTY TRANSACTIONS

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

	Six months ended 30th June,	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
THE GROUP		
Shun Ho Technology Holdings Limited and its subsidiaries* (<i>note i</i>)		
Rental expenses	520	520
Interest expenses on advances to the Group (<i>note a</i>)	309	8,212
Interest expense on mandatory convertible bonds	6,759	–
Corporate management fees for administrative facilities received	775	791
Shun Ho Resources Holdings Limited (<i>note ii</i>)		
Corporate management fees for administrative facilities provided received	50	50
Trillion Resources Limited (<i>note iii</i>)		
Interest expenses on advances to the Group (<i>note a</i>)	371	470
Compensation of key management personnel (<i>note b</i>)	<u>2,092</u>	<u>2,238</u>

Note i: Shun Ho Technology Holdings Limited is the Company's immediate holding company.

Note ii: Shun Ho Resources Holdings Limited is the Company's intermediate holding company.

Note iii: Trillion Resources Limited is the Company's ultimate holding company.

Notes:

- (a) The advances from immediate holding company and ultimate holding company are unsecured, carry interests at HIBOR plus 1% and is repayable on demand.
- (b) The compensation of key management personnel comprised short-term benefits attributable to such personnel.

* exclude Magnificent Estates Limited and its subsidiaries

19. ASSETS CLASSIFIED AS HELD FOR SALE

On 15th June, 2009, Shun Ho Construction (Holdings) Limited, a wholly-owned subsidiary of the Company, entered into an agreement with an independent third party for the disposal of the entire issued share capital of City Wealth Limited (“City Wealth”), its wholly-owned subsidiary, together with the shareholder’s loan of City Wealth due to the Company for an aggregate consideration of HK\$4,500,000 (the “Disposal”). The principal activity of City Wealth is holding a property in Hong Kong. The Disposal is expected to be completed on or before 30th June, 2010.

Upon completion of the Disposal, it is estimated that the proceeds of the Disposal would exceed the carrying amount of the net assets, accordingly, no impairment loss has been recognised on the assets which was classified as assets held for sale during the period.