

MAGNIFICENT ESTATES LIMITED
(華 大 地 產 投 資 有 限 公 司)



Interim Report 2006
二 零 零 六 年 中 期 報 告

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, 2006 amounted to approximately HK\$43,417,000 (six months ended 30th June, 2005: HK\$46,072,000).

The results of the Group for the six months ended 30th June, 2006 and its financial position as at that date are set out in the condensed financial statements on pages 9 to 20 of this report.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June, 2006 (six months ended 30.6.2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

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

- For the six months ended 30th June, 2006, the Group’s turnover and net profit was mostly derived from operation of hotel business and rental income from investment properties. No significant sale of properties took place during the period under review.
- The turnover of the hotel operations increased from HK\$44 million to HK\$78 million for the same period compared with last year. The management envisages turnover of the hotel operation for the second half of the year will be significantly higher than the first half.

The 307 rooms Ramada Hong Kong Hotel has achieved an average occupancy of 91%.

The 205 rooms Ramada Hotel Kowloon has achieved an average occupancy of 93%. Much resources was put into completing the renovation of all the 205 rooms of the hotel.

The Best Western Hotel Taipa Macau has achieved an average occupancy of 88%.

The Magnificent International Hotel, Shanghai has achieved an average occupancy of 64%.

Operating costs for these hotels for the period under review was HK\$44 million compared to HK\$31 million last year. The escalation of costs was due to full running of the hotels and renovation cost of the Ramada Hotel Kowloon.

- The new accounting standards continue to have adverse impact on the results from hotel business, these hotels are now stated at cost less depreciation resulting in a significant impact of the following:

- (a) Reduction of the carrying amount of the net assets value of the Group as the market value of the Group's hotel properties has not been accounted for.

Name of properties	Carrying amounts in the accounts under new accounting standard At 30.6.2006 HK\$'000	Independent Professional Valuation Report At 30.6.2006 HK\$'000	Valuation Surplus (before accounting for any related taxes) not included in accounts in accounts HK\$'000
Ramada Hotel Kowloon	294,431	531,600	237,169
Ramada Hong Kong Hotel	380,398	567,800	187,402
Best Western Hotel Taipa Macau	260,069	303,000	42,931
Magnificent International Hotel, Shanghai	81,479	200,000*	118,521
633 King's Road	320,284	1,100,000*	779,716
Shun Ho Tower	338,000	338,000	–
Total	<u>1,674,661</u>	<u>3,040,400</u>	<u>1,365,739</u>

* The valuation was stated at the valuation of the property of 31st December, 2005.

If the valuation of the Group's properties by the independent professional valuer is accounted for in financial statements, the net asset value of the Group will be increased as follows:

	<i>HK\$'000</i>
Equity attributable to shareholders of the Company	1,233,808
Add: Valuation surplus (before accounting for any related taxes) not recognized in the Account	<u>1,365,739</u>
Adjusted equity attributable to shareholders of the Company	<u>2,599,547</u>
Adjusted net asset value per share	<u>HK\$0.48</u>

- (b) Reduction of hotel operating profits due to depreciation of the hotel properties amounting to HK\$7 million for the period under review.

- 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 remain fully letted.

The construction of the grade A office building at 633 King's Road are well underway during the period. The superstructure has been completed and the overall completion can be expected near the end of the year. The Board envisages the finished building will increase rental income for the Group substantially.

- At 30th June, 2006, overall debt was HK\$483 million (31.12.2005: HK\$474 million), which reduced from HK\$704 million at 30th June, 2005. Interest expenses amounted to HK\$12 million for the period under review.

At 30th June, 2006, gearing ratio was approximately 39% (31.12.2005: 40%) in terms of external bank borrowings of HK\$246 million (31.12.2005: HK\$246 million) and advance from a shareholder of HK\$238 million (31.12.2005: HK\$227 million) against funds employed of HK\$1,234 million (31.12.2005: HK\$1,191 million).

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 financial period under review, there were no significant changes in the Group's staffing level and remuneration and benefit were set with reference to the market.

Looking ahead, the Board considers that the global low interest rate economy will continue to uphold a strong expanding economy and continue to fuel international travels. The implementation by the PRC Government of CEPA and the furtherance of relaxation of mainland travellers to visit Hong Kong help stimulate further regional tourism. It is envisaged that the hotel business should further improve in the coming year confirming the Group's correct strategy to build up a portfolio of prime 4-star hotels in Hong Kong and major cities of China. The continuous increase of inbound tourists justified the Group's intention to expand the Group's hotel assets. The recent rising property prices also add momentum to the Hong Kong business environment. The Group will continue to acquire quality hotels and investment/development properties should the opportunity arises. As a whole, the Group will take a cautious approach in its business development.

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, 2006, 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 held	Approximate % of shareholding
William Cheng Kai Man	Interest of controlled corporations	Corporate	3,781,883,239 (Note)	69.2
Fung Chi Keung	Beneficial owner	Personal	2,000	0.00004

Note:

Shun Ho Technology Holdings Limited and its subsidiaries, South Point Investments Limited, Good Taylor Limited and Shun Ho Technology Developments Limited, beneficially owned 3,414,444,905 shares, 273,579,983 shares, 90,358,351 shares and 3,500,000 shares of the Company respectively, representing 62.5%, 5.0%, 1.7% and 0.06% respectively of the issued share capital of the Company. Mr. William Cheng Kai Man has controlling interests in each of these companies.

Associated corporations

Name of director	Name of associated corporation	Capacity	Nature of interests	Number of shares held	Approximate % of shareholding
William Cheng Kai Man	Shun Ho Technology Holdings Limited ("Shun Ho Technology") (Note 1)	Interest of controlled corporations	Corporate	350,628,682	65.3
William Cheng Kai Man	Shun Ho Resources Holdings Limited ("Shun Ho Resources") (Note 2)	Interest of controlled corporations	Corporate	216,608,825	71.2
William Cheng Kai Man	Trillion Resources Limited ("Trillion Resources") (Note 3)	Beneficial owner	Personal	1	100
Albert Hui Wing Ho	Shun Ho Resources (Note 2)	Beneficial owner	Personal	45,787	0.02
Fung Chi Keung	Shun Ho Technology (Note 1)	Beneficial owner	Personal	2,000	0.0004
Fung Chi Keung	Shun Ho Resources (Note 2)	Beneficial owner	Personal	2,000	0.0007

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.

The Company or any of its associated corporations had no 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, 2006, 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, 2006, the following persons (not being directors or chief executive of the Company) had interests in the shares of 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	Approximate % of shareholding
South Point Investments Limited ("South Point")	Beneficial owner	273,579,983	5.0
Shun Ho Technology (<i>Note 1</i>)	Beneficial owner and interest of controlled corporations	3,781,883,239	69.2
Omnico Company Inc. ("Omnico") (<i>Note 2</i>)	Interest of controlled corporations	3,781,883,239	69.2
Shun Ho Resources (<i>Note 2</i>)	Interest of controlled corporations	3,781,883,239	69.2
Trillion Resources (<i>Note 2</i>)	Interest of controlled corporations	3,781,883,239	69.2
Liza Lee Pui Ling (<i>Note 3</i>)	Interest of spouse	3,781,883,239	69.2
Everest Capital Limited	Beneficial owner	382,952,000	7.01

Notes:

1. Shun Ho Technology beneficially owned 3,414,444,905 shares of the Company (the "Shares") and was taken to be interested in 273,579,983 Shares held by South Point, 90,358,351 Shares held by Good Taylor Limited and 3,500,000 shares held by Shun Ho Technology Development Limited, all of which are wholly-owned subsidiaries of Shun Ho Technology.
2. Shun Ho Technology is directly and indirectly owned as to 65.3% by Omnico, which is in turn owned as to 100% by Shun Ho Resources, which is in turn directly and indirectly owned as to 71.2% by Trillion Resources, which is in turn wholly-owned by Mr. William Cheng Kai Man. So, Omnico, Shun Ho Resources and Trillion Resources were taken to be interested in 3,781,883,239 Shares by virtue of their direct and indirect interests in Shun Ho Technology.
3. Madam Liza Lee Pui Ling was deemed to be interested in 3,781,883,239 Shares by virtue of the interest in such Shares of her spouse, Mr. William Cheng Kai Man, a director of the Company.

Save as disclosed above, there was no person, other than a director and chief executive of the Company, who has 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, 2006 are unaudited, but have been reviewed in accordance with Statement of Auditing Standards 700 “Engagements to Review Interim Financial Reports” issued by the Hong Kong Institute of Certified Public Accountants, by Deloitte Touche Tohmatsu, whose independent review report is included on page 8 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. Amendment to the articles of association of the Company was proposed and approved by the shareholders at the annual general meeting of the Company held on 27 May, 2005 whereby 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.

Code Provisions B.1.4 and C.3.4

Since the Company has not established its own website, the Company cannot make available the terms of reference of its remuneration committee and audit committee on its website. However, the terms of reference of the two committees are available on request. The Company will establish its website as soon as possible and will endeavour to comply with these code provisions.

(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

Peter Lee Yip Wah
Secretary

Hong Kong, 15th September, 2006

INDEPENDENT REVIEW REPORT

Deloitte.

德勤

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

INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 9 to 20.

DIRECTORS' RESPONSIBILITIES

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report, 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.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th June, 2006.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
15th September, 2006

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE, 2006

		Six months ended	
	<i>Notes</i>	30.6.2006	30.6.2005
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Turnover	3	86,556	141,958
Cost of sales		(1,876)	(68,161)
Other service costs		(43,773)	(31,183)
		<hr/>	<hr/>
Gross profit		40,907	42,614
Discount on acquisition of subsidiaries		–	13,505
Increase in fair value of investment properties		30,800	3,800
Gain on change in value of leasehold interest in land	10	4,980	–
Other income		1,197	1,074
Decrease in fair value of investments held for trading		(472)	(577)
Depreciation and amortisation		(11,104)	(9,487)
Selling and marketing expenses		–	(3,561)
Administrative expenses		(6,144)	(6,262)
Share of losses of associates		(8)	(229)
Finance costs	5	(9,255)	(7,497)
		<hr/>	<hr/>
Profit before taxation	6	50,901	33,380
Taxation	7	(7,484)	12,692
		<hr/>	<hr/>
Profit attributable to shareholders of the Company		43,417	46,072
		<hr/> <hr/>	<hr/> <hr/>
		HK Cents	HK Cents
Earnings per share	8		
Basic		0.79	0.84
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30TH JUNE, 2006

	<i>Notes</i>	30.6.2006 <i>HK\$'000</i> (unaudited)	31.12.2005 <i>HK\$'000</i> (audited)
Non-current Assets			
Property, plant and equipment	10	380,496	387,189
Prepaid lease payments for land	10	600,512	608,304
Investment properties	11	601,000	560,000
Property under development		132,858	85,927
Interests in associates		362	359
Available-for-sale investments	12	84,046	73,738
		1,799,274	1,715,517
Current Assets			
Inventories		667	742
Properties for sale		15,214	15,173
Investments held for trading	12	21,319	21,791
Prepaid lease payments for land	10	8,050	8,169
Trade and other receivables	13	8,520	14,111
Deposits and prepayments		3,395	3,464
Trade balances due from shareholders	13	2,059	1,813
Trade balance due from an associate	13	398	405
Bank balances and cash		6,993	16,810
		66,615	82,478
Current Liabilities			
Trade and other payables	14	23,203	20,069
Rental and other deposits received		8,779	4,107
Advance from a shareholder	19(a)	237,767	227,469
Amount due to an associate	19(b)	2,269	2,269
Tax liabilities		4,169	1,700
Bank loans - due within one year	15	245,602	246,409
		521,789	502,023
Net Current Liabilities		(455,174)	(419,545)
		1,344,100	1,295,972
Capital and Reserves			
Share capital	16	54,647	54,647
Share premium and reserves		1,179,161	1,136,187
Equity attributable to shareholders of the Company		1,233,808	1,190,834
Non-current Liability			
Deferred tax liabilities		110,292	105,138
		1,344,100	1,295,972

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH JUNE, 2006**

	Attributable to shareholders of the Company						Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Special capital reserve HK\$'000	Property revaluation reserve HK\$'000 (Note)	Securities revaluation reserve HK\$'000	Retained profits HK\$'000	
At 1st January, 2005	54,647	210,640	612,477	–	241	257,536	1,135,541
Net income recognised directly in equity:							
Increase in fair value of available-for-sale investments	–	–	–	–	15,716	–	15,716
Profit for the period	–	–	–	–	–	46,072	46,072
Total recognised income for the period	–	–	–	–	15,716	46,072	61,788
Final dividend for the year ended 31.12.2004 paid	–	–	–	–	–	(8,197)	(8,197)
At 30th June, 2005	54,647	210,640	612,477	–	15,957	295,411	1,189,132
Net income recognised directly in equity:							
Decrease in fair value of available-for-sale investments	–	–	–	–	(20,098)	–	(20,098)
Profit for the period	–	–	–	–	–	21,800	21,800
Total recognised income for the period	–	–	–	–	(20,098)	21,800	1,702
At 31st December, 2005	54,647	210,640	612,477	–	(4,141)	317,211	1,190,834
Increase in fair value of available-for-sale investments	–	–	–	–	10,308	–	10,308
Surplus on revaluation upon reclassification to investment properties (Note 10)	–	–	–	217	–	–	217
Deferred tax on revaluation of properties	–	–	–	(38)	–	–	(38)
Net income recognised directly in equity	–	–	–	179	10,308	–	10,487
Profit for the period	–	–	–	–	–	43,417	43,417
Total recognised income for the period	–	–	–	179	10,308	43,417	53,904
Final dividend for year ended 31.12.2005 paid (note 9)	–	–	–	–	–	(10,930)	(10,930)
At 30th June, 2006	54,647	210,640	612,477	179	6,167	349,698	1,233,808

Note: The property revaluation reserve is frozen upon the transfer and will be transferred to retained profits when the relevant properties are disposed of.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE, 2006

	Six months ended	
	30.6.2006	30.6.2005
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash from operating activities	49,311	160,244
Net cash used in investing activities:		
Expenditure on property under development	(43,025)	(7,602)
Acquisition of subsidiaries	–	(221,654)
Other investing cash flows	(2,384)	(11,319)
	(45,409)	(240,575)
Net cash used in financing activities:		
Advance from a shareholder	10,298	6,669
New bank loans raised	–	65,500
Repayment of bank loans	(807)	(75,989)
Dividend paid	(10,930)	(8,197)
Interest paid	(12,276)	(8,723)
Other financing cash flows	–	(4,683)
	(13,715)	(25,423)
Net decrease in cash and cash equivalents	(9,813)	(105,754)
Cash and cash equivalents at the beginning of the period	16,687	132,986
Cash and cash equivalents at the end of the period	6,874	27,232
Analysis of cash and cash equivalents		
Bank balances and cash	6,993	27,899
Less: Pledged bank deposits	(119)	(667)
	6,874	27,232

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2006

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 under the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2005.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”) issued by the HKICPA, which are either effective for the accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. The application of these new HKFRSs has had no material effect on how the results for the current and prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standard, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standard, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ²
HK(IFRIC)-Int 8	Scope of HKFRS 2 ³
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives ⁴

¹ Effective for annual periods beginning on or after 1st January, 2007.

² Effective for annual periods beginning on or after 1st March, 2006.

³ Effective for annual periods beginning on or after 1st May, 2006.

⁴ Effective for annual periods beginning on or after 1st June, 2006.

3. TURNOVER

	Six months ended	
	30.6.2006	30.6.2005
	HK\$'000	HK\$'000
Income from operations of hotels and furnished suites	78,190	44,438
Property rental income	7,762	7,906
Proceeds from sale of properties	–	88,503
Interest from debt securities	604	585
Dividend income	–	526
	<u>86,556</u>	<u>141,958</u>

4. SEGMENT INFORMATION

Business segments

For management purposes, the Group is mainly organised into four operations. These operations based on which the Group reports its primary segment information are as follows:

Hospitality services	–	investment in and operation of hotel and furnished suites
Property investment	–	property letting
Property development and trading	–	development and trading of properties
Securities investment and trading	–	investment in and trading of securities

Segment information about these businesses is presented below:

Six months ended 30th June, 2006

	Hospitality services HK\$'000	Property investment HK\$'000	Property development and trading HK\$'000	Securities investment and trading HK\$'000	Consolidated HK\$'000
TURNOVER					
External	<u>78,190</u>	<u>7,762</u>	<u>–</u>	<u>604</u>	<u>86,556</u>
SEGMENT RESULTS					
Operations	25,439	7,455	–	132	33,026
Increase in fair value of investment properties	<u>–</u>	<u>30,800</u>	<u>–</u>	<u>–</u>	<u>30,800</u>
	<u>25,439</u>	<u>38,255</u>	<u>–</u>	<u>132</u>	<u>63,826</u>
Other income					524
Gain on change in value of leasehold interest in land					4,980
Unallocated corporate expenses less amounts reimbursed by related companies					(9,166)
Share of losses of associates					(8)
Finance costs					<u>(9,255)</u>
Profit before taxation					<u>50,901</u>

4. SEGMENT INFORMATION (Continued)

Business segments (Continued)

Six months ended 30th June, 2005

	Hospitality services HK\$ '000	Property investment HK\$ '000	Property development and trading HK\$ '000	Securities investment and trading HK\$ '000	Consolidated HK\$ '000
TURNOVER					
External	<u>44,438</u>	<u>7,906</u>	<u>88,503</u>	<u>1,111</u>	<u>141,958</u>
SEGMENT RESULTS					
Operations	4,357	5,685	20,377	534	30,953
Increase in fair value of investment properties	<u>-</u>	<u>3,800</u>	<u>-</u>	<u>-</u>	<u>3,800</u>
	<u>4,357</u>	<u>9,485</u>	<u>20,377</u>	<u>534</u>	<u>34,753</u>
Other income					293
Discount on acquisition of subsidiaries	13,505	-	-	-	13,505
Unallocated corporate expenses less amounts reimbursed by related companies					(7,445)
Share of losses of associates					(229)
Finance costs					<u>(7,497)</u>
Profit before taxation					<u>33,380</u>

Geographical segments

The following is an analysis of the Group's turnover by geographical markets:

	Six months ended	
	30.6.2006 HK\$ '000	30.6.2005 HK\$ '000
Hong Kong	63,881	128,780
Macau	15,141	5,941
Other regions in the People's Republic of China	<u>7,534</u>	<u>7,237</u>
	<u>86,556</u>	<u>141,958</u>

5. FINANCE COSTS

	Six months ended	
	30.6.2006	30.6.2005
	HK\$'000	HK\$'000
Interest on:		
Bank loans and overdrafts wholly repayable within five years	6,144	4,591
Advance from a shareholder	<u>6,132</u>	<u>4,132</u>
	12,276	8,723
Less: amount capitalised in property under development	<u>(3,021)</u>	<u>(1,226)</u>
	<u>9,255</u>	<u>7,497</u>

6. PROFIT BEFORE TAXATION

	Six months ended	
	30.6.2006	30.6.2005
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments for land	4,061	4,027
Less: amortisation capitalised in property under development	<u>(885)</u>	<u>(885)</u>
	3,176	3,142
Depreciation of property, plant and equipment	7,928	6,345
Interest on bank deposits included in other income	212	85
Share of taxation of associates (included in share of losses of associates)	<u>-</u>	<u>(46)</u>

7. TAXATION

	Six months ended	
	30.6.2006	30.6.2005
	HK\$'000	HK\$'000
The taxation charge (credit) comprises:		
Current tax		
Hong Kong Profits Tax	2,368	5,010
Deferred tax	<u>5,116</u>	<u>(17,702)</u>
	<u>7,484</u>	<u>(12,692)</u>

Hong Kong Profits Tax is calculated at 17.5% (six months ended 30.6.2005: 17.5%) of the estimated assessable profits for the period.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to shareholders of the Company of HK\$43,417,000 (six months ended 30.6.2005: HK\$46,072,000) and on 5,464,700,883 (six months ended 30.6.2005: 5,464,700,883) ordinary shares in issue during the period.

Diluted earnings per share figures for the periods have not been shown as there were no potential dilutive ordinary shares subsisted during both of the periods presented.

9. DIVIDENDS

During the period, the final dividend of HK0.2 cents per share in respect of the year ended 31st December, 2005 was paid to shareholders (2005: HK0.15 cents per share in respect of the year ended 31st December, 2004).

The directors have resolved not to declare an interim dividend in respect of the period (six months ended 30.6.2005: nil).

10. PROPERTY, PLANT AND EQUIPMENT/PREPAID LEASE PAYMENTS FOR LAND

During the period, certain shopping area of hotel property, comprising leasehold interest in land and building with an aggregate fair value of HK\$10,200,000 was reclassified from property, plant and equipment and prepaid lease payments for land to investment properties. The fair value of such building and prepaid lease payments for land at the date of reclassification was determined by reference to a valuation carried out by Dudley Surveyors Limited, independent qualified professional valuers not connected with the Group. The difference between the aggregate fair value of such building and prepaid lease payments for land and their aggregate carrying value amounted to HK\$5,197,000. Of which, an amount of HK\$4,980,000 attributable to the prepaid lease payments for land has been credited to the income statement and the remaining balance of HK\$217,000 attributable to the building has been dealt with in property revaluation reserve.

11. INVESTMENT PROPERTIES

The Group's investment properties at 30th June, 2006 were revalued by Dudley Surveyors Limited. The increase in fair value of the investment properties of HK\$30,800,000 during the period (six months ended 30.6.2005: HK\$3,800,000) has been credited to income statement.

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

	Available-for-sale investments (non-current)		Investments held for trading (current)	
	30.6.2006 HK\$'000	31.12.2005 HK\$'000	30.6.2006 HK\$'000	31.12.2005 HK\$'000
Listed securities at fair value				
Equity securities listed in				
Hong Kong	83,266	72,958	9	9
Debt securities listed outside				
Hong Kong	-	-	21,310	21,782
Unlisted equity investments	780	780	-	-
	<u>84,046</u>	<u>73,738</u>	<u>21,319</u>	<u>21,791</u>

13. TRADE AND OTHER RECEIVABLES/TRADE BALANCES DUE FROM SHAREHOLDERS AND AN ASSOCIATE

Except for an average credit period of 30 to 60 days granted to travel agencies and customers of the hotels and the furnished suites, the Group does not allow any credit period to its customers. The following is an aged analysis of the Group's receivables at the balance sheet date:

	30.6.2006 <i>HK\$'000</i>	31.12.2005 <i>HK\$'000</i>
0 - 30 days	6,023	13,171
31 - 60 days	1,695	724
Over 60 days	3,259	2,434
	<u>10,977</u>	<u>16,329</u>

Analysed for reporting as:

Trade and other receivables	8,520	14,111
Trade balance due from shareholders	2,059	1,813
Trade balance due from an associate	398	405
	<u>10,977</u>	<u>16,329</u>

14. TRADE AND OTHER PAYABLES

The following is an aged analysis of the Group's trade and other payables at the balance sheet date:

	30.6.2006 <i>HK\$'000</i>	31.12.2005 <i>HK\$'000</i>
0 - 30 days	15,931	13,560
31 - 60 days	616	323
Over 60 days	6,656	6,186
	<u>23,203</u>	<u>20,069</u>

15. BANK LOANS

During the period, the Group repaid bank loans totalling HK\$807,000. The outstanding bank loans carry interest at prevailing market rates.

16. SHARE CAPITAL

	Number of shares '000	Nominal value HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 30th June, 2006 and 31st December, 2005	<u>80,000,000</u>	<u>800,000</u>
Issued and fully paid:		
At 30th June, 2006 and 31st December, 2005	<u>5,464,701</u>	<u>54,647</u>

17. PROJECT COMMITMENTS

At the balance sheet date, the Group had outstanding commitments as follows:

	30.6.2006 HK\$'000	31.12.2005 HK\$'000
Property development expenditure		
Authorised but not contracted for	75,774	–
Contracted for but not provided in the financial statements	<u>152,750</u>	<u>204,865</u>

18. CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

At 30th June, 2006, the bank loan facilities of subsidiaries, which were utilised to the extent of approximately HK\$246 million (31.12.2005: HK\$246 million), were secured by the following:

- (a) guarantees issued by the Company amounted to HK\$734 million (31.12.2005: HK\$734 million);
- (b) leasehold interest in land and buildings of the Group with an aggregate carrying amount of HK\$1,000 million (31.12.2005: HK\$968 million);
- (c) pledge of shares in and subordination of loans due from subsidiaries with an aggregate carrying amount of approximately HK\$393 million (31.12.2005: HK\$369 million);
- (d) assignment of the Group's rentals and hotel revenue; and
- (e) pledge of the listed securities held by the Group with an aggregate carrying amount of approximately HK\$105 million (31.12.2005: HK\$95 million) and bank deposit with a carrying amount of HK\$119,000 (31.12.2005: HK\$123,000).

19. RELATED PARTY TRANSACTIONS

Other than those disclosed above, the Group had the following transactions with related parties during the period:

	Six months ended	
	30.6.2006 HK\$'000	30.6.2005 HK\$'000
Shun Ho Technology Holdings Limited and its subsidiaries (<i>note a</i>)		
Rental expenses	520	520
Interest expenses on advances to the Group (<i>note a</i>)	6,132	4,132
Corporate management fees for administrative facilities received	598	707
Web advertising expenses	–	144
Dividend income	–	526
Shun Ho Resources Holdings Limited (<i>note a</i>)		
Corporate management fees for administrative facilities provided received	75	75
Associates		
Marketing expenses	–	120
Compensation of key management personnel (<i>note c</i>)	<u>2,003</u>	<u>2,166</u>

Notes:

- (a) Shun Ho Technology Holdings Limited (“Shun Ho Technology”) is the Company’s holding company. Shun Ho Resources Holdings Limited is the holding company of Shun Ho Technology.

At 30th June, 2006, the Group had outstanding advances due to Shun Ho Technology amounted to HK\$237,767,000 (31.12.2005: HK\$227,469,000) which is unsecured and repayable on demand. These advances carry interest at Hong Kong Inter-bank Offer Rate plus a margin.

- (b) During the current period, the Group had an amount due to an associate, Lucky Country Development Limited (“Lucky Country”), which is unsecured and interest free with no fixed repayment terms. The amount due to Lucky Country of HK\$2,269,000 (31.12.2005: HK\$2,269,000) remained outstanding at 30th June, 2006.
- (c) Substantially all of the compensation of key management personnel comprised short-term benefits attributable to such personnel.