

**MAGNIFICENT ESTATES LIMITED**

**( 華 大 地 產 投 資 有 限 公 司 )**

**(Stock Code: 201)**



Interim Report 2007

## **Corporate Information**

### **Executive Directors**

Mr. William Cheng Kai Man (*Chairman*)

Mr. Albert Hui Wing Ho

### **Non-Executive Directors**

Mr. David Cheng Kai Ho

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. Peter Lee Yip Wah

### **Auditors**

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 Website**

[www.shunho.com.hk](http://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, 2007 amounted to approximately HK\$668,506,000 (six months ended 30th June, 2006: HK\$43,417,000).

The results of the Group for the six months ended 30th June, 2007 and its financial position as at that date are set out in the condensed financial statements on pages 12 to 26 of this report.

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June, 2007 (six months ended 30.6.2006: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

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

The net assets before deferred tax after valuation on all asset properties (“Fully Revalued Net Assets”) increased to approximately HK\$3,500 million (HK\$0.60 per share) as at the date of this report.

- For the six months ended 30th June, 2007, the Group’s turnover was mostly derived from the aggregate of income from operation of hotels, properties rental income, interest and dividend income, which is analysed as follows:

Turnover Income	Six months ended		Percentage change
	30.6.2007 HK\$’000 (unaudited)	30.6.2006 HK\$’000 (unaudited)	
Income from operation of hotels	88,320	78,190	+13%
Property rental income	10,610	7,762	+37%
Interest from debt securities	667	604	+10%
Dividend income	40	–	
Other income	<u>10,345</u>	<u>1,197</u>	+764%
<b>Total</b>	<b><u>109,982</u></b>	<b><u>87,753</u></b>	<b>+25%</b>

The income from operation of hotels increased by 13% from HK\$78 million to HK\$88 million for the same period compared with last year. The increase of turnover for the period was due to better tourism visit environment and smooth running of the operations of Ramada Hotel Kowloon, Ramada Hong Kong Hotel, Best Western Hotel Taipa, Macau and Magnificent International Hotel, Shanghai.

2007	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\$
Jan	97	624	93	512	90	261	53	345
Feb	94	541	89	495	92	418	55	335
Mar	97	670	96	634	90	275	76	417
Apr	96	860	90	730	97	208	88	406
May	96	551	88	489	94	306	83	378
Jun	96	506	94	489	87	271	82	372
<b>Total Revenue</b>	<b>27,191,000</b>		<b>35,810,000</b>		<b>15,863,000</b>		<b>9,456,000</b>	

The properties rental income was derived from office building of Shun Ho Tower and various shops of Ramada Hotel Kowloon, Ramada Hong Kong Hotel and Best Western Hotel Taipa, Macau amounted to approximately HK\$10,610,000.

The successful completion of the grade A commercial building at 633 King's Road in May 2007 has led to a revaluation gain of HK\$784 million. This represents a conservative valuation of the building at HK\$1,260 million. The Board envisages this investment property will continue to bring revaluation gain in the years ahead.

During the period under review, the listed shares investment by the Company has increased in value of approximately HK\$61 million. However, the increase in value of this long term investment was not reflected in the profit account for the period.

- Overall operating expenses for the Group was HK\$45 million for the hotel operations and HK\$7 million for the corporate management office. Operating costs for these hotels for the period under review was HK\$45 million compared to HK\$44 million last year.

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

<b>Name of Hotel</b>	<b>HK\$</b>
Centralized sales office	0.3 million per month
Ramada Hotel Kowloon	2.3 million per month
Ramada Hong Kong Hotel	2.5 million per month
Best Western Hotel Taipa, Macau	1.6 million per month
Magnificent International Hotel, Shanghai	0.8 million per month
<b>Total</b>	<b>HK\$7.5 million per month (HK\$45 million for the period)</b>

The accounting standards require hotel properties to provide depreciation which amount to HK\$12,835,000 for the period which affected the hotel operating profit.

Administrative expenses of HK\$7 million for the six months ended 30th June, 2007 or HK\$1.17 million per month was for corporate office representing directors' fees, salaries for executive staff and employees, rental, marketing and office expenses.

- As at 30th June, 2007, the overall debts was HK\$857 million (31.12.2006: HK\$557 million), of which HK\$462 million (31.12.2006: HK\$316 million) was bank borrowings and HK\$395 million (31.12.2006: HK\$241 million) was shareholder loan. The increase of overall debts was due to the acquisition of three hotel development properties for a total of approximately HK\$960 million, the total interest expenses amounted to HK\$18 million, of which HK\$9 million was paid to bank borrowings and HK\$9 million was paid to shareholder loan.

The gearing ratio was approximately 40% (31.12.2006: 43%) or 24.7% in terms of external bank borrowings of HK\$462 million (31.12.2006: HK\$316 million) and advance from a shareholder of HK\$395 million (31.12.2006: HK\$241 million) against funds employed of HK\$2,151 million (31.12.2006: HK\$1,299 million) or Fully Revalued Net Assets of approximately HK\$3,500 million respectively.

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 changes in the Group's staffing level and 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, the construction of the grade A office building at 633 King's Road was completed with occupation permit issued in May 2007. The Board envisages the office building with approximately 300,000 square feet will increase rental income for the Group substantially.

For the period under review, there was no property disposal. However, the houses at Gold Coast Marina, Tuen Mun are available for sale.

- For the period under review, the turnover income for the 4 hotels was amounted to approximately HK\$88 million, a 13% increase.

Name of Hotel	Avg Room Occupancy	Avg Room Occupancy	Avg Room Rate (Jan to Jun)
	30.6.2007	30.6.2006	30.6.2007
	%	%	HK\$
Ramada Hotel Kowloon	96	93	625
Ramada Hong Kong Hotel	92	91	558
Best Western Hotel Taipa, Macau	92	88	290
Magnificent International Hotel, Shanghai	73	64	376

In the coming half year, it is envisaged that the hotel business should further 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.

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 13% 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 offers about 1,000 rooms and the newly acquired hotel development sites in Sheung Wan, Causeway Bay and Tsimshatsui will add an additional 1,000 rooms. The Board aims to increase the number of hotel rooms to about 3,000 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.

Looking ahead, the Board considers that the prosperity and Olympic Games in China will continue to fuel international travels to Hong Kong and China. The implementation by the PRC Government of CEPA and the furtherance of relaxation of mainland travelers 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 major 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 that brings benefit to the Group's commercial portfolio in Central and North Point. The Group will continue to acquire quality hotels and investment/development properties should the opportunity arises.

## **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, 2007, 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**

<b>Name of director</b>	<b>Capacity</b>	<b>Nature of interests</b>	<b>Number of Shares held</b>	<b>Approximate % of shareholding</b>
William Cheng Kai Man	Interest of controlled corporations	Corporate	3,202,883,239 (Note)	53.7

*Note:*

Shun Ho Technology Holdings Limited and its subsidiaries, South Point Investments Limited, Good Taylor Limited and Shun Ho Technology Developments Limited, beneficially owned 2,835,444,905 shares, 273,579,983 shares, 90,358,351 shares and 3,500,000 shares in the Company respectively, representing 47.5%, 4.6%, 1.5% and 0.06% respectively of the issued share capital of the Company. Mr. William Cheng Kai Man had 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	350,742,682	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

### 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, 2007, 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, 2007, 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	Approximate % of shareholding
Shun Ho Technology ( <i>Note 1</i> )	Beneficial owner and interest of controlled corporations	3,202,883,239	53.7
Omnico Company Inc. (“Omnico”) ( <i>Note 2</i> )	Interest of controlled corporations	3,202,883,239	53.7
Shun Ho Resources ( <i>Note 2</i> )	Interest of controlled corporations	3,202,883,239	53.7
Trillion Resources ( <i>Note 2</i> )	Interest of controlled corporations	3,202,883,239	53.7
Liza Lee Pui Ling ( <i>Note 3</i> )	Interest of spouse	3,202,883,239	53.7
Credit Suisse Securities (Europe) Limited ( <i>Note 4</i> )	Beneficial owner	404,586,000	7.4
Credit Suisse Investment Holdings (UK) ( <i>Note 4</i> )	Interest of controlled corporation	404,586,000	7.4
Credit Suisse Investments (UK) ( <i>Note 4</i> )	Interest of controlled corporation	404,586,000	7.4
Credit Suisse (International) Holding AG ( <i>Note 4</i> )	Interest of controlled corporation	404,586,000	7.4
Credit Suisse ( <i>Note 4</i> )	Interest of controlled corporation	404,586,000	7.4

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of shares</b>	<b>Approximate % of shareholding</b>
Credit Suisse Group ( <i>Note 4</i> )	Interest of controlled corporation	404,586,000	7.4
Mackenzie Cundill Recovery Fund ( <i>Note 5</i> )	Beneficial owner	500,000,000	8.4
Power Financial Corporation ( <i>Note 5</i> )	Interest of controlled corporations	565,000,000	9.5
Power Corporation of Canada ( <i>Note 5</i> )	Interest of controlled corporations	565,000,000	9.5
Nordex Inc. ( <i>Note 5</i> )	Interest of controlled corporations	565,000,000	9.5
IGM Financial Inc. ( <i>Note 5</i> )	Interest of controlled corporations	565,000,000	9.5
Gelco Enterprises Ltd ( <i>Note 5</i> )	Interest of controlled corporations	565,000,000	9.5
Desmarais Paul G. ( <i>Note 5</i> )	Interest of controlled corporations	565,000,000	9.5

*Notes:*

1. Shun Ho Technology beneficially owned 2,835,444,905 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 Developments Limited, all of which were wholly owned subsidiaries of Shun Ho Technology.
2. Shun Ho Technology was directly and indirectly owned as to approximately 65.3% by Omnico, which was in turn owned as to 100% by Shun Ho Resources, which was in turn directly and indirectly owned as to 71.2% by Trillion Resources, which was in turn wholly-owned by Mr. William Cheng Kai Man. Therefore, Omnico, Shun Ho Resources and Trillion Resources were taken to be interested in 3,202,883,239 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 3,202,883,239 Shares by virtue of the interest in such Shares of her spouse, Mr. William Cheng Kai Man, a Director.

4. Credit Suisse Securities (Europe) Limited beneficially owned 404,586,000 Shares. Credit Suisse Securities (Europe) Limited was wholly owned by Credit Suisse Investment Holdings (UK), which was in turn owned as to 98.07% by Credit Suisse Investments (UK) and as to 1.93% by Credit Suisse First Boston Management AG. Both Credit Suisse Investments (UK) and Credit Suisse First Boston Management AG are wholly owned by Credit Suisse (International) Holding AG, which was in turn wholly owned by Credit Suisse. Credit Suisse was wholly owned by Credit Suisse Group.
5. Mackenzie Cundill Recovery Fund was an investment fund managed by Mackenzie Financial Corporation (“MFC”). MFC was, through another subsidiary, interested in 65,000,000 Shares. MFC was an indirect wholly owned subsidiary of IGM Financial Inc. (held as to 100%). IGM Financial Inc. was a 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 54.2% 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.

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, 2007 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 11 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.

### **(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, 13th September, 2007

## 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 12 to 26, which comprises the condensed consolidated balance sheet of Magnificent Estates Limited (the “Company”) as of 30th June, 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement 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 (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Accounting Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility 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 enquiries, 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  
13th September, 2007

**CONDENSED CONSOLIDATED INCOME STATEMENT**  
**FOR THE SIX MONTHS ENDED 30TH JUNE, 2007**

		<b>Six months ended</b>	
	<i>Notes</i>	<b>30.6.2007</b>	30.6.2006
		<b>HK\$'000</b>	HK\$'000
		<b>(unaudited)</b>	(unaudited)
Turnover	3	<b>99,637</b>	86,556
Cost of sales		<b>(2,114)</b>	(1,876)
Other service costs		<b>(44,964)</b>	(43,773)
Depreciation and release of prepaid lease payments for land		<b>(12,835)</b>	(11,104)
Gross profit		<b>39,724</b>	29,803
Revaluation surplus/increase in fair value of investment properties		<b>784,249</b>	30,800
Gain on change in value of leasehold interest in land upon transfer to investment properties		–	4,980
Other income		<b>10,345</b>	1,197
Decrease in fair value of investments held for trading		<b>(531)</b>	(472)
Administrative expenses		<b>(7,457)</b>	(6,144)
Share of loss of an associate		<b>(4)</b>	(8)
Finance costs	5	<b>(14,077)</b>	(9,255)
Profit before taxation	6	<b>812,249</b>	50,901
Taxation	7	<b>(143,743)</b>	(7,484)
Profit attributable to shareholders of the Company		<b>668,506</b>	43,417
Dividend	8	<b>12,023</b>	10,930
Earnings per share		<b>HK Cents</b>	HK Cents
Basic	9	<b>12.17</b>	0.79

## CONDENSED CONSOLIDATED BALANCE SHEET

AT 30TH JUNE, 2007

	<i>Notes</i>	<b>30.6.2007</b> <i>HK\$'000</i> <b>(unaudited)</b>	31.12.2006 <i>HK\$'000</i> (audited)
<b>Non-current Assets</b>			
Property, plant and equipment		<b>396,990</b>	394,780
Prepaid lease payments for land		<b>603,253</b>	596,487
Investment properties	<i>10</i>	<b>1,894,700</b>	634,330
Deposits for acquisition of land		<b>73,000</b>	–
Property under development		<b>12,425</b>	234,897
Interest in an associate		<b>550</b>	554
Available-for-sale investments	<i>11</i>	<b>139,593</b>	80,290
		<hr/> <b>3,120,511</b>	<hr/> 1,941,338
<b>Current Assets</b>			
Inventories		<b>667</b>	615
Properties for sale		<b>19,174</b>	15,505
Investments held for trading	<i>11</i>	<b>22,385</b>	22,916
Prepaid lease payments for land		<b>6,509</b>	8,050
Trade and other receivables	<i>12</i>	<b>7,455</b>	12,343
Other deposits and prepayments		<b>3,758</b>	3,966
Deposit for acquisition of land		<b>–</b>	19,500
Trade balance due from an intermediate holding company	<i>12</i>	<b>33</b>	33
Pledged bank deposit		<b>110</b>	110
Bank balances and cash		<b>144,299</b>	6,493
		<hr/> <b>204,390</b>	<hr/> 89,531
<b>Current Liabilities</b>			
Trade and other payables	<i>13</i>	<b>36,562</b>	41,026
Rental and other deposits received		<b>9,441</b>	7,026
Advance from immediate holding company	<i>18(b)</i>	<b>395,240</b>	240,853
Trade balance due to immediate holding company	<i>13</i>	<b>147</b>	–
Amount due to an associate	<i>18(d)</i>	<b>2,269</b>	2,269
Tax liabilities		<b>8,825</b>	4,547
Bank loans	<i>14</i>	<b>462,196</b>	315,743
		<hr/> <b>914,680</b>	<hr/> 611,464
<b>Net Current Liabilities</b>		<hr/> <b>(710,290)</b>	<hr/> (521,933)
		<hr/> <b>2,410,221</b>	<hr/> 1,419,405
<b>Capital and Reserves</b>			
Share capital	<i>15</i>	<b>59,647</b>	54,647
Share premium and reserves		<b>2,091,103</b>	1,244,752
Equity attributable to shareholders of the Company		<hr/> <b>2,150,750</b>	<hr/> 1,299,399
<b>Non-current Liability</b>			
Deferred tax liabilities		<b>259,471</b>	120,006
		<hr/> <b>2,410,221</b>	<hr/> 1,419,405

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30TH JUNE, 2007**

	Attributable to shareholders of the Company							Total HK\$ '000
	Share capital HK\$ '000	Share premium HK\$ '000	Special capital reserve HK\$ '000 (Note a)	Property revaluation reserve HK\$ '000 (Note b)	Securities revaluation reserve HK\$ '000	Translation reserve HK\$ '000	Retained profits HK\$ '000	
At 1st January, 2006	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	-	-	-	217	-	-	-	217
Deferred tax on revaluation of properties	-	-	-	(38)	-	-	-	(38)
Net income recognised directly in equity	-	-	-	179	10,308	-	-	10,487
Profit attributable to shareholders of the Company	-	-	-	-	-	-	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 8)	-	-	-	-	-	-	(10,930)	(10,930)
At 30th June, 2006	54,647	210,640	612,477	179	6,167	-	349,698	1,233,808
Exchange differences arising on translation of financial statements of a subsidiary	-	-	-	-	-	2,308	-	2,308
Decrease in fair value of available-for-sale investments	-	-	-	-	(3,756)	-	-	(3,756)
Net (expense) income recognised directly in equity	-	-	-	-	(3,756)	2,308	-	(1,448)
Profit attributable to shareholders of the Company	-	-	-	-	-	-	67,039	67,039
Total recognised income and expense for the period	-	-	-	-	(3,756)	2,308	67,039	65,591
At 1st January, 2007	54,647	210,640	612,477	179	2,411	2,308	416,737	1,299,399
Exchange differences arising on translation of financial statements of a subsidiary	-	-	-	-	-	(401)	-	(401)
Increase in fair value of available-for-sale investments	-	-	-	-	59,303	-	-	59,303
Net income (expense) recognised directly in equity	-	-	-	-	59,303	(401)	-	58,902
Profit attributable to shareholders of the Company	-	-	-	-	-	-	668,506	668,506
Total recognised income and expense for the period	-	-	-	-	59,303	(401)	668,506	727,408
Final dividend for year ended 31.12.2006 paid (note 8)	-	-	-	-	-	-	(12,023)	(12,023)
Placement of new shares	5,000	134,000	-	-	-	-	-	139,000
Expenses incurred in relation to the placement of new shares	-	(3,034)	-	-	-	-	-	(3,034)
At 30th June, 2007	59,647	341,606	612,477	179	61,714	1,907	1,073,220	2,150,750

*Notes:*

- (a) The special capital reserve represents the difference arising from the reduction of the nominal value of the Company's shares in 1999.
- (b) The property revaluation reserve is frozen upon the transfer from property, plant and equipment to investment properties 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, 2007**

	<b>Six months ended</b>	
	<b>30.6.2007</b>	30.6.2006
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Net cash from operating activities	<b>45,639</b>	49,311
Net cash used in investing activities:		
Balance paid for prepaid lease payments for land	<b>(175,500)</b>	–
Deposits paid for acquisition of land	<b>(73,000)</b>	–
Expenditure on property under development	<b>(63,385)</b>	(43,025)
Acquisition of property, plant and equipment	<b>(11,854)</b>	–
Proceeds on disposal of property, plant and equipment	<b>9,364</b>	–
Other investing cash flows	–	(2,384)
	<b>(314,375)</b>	(45,409)
Net cash from (used in) financing activities:		
Advance from immediate holding company	<b>154,387</b>	10,298
Proceeds from placement of new shares	<b>139,000</b>	–
Expenses incurred in relation to the placement of new shares	<b>(3,034)</b>	–
New bank loans raised	<b>305,600</b>	–
Repayment of bank loans	<b>(159,683)</b>	(807)
Dividend paid	<b>(12,023)</b>	(10,930)
Interest paid	<b>(17,705)</b>	(12,276)
	<b>406,542</b>	(13,715)
Net increase (decrease) in cash and cash equivalents	<b>137,806</b>	(9,813)
Cash and cash equivalents at the beginning of the period	<b>6,493</b>	16,687
Cash and cash equivalents at the end of the period, represented by bank balances and cash	<b>144,299</b>	6,874

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

## 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 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, 2006.

In the current interim period, the Group has applied, for the first time, the following new standard, amendment and interpretations (“new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1st January, 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of these new HKFRSs had no material effect on the results and the 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 new or revised standards or interpretations that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC)-INT 11	HKFRS 2 – Group and Treasury Share Transactions <sup>2</sup>
HK(IFRIC)-INT 12	Service Concession Arrangements <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2009

<sup>2</sup> Effective for annual periods beginning on or after 1st March, 2007

<sup>3</sup> Effective for annual periods beginning on or after 1st January, 2008

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

### 3. TURNOVER

	<b>Six months ended</b>	
	<b>30.6.2007</b>	30.6.2006
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Income from operation of hotels	<b>88,320</b>	78,190
Property rental income	<b>10,610</b>	7,762
Interest from debt securities	<b>667</b>	604
Dividend income	<b>40</b>	—
	<hr/> <b>99,637</b> <hr/>	<hr/> 86,556 <hr/>

### 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
Property investment	–	property letting
Property development and trading	–	development and trading of properties
Securities investment and trading	–	investment in and trading of securities

#### 4. SEGMENT INFORMATION (Continued)

##### Business segments (Continued)

Segment information about these businesses is presented below:

##### Six months ended 30th June, 2007

	Hospitality services HK\$'000 (unaudited)	Property investment HK\$'000 (unaudited)	Property development and trading HK\$'000 (unaudited)	Securities investment and trading HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
TURNOVER					
External	<u>88,320</u>	<u>10,610</u>	<u>-</u>	<u>707</u>	<u>99,637</u>
SEGMENT RESULTS					
Operations	29,817	10,533	-	177	40,527
Revaluation surplus/ increase in fair value of investment properties	<u>-</u>	<u>784,249</u>	<u>-</u>	<u>-</u>	<u>784,249</u>
	<u>29,817</u>	<u>794,782</u>	<u>-</u>	<u>177</u>	824,776
Unallocated other income					9,587
Unallocated corporate expenses less amounts reimbursed by related companies					(8,033)
Share of loss of an associate					(4)
Finance costs					<u>(14,077)</u>
Profit before taxation					812,249
Taxation					<u>(143,743)</u>
Profit attributable to shareholders of the Company					<u>668,506</u>

#### 4. SEGMENT INFORMATION (Continued)

##### Business segments (Continued)

Six months ended 30th June, 2006

	Hospitality services HK\$'000 (unaudited)	Property investment HK\$'000 (unaudited)	Property development and trading HK\$'000 (unaudited)	Securities investment and trading HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
TURNOVER					
External	78,190	7,762	–	604	86,556
SEGMENT RESULTS					
Operations	25,439	7,455	–	132	33,026
Increase in fair value of investment properties	–	30,800	–	–	30,800
	<u>25,439</u>	<u>38,255</u>	<u>–</u>	<u>132</u>	63,826
Unallocated other income					524
Gain on change in value of leasehold interest in land upon transfer to investment properties					4,980
Unallocated corporate expenses less amounts reimbursed by related companies					(9,166)
Share of loss of an associate					(8)
Finance costs					<u>(9,255)</u>
Profit before taxation					50,901
Taxation					<u>(7,484)</u>
Profit attributable to shareholders of the Company					<u><u>43,417</u></u>

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

##### Geographical segments

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

	<b>Six months ended</b>	
	<b>30.6.2007</b>	30.6.2006
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Hong Kong	<b>73,211</b>	63,881
Macau	<b>16,970</b>	15,141
Other regions in the People's Republic of China	<b>9,456</b>	7,534
	<b><u>99,637</u></b>	<u>86,556</u>

#### 5. FINANCE COSTS

	<b>Six months ended</b>	
	<b>30.6.2007</b>	30.6.2006
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Interest on:		
Bank loans and overdrafts wholly repayable within five years	<b>8,821</b>	6,144
Advance from immediate holding company	<b>8,884</b>	6,132
	<b><u>17,705</u></b>	<u>12,276</u>
Less: amount capitalised in property under development	<b>(3,628)</b>	(3,021)
	<b><u>14,077</u></b>	<u>9,255</u>

## 6. PROFIT BEFORE TAXATION

	<b>Six months ended</b>	
	<b>30.6.2007</b>	30.6.2006
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Release of prepaid lease payments for land	<b>3,973</b>	4,061
Less: amortisation capitalised in property under development	<u><b>(834)</b></u>	<u>(885)</u>
	<b>3,139</b>	3,176
Depreciation of property, plant and equipment	<b>9,696</b>	7,928
Interest on bank deposits, included in other income	<b>(229)</b>	(212)
Gain on disposal of property, plant and equipment, included in other income	<u><b>(9,315)</b></u>	<u>–</u>

## 7. TAXATION

	<b>Six months ended</b>	
	<b>30.6.2007</b>	30.6.2006
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
The taxation charge comprises:		
Current tax		
Hong Kong Profits Tax	<b>4,278</b>	2,368
Deferred tax	<u><b>139,465</b></u>	<u>5,116</u>
	<u><b>143,743</b></u>	<u>7,484</u>

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate for the full financial year.

## 8. DIVIDEND

During the period, the final dividend of HK0.22 cents per share in respect of the year ended 31st December, 2006 was paid to shareholders (six months ended 30.6.2006: HK0.20 cents per share in respect of the year ended 31st December, 2005).

The directors have resolved not to declare an interim dividend in respect of the current period (six months ended 30.6.2006: 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:

	<b>Six months ended</b>	
	<b>30.6.2007</b>	30.6.2006
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Results for the period and results for the purpose of calculating basic earnings per share	<u><b>668,506</b></u>	<u>43,417</u>
	<b>Number of shares</b>	
	<b>'000</b>	<b>'000</b>
	<b>(unaudited)</b>	(unaudited)
Weighted average of ordinary shares for the purpose of calculating basic earnings per share	<u><b>5,492,325</b></u>	<u>5,464,701</u>

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

## 10. INVESTMENT PROPERTIES

During the period, development cost totalling HK\$290,319,000 and prepaid lease payments for land of HK\$185,802,000 were transferred from the balances of property under development and prepaid lease payments for land to investment properties upon the completion of the development of the investment properties. The fair value of such investment properties at the date of transfer was determined by reference to a valuation carried out by Century 21 Surveyors Limited. The difference (revaluation surplus) between the fair value of such investment properties and its aggregate costs upon completion of the development amounted to HK\$783,879,000 has been recognised in the condensed consolidated income statement.

The Group's investment properties at 30th June, 2007 were revalued by Dudley Surveyors Limited and Century 21 Surveyors Limited. The increase in fair value of the investment properties of HK\$370,000 during the period (six months ended 30.06.2006: HK\$30,800,000) has been recognised in the condensed consolidated income statement.

Both Dudley Surveyors Limited and Century 21 Surveyors Limited are independent firms of property valuers not connected with the Group. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

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

	Available-for-sale investments (non-current)		Investments held for trading (current)	
	30.6.2007 HK\$'000 (unaudited)	31.12.2006 HK\$'000 (audited)	30.6.2007 HK\$'000 (unaudited)	31.12.2006 HK\$'000 (audited)
Listed securities at fair value				
Equity securities listed in Hong Kong	138,813	79,510	8	9
Debt securities listed outside Hong Kong	-	-	22,377	22,907
Unlisted equity investments	780	780	-	-
	<u>139,593</u>	<u>80,290</u>	<u>22,385</u>	<u>22,916</u>

## 12. TRADE AND OTHER RECEIVABLES/TRADE BALANCES DUE FROM AN INTERMEDIATE HOLDING COMPANY

Except for an average 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 its customers. The following is an aged analysis of the Group's receivables at the balance sheet date:

	30.6.2007 HK\$'000 (unaudited)	31.12.2006 HK\$'000 (audited)
0 – 30 days	6,164	10,155
31 – 60 days	1,146	1,646
Over 60 days	178	575
	<u>7,488</u>	<u>12,376</u>

Analysed for reporting as:

Trade and other receivables	7,455	12,343
Trade balance due from an intermediate holding company	33	33
	<u>7,488</u>	<u>12,376</u>

### 13. TRADE AND OTHER PAYABLES/TRADE BALANCE DUE TO IMMEDIATE HOLDING COMPANY

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

	<b>30.6.2007</b> <i>HK\$'000</i> <b>(unaudited)</b>	31.12.2006 <i>HK\$'000</i> (audited)
0 – 30 days	<b>29,310</b>	36,155
31 – 60 days	<b>633</b>	893
Over 60 days	<b>6,766</b>	3,978
	<u><b>36,709</b></u>	<u>41,026</u>

Analysed for reporting as:

Trade and other payables	<b>36,562</b>	41,026
Trade balance due to immediate holding company	<b>147</b>	–
	<u><b>36,709</b></u>	<u>41,026</u>

### 14. BANK LOANS

During the period, the Group raised bank loans totalling HK\$305,600,000 and repaid bank loans totalling HK\$159,683,000. The outstanding bank loans carry interest at prevailing market rates.

### 15. SHARE CAPITAL

	<b>Number of shares '000</b>	<b>Nominal value HK\$'000</b>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 30th June, 2007 (unaudited) and 31st December, 2006 (audited)	<u>80,000,000</u>	<u>800,000</u>
Issued and fully paid:		
At 1st January, 2007 (audited)	5,464,700	54,647
Issue of new shares pursuant to a subscription agreement ( <i>note</i> )	<u>500,000</u>	<u>5,000</u>
At 30th June, 2007 (unaudited)	<u><b>5,964,700</b></u>	<u><b>59,647</b></u>

*Note:*

Pursuant to a subscription agreement dated 30th April, 2007 entered into between the Company and the subscriber, 500,000,000 new ordinary shares of HK\$0.01 each of the Company were issued at a price of HK\$0.278 per new ordinary share. The transactions was completed on 21st June, 2007.

## 16. PROJECT COMMITMENTS

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

	<b>30.6.2007</b> <i>HK\$'000</i> <b>(unaudited)</b>	31.12.2006 <i>HK\$'000</i> (audited)
(a) Property development expenditure	<u><u>2,600</u></u>	<u><u>50,761</u></u>
(b) Acquisition of prepaid lease payments for land for development	<u><u>657,000</u></u>	<u><u>175,500</u></u>
(c) Expenditures for property improvements	<u><u>1,554</u></u>	<u><u>132</u></u>

## 17. PLEDGE OF ASSETS

At 30th June, 2007, the bank loan facilities of subsidiaries, were secured by the following:

- (a) leasehold interest in land, property, plant and equipment and investment properties of the Group with carrying amounts of HK\$692 million (31.12.2006: HK\$1,130 million), HK\$4 million (31.12.2006: HK\$5 million) and HK\$1,260 million (31.12.2006: Nil), respectively;
- (b) pledge of shares in and subordination of loans due from subsidiaries with an aggregate carrying amount of approximately HK\$548 million (31.12.2006: HK\$271 million);
- (c) assignment of the Group's rentals and hotel revenue; and
- (d) pledge of the listed securities held by the Group with an aggregate market value of approximately HK\$22 million (31.12.2006: HK\$23 million) and bank deposit with a carrying amount of HK\$110,000 (31.12.2006: HK\$110,000).

## 18. RELATED PARTY TRANSACTIONS

Other than those disclosed in notes 12 and 13, the Group had the following transactions with related parties during the period:

	<b>Six months ended</b>	
	<b>30.6.2007</b>	30.6.2006
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Shun Ho Technology Holdings Limited and its subsidiaries* (note a)		
Rental expenses	<b>520</b>	520
Interest expenses on advance to the Group (note b)	<b>8,884</b>	6,132
Corporate management fees for administrative facilities received	<b>683</b>	598
Shun Ho Resources Holdings Limited (note a)		
Corporate management fees for administrative facilities provided received	<b>75</b>	75
Compensation of key management personnel (note e)	<b>2,024</b>	2,003

\* excluding Magnificent Estates Limited and its subsidiaries

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.
- (b) At 30th June, 2007, the Group had outstanding advances due to Shun Ho Technology amounted to HK\$395,240,000 (31.12.2006: HK\$240,853,000) which is unsecured, carries interest at Hong Kong Inter-bank Offer Rate plus 1% and is repayable on demand.
- (c) During the current period, the Group had a trade balance due from Shun Ho Resources Holdings Limited, an intermediate holding company, which is unsecured, interest free and repayable on demand. The amount due from Shun Ho Resources Holdings Limited of HK\$33,000 (31.12.2006: HK\$33,000) remained outstanding at 30th June, 2007.
- (d) 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 (31.12.2006: HK\$2,269,000) remained outstanding at 30th June, 2007.
- (e) Substantially all of the compensation of key management personnel comprised short-term benefits attributable to such personnel.

## 19. EVENTS AFTER THE BALANCE SHEET DATE

- (a) On 7th March, 2007, a subsidiary of the Company entered into a provisional agreement with an independent third party for the acquisition of a property in Hong Kong at a consideration of HK\$500 million. The acquisition was completed on 23rd July, 2007.
- (b) On 18th April, 2007, another subsidiary of the Company entered into an agreement with an independent third party for the acquisition of a property in Hong Kong at a consideration of HK\$230 million. The acquisition was completed on 20th August, 2007.