

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



# MAGNIFICENT ESTATES LIMITED

(incorporated in Hong Kong with limited liability)  
(Stock Code: 201)

## 2015 INTERIM RESULTS

### RESULTS

The board of directors (the “Board”) of Magnificent Estates Limited (the “Company”) announces that the **net profit after tax attributable to owners of the Company** before revaluation gain of investment properties and gain on disposal of subsidiaries and depreciation of properties for the six months ended 30th June, 2015 was HK\$118 million (six months ended 30th June, 2014: HK\$159 million). The unaudited consolidated results of the Group for the period, together with comparative figures for the previous period, are as follows:

### Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income For the six months ended 30th June, 2015

NOTES	Six months ended		
	30.6.2015	30.6.2014	
	HK\$'000 (unaudited)	HK\$'000 (unaudited and restated)	
<b>Continuing operations</b>			
Revenue	3	<b>207,183</b>	269,296
Cost of sales		(2,022)	(2,117)
Other service costs		(112,105)	(117,322)
Depreciation of property, plant and equipment and release of prepaid lease payments for land		<b>(31,867)</b>	(31,233)
Gross profit		<b>61,189</b>	118,624
Decrease in fair value of investment properties		-	(8,000)
Other income and gains		<b>9,115</b>	5,153
Gain on disposal of subsidiaries		-	620,478
Administrative expenses			
- Depreciation		<b>(835)</b>	(1,086)
- Others		<b>(12,224)</b>	(12,661)
		<b>(13,059)</b>	(13,747)
Other expenses		<b>(1,862)</b>	-
Finance costs	5	<b>(4,726)</b>	(3,945)
Profit before taxation		<b>50,657</b>	718,563
Income tax expense	6	<b>(10,968)</b>	(21,761)
Profit for the period from continuing operations	7	<b>39,689</b>	696,802
<b>Discontinued operations</b>			
Profit for period from discontinued operations		<b>46,956</b>	52,927
Profit for the period		<b>86,645</b>	749,729

**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**

(Continued)

For the six months ended 30th June, 2015

NOTE	<b>Six months ended</b>		
	<b>30.6.2015</b>	<b>30.6.2014</b>	
	<b>HK\$'000</b>	<b>HK\$'000</b>	
	<b>(unaudited)</b>	<b>(unaudited</b>	<b>and restated)</b>
<b>Other comprehensive income (expense)</b>			
<b>Items that may be subsequently reclassified to profit or loss</b>			
Exchange differences arising on translation of foreign operations	<b>(346)</b>	<b>(2,431)</b>	
Fair value gain on available-for-sale investments	<b>169,348</b>	<b>9,676</b>	
Other comprehensive income for the period	<b>169,002</b>	<b>7,245</b>	
Total comprehensive income for the period	<b>255,647</b>	<b>756,974</b>	
Profit for the period attributable to owners of the Company			
- profit for the period from continuing operations	<b>39,689</b>	<b>696,802</b>	
- profit for the period from discontinued operations	<b>45,269</b>	<b>51,369</b>	
Profit for the period attributable to owners of the Company	<b>84,958</b>	<b>748,171</b>	
Profit for the period attributable to non- controlling interests of the Company	<b>1,687</b>	<b>1,558</b>	
Profit for the period attributable to:			
Owners of the Company	<b>84,958</b>	<b>748,171</b>	
Non-controlling interests	<b>1,687</b>	<b>1,558</b>	
	<b>86,645</b>	<b>749,729</b>	
Total comprehensive income attributable to:			
Owners of the Company	<b>253,960</b>	<b>755,416</b>	
Non-controlling interests	<b>1,687</b>	<b>1,558</b>	
	<b>255,647</b>	<b>756,974</b>	
	<b>HK cents</b>	<b>HK cents</b>	
Earnings per share			
<i>From continuing and discontinued operations</i>			
Basic	<b>9</b>	<b>0.95</b>	<b>8.36</b>
<i>From continuing operations</i>			
Basic	<b>9</b>	<b>0.45</b>	<b>7.79</b>

## Condensed Consolidated Statement of Financial Position

At 30th June, 2015

	NOTES	<b>30.6.2015</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.12.2014 HK\$'000 (audited)
<b>Non-Current Assets</b>			
Property, plant and equipment		<b>2,300,001</b>	2,324,497
Prepaid lease payments for land		<b>32,901</b>	33,440
Investment properties		<b>360,000</b>	3,082,700
Properties under development		<b>397,671</b>	382,339
Available-for-sale investments		<b>426,384</b>	<u>257,036</u>
		<b><u>3,516,957</u></b>	<u>6,080,012</u>
<b>Current Assets</b>			
Inventories		<b>866</b>	891
Prepaid lease payments for land		<b>901</b>	901
Trade and other receivables	10	<b>7,721</b>	21,480
Other deposits and prepayments		<b>40,107</b>	7,912
Bank balances and cash		<b>1,168,811</b>	<u>1,164,762</u>
		<b><u>1,218,406</u></b>	<u>1,195,946</u>
Assets classified as held for sale		<b>2,753,603</b>	-
		<b><u>3,972,009</u></b>	<u>1,195,946</u>
<b>Current Liabilities</b>			
Trade and other payables and accruals	11	<b>48,575</b>	41,295
Rental and other deposits received		<b>2,571</b>	11,261
Advance from immediate holding company		<b>137,159</b>	145,203
Advance from an intermediate holding company		<b>-</b>	12,491
Advance from ultimate holding company		<b>429</b>	423
Tax liabilities		<b>12,031</b>	15,680
Bank loans		<b>418,392</b>	<u>621,733</u>
		<b><u>619,157</u></b>	<u>848,086</u>
Liabilities associated with assets classified as held for sale		<b><u>293,375</u></b>	-
		<b><u>912,532</u></b>	<u>848,086</u>
<b>Net Current Assets</b>		<b><u>3,059,477</u></b>	<u>347,860</u>
<b>Total Assets less Current Liabilities</b>		<b><u>6,576,434</u></b>	<u>6,427,872</u>
<b>Capital and Reserves</b>			
Share capital		<b>841,926</b>	841,926
Reserves		<b>5,519,434</b>	<u>5,316,920</u>
Equity attributable to owners of the Company		<b>6,361,360</b>	6,158,846
Non-controlling interests		<b>119,459</b>	<u>117,772</u>
		<b><u>6,480,819</u></b>	<u>6,276,618</u>
<b>Non-Current Liabilities</b>			
Rental deposits received		<b>1,337</b>	33,724
Deferred tax liabilities		<b>94,278</b>	<u>117,530</u>
		<b><u>95,615</u></b>	<u>151,254</u>
		<b><u>6,576,434</u></b>	<u>6,427,872</u>

Notes:

## **1. BASIS OF PREPARATION**

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

## **2. PRINCIPAL ACCOUNTING POLICIES**

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2014.

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

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 -2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 -2013 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 these 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:

	<b>Six months ended</b>	
	<b>30.6.2015</b>	30.6.2014
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited and restated)
<b>Continuing operations</b>		
Income from operation of hotels	<b>203,054</b>	264,322
Income from property rental - shops	<b>3,893</b>	4,974
Dividend income	<b>236</b>	-
	<b><u>207,183</u></b>	<b><u>269,296</u></b>

### **4. SEGMENT INFORMATION**

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

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

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

On 25th March, 2015, the Company entered into the sale and purchase agreement with its immediate holding company, 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 and the comparative figures in the segment information for the six months ended 30th June, 2014 have been restated.

Information regarding the above segments is reported below.

#### 4. SEGMENT INFORMATION (*Continued*)

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

##### Continuing operations

	Segment revenue Six months ended <b>30.6.2015</b> <b>HK\$ '000</b> (unaudited)	30.6.2014 <b>HK\$ '000</b> (unaudited and restated)	Segment profit (loss) Six months ended <b>30.6.2015</b> <b>HK\$ '000</b> (unaudited)	30.6.2014 <b>HK\$ '000</b> (unaudited and restated)
Hospitality services	<b>203,054</b>	264,322	<b>57,060</b>	113,650
- Ramada Hotel Kowloon	<b>28,955</b>	37,658	<b>7,739</b>	17,436
- Ramada Hong Kong Hotel	<b>38,434</b>	45,906	<b>13,306</b>	22,072
- Best Western Hotel Taipa, Macau	-	14,258	-	7,038
- Magnificent International Hotel, Shanghai	<b>10,292</b>	9,715	<b>1,417</b>	879
- Best Western Hotel Causeway Bay	<b>31,048</b>	40,543	<b>7,245</b>	16,848
- Best Western Hotel Harbour View	<b>44,971</b>	52,888	<b>17,146</b>	25,482
- Best Western Grand Hotel	<b>49,354</b>	63,354	<b>10,207</b>	23,895
Property investment				
- Shops	<b>3,893</b>	4,974	<b>3,893</b>	(3,026)
Securities investment and trading	<b>236</b>	-	<b>236</b>	-
Property development for hotel				
- 338 Queen's Road West	-	-	-	-
	<hr/> <b>207,183</b>	<hr/> 269,296	<hr/> <b>61,189</b>	<hr/> 110,624
Other income and gains			<b>9,115</b>	5,153
Gain on disposal of subsidiaries			-	620,478
Central administration costs and directors' emoluments			<b>(13,059)</b>	(13,747)
Other expenses			<b>(1,862)</b>	-
Finance costs			<b>(4,726)</b>	<u>(3,945)</u>
Profit before taxation			<hr/> <b>50,657</b>	<hr/> 718,563

## 5. FINANCE COSTS

	<b>Six months ended</b>	
	<b>30.6.2015</b>	<b>30.6.2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited and restated)</b>
<b>Continuing operations</b>		
Interests on:		
Bank loans wholly repayable within five years	<b>3,968</b>	4,263
Advance from immediate holding company wholly repayable within five years	<b>1,861</b>	777
Advance from ultimate holding company wholly repayable within five years	<b>9</b>	<u>9</u>
	<b>5,838</b>	5,049
Less: amounts capitalised in properties under development	<b>(1,112)</b>	<u>(1,104)</u>
	<b>4,726</b>	<u>3,945</u>

## 6. INCOME TAX EXPENSE

	<b>Six months ended</b>	
	<b>30.6.2015</b>	<b>30.6.2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited and restated)</b>
<b>Continuing operations</b>		
The taxation charge comprises:		
Current tax		
Hong Kong	<b>9,767</b>	15,305
The People's Republic of China ("PRC")	<b>271</b>	126
Other jurisdiction	<b>-</b>	<u>715</u>
	<b>10,038</b>	16,146
Deferred tax		
Current period	<b>930</b>	<u>5,615</u>
	<b>10,968</b>	<u>21,761</u>

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The annual tax rate used is 16.5% for the six months ended 30th June, 2015 (six months ended 30th June, 2014: 16.5%).

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

## 7. PROFIT FOR THE PERIOD

Six months ended	
30.6.2015	30.6.2014
HK\$'000	HK\$'000
(unaudited)	(unaudited and restated)

### Continuing operations

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

Release of prepaid lease payments for land	451	449
Depreciation of property, plant and equipment	<b>32,251</b>	31,870
Interest on bank deposits (included in other income and gains)	(4,779)	(5,153)
(Gain) loss on disposal of property, plant and equipment	<b>(4,040)</b>	<b>23</b>

## 8. DIVIDEND

During the six months ended 30th June, 2015, a final dividend of HK0.575 cent per share amounting to HK\$51,446,000 was declared and payable to shareholders for the year ended 31st December, 2014 (six months ended 30th June, 2014: 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, 2013).

The interim dividend in respect of the six months ended 30th June, 2015 of HK0.2 cent per share amounting to HK\$17,894,000 has been declared by the Board (six months ended 30th June, 2014: 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 the owner of the Company is based on the following data:

### From continuing and discontinued operations

	Six months ended	
	30.6.2015	30.6.2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited and restated)
<b>Profit</b>		
Profit for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	<u>84,958</u>	<u>748,171</u>
	<b>30.6.2015</b>	30.6.2014
	<b>'000</b>	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>8,947,051</u>	<u>8,947,051</u>

### From continuing operations

	Six months ended	
	30.6.2015	30.6.2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited and restated)

Profit figures are calculated as follows:

Profit for the period attributable to owners of the Company	<b>84,958</b>	748,171
Less: profit for the period from discontinued operations attributable to owners of the Company	<u>(45,269)</u>	<u>(51,369)</u>
Profit for the purpose of basic earnings per share from continuing operations	<b><u>39,689</u></b>	<b><u>696,802</u></b>

The denominators used are the same as those detailed above for basic earnings per share.

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

## 10. TRADE AND OTHER RECEIVABLES

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

	As at 30.6.2015 HK\$'000 (unaudited)	As at 31.12.2014 HK\$'000 (audited)
Not yet due	<b>4,974</b>	17,042
Overdue:		
0 - 30 days	<b>769</b>	937
31 - 60 days	<b>-</b>	51
	<b><u>5,743</u></b>	<b><u>18,030</u></b>
Analysed for reporting as:		
Trade receivables	<b>5,743</b>	18,030
Other receivables	<b>1,978</b>	3,450
	<b><u>7,721</u></b>	<b><u>21,480</u></b>

## 11. TRADE AND OTHER PAYABLES AND ACCRUALS

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

	As at 30.6.2015 HK\$'000 (unaudited)	As at 31.12.2014 HK\$'000 (audited)
0 - 30 days	<b>3,938</b>	2,812
31 - 60 days	<b>449</b>	380
61 - 90 days	<b>30</b>	6
	<b><u>4,417</u></b>	<b><u>3,198</u></b>

Analysed for reporting as:

Trade payables	<b>4,417</b>	3,198
Other payables and accruals (Note)	<b>44,158</b>	38,097
	<b><u>48,575</u></b>	<b><u>41,295</u></b>

Note: Other payables and accruals include construction costs payable of HK\$8,778,000 (31st December, 2014: HK\$13,445,000).

## **INTERIM DIVIDEND**

The Board has resolved to declare the payment of an interim dividend of HK0.2 cent per share for the six months ended 30th June, 2015 (six months ended 30th June, 2014: HK0.2 cent per share) payable on Friday, 15th July, 2016 to shareholders whose names appear on the register of members of the Company on Thursday, 30th June, 2016. **The dividend payout ratio is 15% (30th June, 2014: 11%), increased by 4%.**

## **BOOK CLOSURE**

The register of members will be closed from Monday, 27th June, 2016 to Thursday, 30th June, 2016, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. Friday, 24th June, 2016.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The **net profit after tax** attributed to owners of the Company before revaluation gain and gain on disposal of subsidiaries and depreciation of the properties for the six months ended 30th June, 2015 was HK\$118 million (six months ended 30th June, 2014: HK\$159 million), decreased by 26%. (*See Note a*)

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

On 25th March, 2015, Magnificent Estates Limited announced the reorganisation proposal to focus on hotel investment and development business and disposal of commercial investment properties business. 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 "Disposal Subsidiaries") together with its shareholder's loan due to the Company by the Company (as vender) to its immediate holding company, Shun Ho Technology Holdings Limited (as purchaser) was completed on 17th July, 2015. The Disposal Subsidiaries are principally engaged in property investment in commercial buildings, namely, 633 King's Road and Shun Ho Tower.

	Six months ended		
	30.6.2014 HK\$'000 (unaudited)	30.6.2015 HK\$'000 (unaudited)	Change
Revaluation profit of investment properties	1,900	-	-100%
Profit from operation of hotels	109,051	<b>52,334</b>	-52%
Properties rental income	56,314	<b>59,169</b>	+5%
Other income	<u>5,868</u>	<u><b>8,322</b></u>	+42%
	173,133	<b>119,825</b>	-31%
Administrative and other expenses	(14,397)	<b>(13,684)</b>	-5%
Gain on disposal of subsidiaries	620,478	-	-100%
Income tax expense	<u>(29,485)</u>	<u><b>(19,496)</b></u>	-34%
Profit after taxation	749,729	<b>86,645</b>	-88%
Non-controlling interests	<u>(1,558)</u>	<u><b>(1,687)</b></u>	+8%
Profit after taxation and non-controlling interests	748,171	<b>84,958</b>	-89%
Less: Revaluation profit of investment properties	(1,900)	-	
Less: Gain on disposal of subsidiaries	(620,478)	-	
Add: Properties depreciation and release of prepaid lease payments for land	<u>32,770</u>	<u><b>33,149</b></u>	
Net profit after tax before revaluation of investment properties and gain on disposal of subsidiaries	158,563	<b>118,107</b>	-26%
			(Note a)

Matters that reduced profit after tax for the period:

	<i>HK\$ million</i>
1) No revaluation gain	2
2) No extraordinary disposal gain	620
3) Decrease of hotel profit	<u>41</u>
	<u><u>663</u></u>

As at 30th June, 2015, the net assets excluding non-controlling interests before revaluation on all asset properties and before deferred tax of the Group amounted to HK\$6,480 million (31st December, 2014: HK\$6,276 million), the net asset value per ordinary share is HK\$0.72 (31st December, 2014: HK\$0.70).

As at 30th June, 2015, the **net assets excluding non-controlling interests after revaluation on all asset properties** but before deferred tax of the Group amounted to **HK\$12,227 million** (31st December, 2014: HK\$12,119 million), the **adjusted net asset value per ordinary share is HK\$1.37** (31st December, 2014: HK\$1.36). All the asset properties of the Group are valued by DTZ Debenham Tie Leung Limited, a well-known valuer worldwide.

	31.12.2012 HK\$ million	31.12.2013 HK\$ million	31.12.2014 HK\$ million	<b>30.06.2015 HK\$ million</b>	<b>18.07.2015 HK\$ million</b>	(Note)
Adjusted Shareholders' Fund	10,461	12,070	12,119	<b>12,227</b>	<b>9,546</b>	
Adjusted Net Asset Value Per Ordinary Share	HK\$1.17	HK\$1.35	HK\$1.36	<b>HK\$1.37</b>	<b>HK\$1.07</b>	

*Note: Pursuant to the completion of the group reorganization of the sale of the Disposed Subsidiaries, the total sale proceed plus a special cash dividend of HK\$0.03 per share and the interim dividend and the final dividend was distributed to shareholders of the Company on 17th July, 2015. Due to the above distributions, the adjusted net assets value of the Company is therefore adjusted from HK\$1.37 per share (HK\$12,227 million) to HK\$1.07 per share (HK\$9,546 million).*

## PERFORMANCES

- For the six months ended 30th June, 2015, the **GROUP'S INCOME** was mostly derived from the aggregate of income from operation of hotels and properties rental income, which was analysed as follows:

### Income

	<b>Six months ended</b>		
	<b>30.6.2014 HK\$'000</b>	<b>30.6.2015 HK\$'000</b>	Change
	(unaudited)	(unaudited)	
Income from operation of hotels	264,322	<b>203,054</b>	-23%
Properties rental income	57,721	<b>61,801</b>	+7% (Note)
Dividend income	–	<b>236</b>	N/A
Other income	<u>12,708</u>	<u><b>16,767</b></u>	+32%
<b>Total</b>	334,751	<b>281,858</b>	-16%

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

The total income for the Group decreased by 16% from HK\$335 million to HK\$282 million for the same period compared with last year.

The income from operation of hotels decreased by 23% to HK\$203 million (six months ended 30th June, 2014: HK\$264 million). The decrease was due to the adverse hotel market condition and loss of two and a half months hotel income from the disposed Macau Hotel. The decrease from the existing operating hotels income is 19%.

	Ramada Hotel		Ramada		Best Western		Best Western Hotel		Best Western Hotel		Magnificent International		
	Kowloon		Hong Kong Hotel		Grand Hotel		Harbour View		Causeway Bay		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	
	Occupancy %	Rate HK\$	Occupancy %	Rate HK\$	Occupancy %	Rate HK\$	Occupancy %	Rate HK\$	Occupancy %	Rate HK\$	Occupancy %	Rate HK\$	
<b>2015</b>													
Jan	98	865	98	722	99	756	98	603	98	734	66	256	
Feb	99	905	99	736	99	839	99	657	89	802	67	273	
Mar	97	781	98	681	98	676	96	565	99	720	82	294	
Apr	94	758	98	624	96	629	99	567	96	660	92	313	
May	100	605	99	546	99	540	100	486	99	513	88	304	
Jun	99	610	99	537	99	525	100	467	99	515	81	291	
<b>Total</b>		<b>HK\$28,955,000</b>		<b>HK\$38,434,000</b>		<b>HK\$49,354,000</b>		<b>HK\$44,971,000</b>		<b>HK\$31,048,000</b>		<b>HK\$10,292,000</b>	
Jan to Jun 2014 Total		HK\$37,658,000		HK\$45,906,000		HK\$63,354,000		HK\$52,888,000		HK\$40,543,000		HK\$9,715,000	
Change		-23%		-16%		-22%		-15%		-23%		+6%	-19%
<b>Jan to Jun 2015 EBITDA Margin (Based on Revenue)</b>		<b>49%</b>		<b>43%</b>		<b>51%</b>		<b>46%</b>		<b>43%</b>		<b>28%</b>	

For the period under review, the hotel industry has suffered noticeable decline of overnight visitors and their spending power. According to Hong Kong Tourism Board, total overnight visitors declined by 3.8% (12,696,759 visitors) during January to June 2015, the visitors segments was analysed as follows:

Mainland China	-3.8%
Other Asia markets	-4.1%
Long haul markets	-2.6%
New markets	-5.9%

The **PROPERTIES RENTAL INCOME** was derived from office buildings of Shun Ho Tower, 633 King's Road and shops from Ramada Hotel Kowloon, Ramada Hong Kong Hotel and Best Western Grand Hotel amounted to HK\$62 million (six months ended 30<sup>th</sup> June, 2014: HK\$58 million). At the date of this announcement, 633 King's Road provided an annual rental income of HK\$95 million (excluding rates and management fee incomes).

The properties rental income was analysed as follows:

	<b>Six months ended</b>		
	<b>30.6.2014</b>	<b>30.6.2015</b>	<b>Change</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	
	(unaudited)	(unaudited)	
633 King's Road	42,715	<b>47,059</b>	+10%
Shun Ho Tower	10,032	<b>10,849</b>	+8% ( <i>Note</i> )
Shops	<u>4,974</u>	<u>3,893</u>	-22%
<b>Total</b>	57,721	<b>61,801</b>	+7%

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

**OTHER INCOME** amounted to HK\$16.8 million (six months ended 30th June 2014: HK\$12.7 million) which was mostly property management fee incomes of HK\$7.7 million (six months ended 30th June 2014: HK\$7.7 million) with related expenses of HK\$6.9 million (six months ended 30th June 2014: HK\$6.9 million), interest income from cash deposits of HK\$4.8 million (six months ended 30th June 2014: HK\$5.0 million) and gain on disposal of property, plant and equipment and sundry income amounted to HK\$4.3 million (six months ended 30th June 2014: Nil).

**From continuing and discontinued operations**

**Six months  
ended  
30.6.2015  
HK\$'000  
(unaudited)**

	<b>Total</b>	Hotel	Hotel Shops	Office Rental	Bank/ Others
<b>Income</b>	<b>265,091</b>	203,054	3,893	57,908	236
Cost of sales	(2,022)	(2,022)	-	-	-
Service costs	(112,463)	(112,105)	-	(358)	-
<b>Gross Profit</b>	<b>150,606</b>	88,927	3,893	57,550	236
Depreciation	(31,867)	(31,867)	-	-	-
Other income and gains	16,767	-	-	7,652	9,115
Other expenses	(8,681)	(1,862)	-	(6,819)	-
Finance costs	(7,000)	(4,726)	-	(2,274)	-
Income tax expense	(15,810)	(7,282)	-	(8,528)	-
<b>Net Profit after Tax</b>	<b>104,015</b>	43,190	3,893	47,581	9,351
Overall Administrative expenses	(13,684)				
Income tax expense	(3,686)				
<b>Profit for the period</b>	<b><u>86,645</u></b>				

## COSTS

- **OVERALL SERVICE COSTS** of the Group for the period was HK\$114.5 million (six months ended 30th June, 2014: HK\$119.8 million), of which HK\$114.1 million (six months ended 30th June, 2014: HK\$119.5 million) was for the hotel operations including food and beverage and costs of sales and HK\$0.4 million (six months ended 30th June, 2014: HK\$0.3 million) was mainly for rates and leasing commission paid for investment properties. The leasing commissions paid for the leased premises represent total commissions payable for three years of the rental period.

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

Name of Hotel	Six months ended			Change
	30.6.2014 HK\$ million per month	30.6.2015 HK\$ million per month		
Ramada Hotel Kowloon	2.84	<b>2.88</b>	+1.4%	
Ramada Hong Kong Hotel	3.67	<b>3.89</b>	+6.0%	
Best Western Grand Hotel	4.06	<b>4.00</b>	-1.5%	
Best Western Hotel Harbour View	3.98	<b>4.05</b>	+1.8%	
Best Western Hotel Causeway Bay	2.94	<b>2.95</b>	+0.3%	
Magnificent International Hotel, Shanghai	1.22	<b>1.23</b>	+0.8%	

During the period, the **ADMINISTRATIVE EXPENSES** excluding depreciation was HK\$12.4 million (six months ended 30th June, 2014: HK\$12.9 million) for corporate management office including directors' fees, salaries for executive staff and employees, rental, marketing expenses and office expenses.

**OTHER EXPENSES** were property management expenses amounted to HK\$6.9 million (six months ended 30th June, 2014: HK\$6.9 million) and pre-operating expense of Grand City Hotel amounted to HK\$1.8 million (six months ended 30th June, 2014: Nil).

The accounting standards require hotel properties of the Group to provide **DEPRECIATION** which amounted to HK\$31.9 million (six months ended 30th June, 2014: HK\$31.2 million) for the period.

#### DEPRECIATION OF HOTEL PROPERTIES

Name of Hotel	Six months ended			Change
	30.6.2014 HK\$ million	30.6.2015 HK\$ million		
Ramada Hotel Kowloon	3.3	<b>3.9</b>	+0.6	
Ramada Hong Kong Hotel	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	6.0	<b>6.1</b>	+0.1	
Magnificent International Hotel, Shanghai	<u>1.5</u>	<u>1.5</u>	-	
<b>Total amount for the period</b>	31.2	<b>31.9</b>	+0.7	

## FUNDING

- As at 30th June, 2015, the **OVERALL DEBTS** of the Group were HK\$775 million (31st December, 2014: HK\$780 million), of which HK\$593 million (31st December, 2014: HK\$622 million) was bank borrowings and HK\$182 million (31st December, 2014: HK\$158 million) was advance from shareholders.

**The debt ratio was 6%** (31st December, 2014: 6%) in term of overall debts of HK\$775 million (31st December, 2014: HK\$780 million) against the fully revalued assets of the Group amounted to HK\$13,180 million (31st December, 2014: HK\$12,936 million).

The gearing ratio was approximately 12% (31st December, 2014: 13%) in term of overall debts of HK\$775 million (31st December, 2014: HK\$780 million) against funds employed of HK\$6,361 million (31st December, 2014: HK\$6,159 million).

The overall debts were analysed as follows:

	For the year ended 31.12.2014 <i>HK\$ million</i>	For the six months ended 30.06.2015 <i>HK\$ million</i>	Change <i>HK\$ million</i>	Interest Paid For the six months ended 30.06.2015 <i>HK\$ million</i>
Bank loans	622	593	-29	4.9
Shareholders' loans	<u>158</u>	<u>182</u>	+24	<u>3.2</u>
Overall debts	780	775	-5	8.1
Debt ratio (Based on Fully Revalued Assets)	6%	6%		

**FINANCE COST:** Of these loans, the bank loan interest expenses amounted to HK\$4.9 million (six months ended 30th June, 2014: HK\$5.3 million), the shareholders' loans interest expenses amounted to HK\$3.2 million (six months ended 30th June, 2014: HK\$1.5 million).

Out of these interests totally paid, HK\$1.1 million (six months ended 30th June, 2014: HK\$1.1 million) was capitalized and HK\$7.0 million (six months ended 30th June, 2014: HK\$5.7 million) reflected in the expenses account. The increase of interest expense amount was due to the increase of advance of shareholders' loans.

- Regarding the **CASH FLOW** of the Group for the period, the gross income of the Group was HK\$282 million (six months ended 30th June, 2014: HK\$335 million) with operating expenses of HK\$136 million (six months ended 30th June, 2014: HK\$139 million), interests paid out of the Group of HK\$5 million (six months ended 30th June, 2014: HK\$5 million), and net repayment of bank loans of HK\$29 million (six months ended 30th June, 2014: HK\$26 million), various construction expenses and acquisition of property, plant and equipment of HK\$42 million (six months ended 30th June, 2014: HK\$53 million). **A positive cash flow amounted to HK\$70 million** (six months ended 30th June, 2014: HK\$832 million) is in cash reserve of the Group.

The Group's bank borrowings carry interest at floating rates and are mainly denominated in Hong Kong dollar. Accordingly, the exchange risk of the Group is minimal. During the period under review, the Group's staffing level is about 4% more than that of 31st December, 2014. Remuneration and benefit were set with reference to the market.

## **LOOKING AHEAD**

In July 2015, Magnificent Estates Limited has completed the Group reorganization to focus on investment, development and operation of hotels. Magnificent Estates Limited will change its company name to Magnificent Hotel Investments Limited.

The **CORPORATE STRATEGY** of Magnificent Hotel Investments Limited ("Magnificent") is to build hotels on grade B commercial locations which are most suitable for hotel business in terms of low acquisition costs and high yields. Magnificent benefits from the development of these hotels from good operating incomes, but most importantly is their capital value gain. Magnificent presently owns and operates seven hotels including: (1) Ramada Hotel Kowloon, (2) Ramada Hong Kong Hotel, (3) Best Western Grand Hotel, , (4) Best Western Hotel Harbour View, (5) Best Western Hotel Causeway Bay (6) Grand City Hotel and (7) Magnificent International Hotel, Shanghai with 2,037 rooms. Magnificent is one of the largest hotel groups in Hong Kong.

Looking ahead, the hotel industry will continue to suffer a decline of overnight visitors, less spending power, increase of supply of new hotel rooms, competing room rate and occupancy. This situation is probably due to China experiencing low economic cycle which is our largest visitors segment (68%). However, future prospects remain optimistic because of our largest PRC visiting segment is experiencing a rapid growth of middle class with potential spending power and recovery of economy of our second largest visitors segment of USA.

The Group with 7 hotels has total assets value of HK\$10 billion. The cash reserve of HK\$1 billion will help the Group in a well position to take advantage of this adjusting market condition for future hotel investment/development opportunities.

## **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.

## **CORPORATE GOVERNANCE**

### **(a) Compliance with the Corporate Governance Code**

During the period ended 30th June, 2015, the Company has complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited with the exception of the following deviations:

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

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

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

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

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

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

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

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

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

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

**REVIEW BY THE AUDIT COMMITTEE**

The audit committee has reviewed the unaudited financial results of the Group for the six months ended 30th June, 2015.

By Order of the Board

**William CHENG Kai Man**  
*Chairman*

Hong Kong, 17th August, 2015

*As at the date hereof, the Board comprises six Directors, of which two are Executive Directors, namely Mr. William Cheng Kai Man and, Mr. Albert Hui Wing Ho; one is Non-executive Director, Madam Mabel Lui Fung Mei Yee; and three are Independent Non-executive Directors, namely Mr. Vincent Kwok Chi Sun, Mr. Chan Kim Fai and Mr. Hui Kin Hing.*