

**MAGNIFICENT ESTATES LIMITED**

**( 華 大 地 產 投 資 有 限 公 司 )**

**(Stock Code: 201)**



Interim Report 2008

**MAGNIFICENT ESTATES LIMITED**



**Central  
Shun Ho Tower**



**North Point  
633 King's Road**



**Kowloon  
Ramada Hotel**



**Hong Kong  
Ramada Hotel**



**Macau  
Best Western  
Hotel, Taipa**



**Shanghai  
Magnificent  
International Hotel**



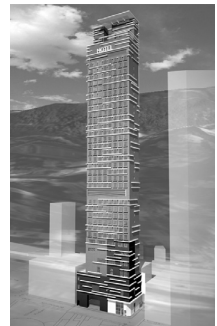
**300 Hotel Rooms  
of Hotel  
Development  
Project  
Austin Avenue**



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



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



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

# Corporate Information

## Executive Directors

Mr. William Cheng Kai Man (*Chairman*)

Mr. Albert Hui Wing Ho

## Non-Executive 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's 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, 2008 amounted to HK\$209,159,000 (six months ended 30th June, 2007: HK\$668,506,000). Before the revaluation surplus of investment properties, the unaudited consolidated profit attributable to shareholders of the Company for the six months ended 30th June, 2008 is HK\$41,432,000 which is 75% above same period last year.

The results of the Group for the six months ended 30th June, 2008 and its financial position as at that date are set out in the condensed financial statements on pages 17 to 32 of this report.

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June, 2008 (six months ended 30.6.2007: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

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

The unaudited consolidated profit attributable to shareholders of the Company for the six months ended 30th June, 2008 amounted to HK\$209,159,000.

Before revaluation surplus of all investment properties, the profit attributable to shareholders of the Company for six months ended 30th June, 2008 is HK\$41,432,000 which is 75% above the same period last year.

The net assets before deferred tax after valuation on all asset properties (“Fully Revalued Net Assets”) increased to approximately HK\$5,365 million (HK\$0.90 per share) as at 30th June, 2008.

- For the six months ended 30th June, 2008, the Group’s revenue was mostly derived from the aggregate of income from operation of hotels, property rental income, interest and dividend income, which is analysed as follows:

Revenue	Six months ended		Percentage change
	30.6.2008 HK\$’000 (unaudited)	30.6.2007 HK\$’000 (unaudited)	
Income from operation of hotels	102,421	88,320	+16%
Property rental income	36,033	10,610	+240%
Interest income from debt securities	616	667	-8%
Dividend income	40	40	–
Other income	2,419	9,587	-75%
<b>Total</b>	<b>141,529</b>	<b>109,224</b>	<b>+30%</b>

The income from operation of hotels increased by 16% from HK\$88 million to HK\$102 million for the same period compared with last year. The increase of revenue 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.

2008	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	786	95	674	96	381	75	335
Feb	95	676	92	616	96	441	64	323
Mar	97	860	93	757	97	391	84	415
Apr	98	974	93	871	97	393	84	417
May	97	661	89	592	97	401	86	392
Jun	97	632	91	569	96	379	74	376
<b>Total Revenue</b>		<b>HK\$30,013,000</b>		<b>HK\$39,745,000</b>		<b>HK\$22,256,000</b>		<b>HK\$10,407,000</b>

The properties rental income was derived from office building of 633 King's Road and Shun Ho Tower and various shops of Ramada Hotel Kowloon, Ramada Hong Kong Hotel and Best Western Hotel Taipa, Macau amounted to approximately HK\$36,033,000. As of the date of this interim report, rent leases of HK\$64.7 million attributable to 2009 (excluding rates and management fee) of 633 King's Road has been signed, only two and a half floors remain unleased.

Property rental income is analysed as follows:

	<b>Six months ended 30.6.2008 HK\$'000 (unaudited)</b>
633 King's Road	<b>18,970</b>
Shun Ho Tower	<b>6,633</b>
19-23 Austin Avenue	<b>5,635</b>
Shops	<b>4,795</b>
<b>Total</b>	<b>36,033</b>

- Overall service costs for the Group for the period was HK\$54.9 million, which HK\$5 million was for leasing commission paid for investment properties and HK\$49 million was for the hotel operations. The leasing commissions paid for the leased premises represent total commissions payable for the three years of rental period.

Administrative expenses for the period including corporate management office including directors' fees, salaries for executive staff and employees, rental, marketing and office expenses was HK\$7 million compared with HK\$6.7million of the same period last year.

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

<b>Name of Hotel</b>	<i>HK\$</i>
Centralized sales office	0.4 million per month
Ramada Hotel Kowloon	2.5 million per month
Ramada Hong Kong Hotel	2.7 million per month
Best Western Hotel Taipa, Macau	1.7 million per month
Magnificent International Hotel, Shanghai	0.9 million per month
<b>Total</b>	<b>HK\$8.2 million per month (HK\$49 million for the period)</b>

The accounting standards requires hotel properties to provide depreciation which amounted to HK\$11,893,000 for the period which affected the hotel operating profit.

- As at 30th June, 2008, the overall debts of the Group was HK\$1,498 million (31.12.2007: HK\$1,404 million), of which HK\$899 million was bank borrowings and HK\$599 million was shareholder loan. The increase of overall debts was due to the acquisition of one hotel development property for approximately HK\$99 million. The total interest expenses amounted to HK\$21 million, of which HK\$13 million was paid to bank borrowings and HK\$8 million was paid to shareholder loan. Average interest rate paid was about 3% per annum.

The gearing ratio was approximately 59.1% (31.12.2007: 59%) or 27.9% against funds employed of HK\$2,534 million (31.12.2007: HK\$2,361 million) or Fully Revalued Net Assets of approximately HK\$5,365 million respectively.

Regarding the cash flow of the Group for the period, the gross income of the Group was HK\$141,529,000 with operating expenses of HK\$61,900,000 and interests paid of HK\$13,000,000, the positive cash flow was therefore HK\$66,629,000 which was spent on property acquisitions and various construction expenses.

The Group's bank borrowings carry interest at floating rates and are mainly denominated in Hong Kong dollar. Accordingly, the exchange risk of the Group is minimal. During the period under review, there was no significant changes in the Group's staffing level and remuneration and benefit were set with reference to the market.

On 1st August, 2008, the Board announced that the Company proposes to issue five per cent mandatorily convertible bonds convertible into shares of the Company (in the proportion of one unit of rights bond for every two existing shares held payable in full on acceptance) for an aggregate amount of approximately HK\$477,176,000.

**The reasons for the rights issue of bonds and use of proceeds are:**

Subsequent to 31st December, 2006, the Group completed the following acquisitions and the overall acquisition costs of which amounted to approximately HK\$1,258 million:

<b>Name of Properties</b>	<b>Acquisition Cost</b> <i>HK\$'000</i>
239-243 Queen's Road West	99,404
245-247 Queen's Road West	104,593
19-23 Austin Avenue	520,093
30-40 Bowrington Road	238,855
249-251 Queen's Road West	97,401
338-346 Queen's Road West	<u>198,000</u>
<b>Total:</b>	<b><u><u>1,258,346</u></u></b>

The above acquisitions provided a valuable opportunity for the Group to develop more than 1,200 hotel rooms in the busiest city locations with significant capital gain and income potentials. The Group presently owns and operates the Ramada Hotel Kowloon, Ramada Hong Kong Hotel, Best Western Hotel Taipa, Macau and Magnificent International Hotel, Shanghai with 1,000 rooms. Overall the Group will have about 2,200 hotel rooms which will be one of the largest hotel group with the following developments now in progress:

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

A 435 rooms hotel development has been approved by the relevant authorities, foundation works is in progress.

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

A 214 rooms serviced apartments hotel development is proposed to be built with the demolition of the old building has commenced in August 2008.

### **Nos.19-23 Austin Avenue, Tsimshatsui**

A 300 rooms hotel development has been approved by the relevant authorities. The demolition of the old building is now in progress.

### **Nos.30-40 Bowrington Road, Causeway Bay**

A 265 rooms hotel development has been approved by the relevant authorities, foundation works is in progress.

For the purposes of financing the above mentioned acquisitions and development, as at the date of the interim report, the overall debt of the Group amounted to approximately HK\$1,625 million of which approximately HK\$1,025 million was external bank loans and approximately HK\$600 million was advance from shareholders. The Board contemplates that further borrowing of HK\$600 million will be increased in future for the purpose of financing construction costs of the developments.

The Board considers that the proposed rights issue of bonds represents one of the least expensive alternatives for the Company to raise funds for the purpose of reducing the Group's indebtedness in 30 months' time while the 1,200 additional hotel rooms developments are estimated to be completed with substantial revenue growth. **The rights issue of bonds is aimed to be without any immediate dilution effect on the shareholdings and earnings of existing Shareholders. The conversion date of 30 months later coincide with the opening of the new hotels which should increase earnings and values of the Company significantly. Therefore any effects of dilution to the then existing Shareholders should be reduced. The rights issue of bonds also represent a good opportunity for the Shareholders to participate in the financing of and thereby benefiting from the future prospects of the hotel property development business of the Company.**



## 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.

For the period under review, the leasing of the grade A office building at 633 King's Road achieved HK\$64.7m per annum from 2009 with two and a half more floors remaining vacant. The management envisages the office building will be fully leased in the nearest future.

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

- For the period under review, the revenue for the 4 hotels was amounted to approximately HK\$102 million, a 16% increase.

<b>Name of Hotel</b>	<b>Avg Room Rate</b>	<b>Avg Room Rate</b>
	<b>(Jan to Jun)</b>	<b>(Jan to Jun)</b>
	<b>2008</b>	2007
	<b>HK\$</b>	<b>HK\$</b>
Ramada Hotel Kowloon	<b>697</b>	625
Ramada Hong Kong Hotel	<b>681</b>	558
Best Western Hotel Taipa, Macau	<b>405</b>	290
Magnificent International Hotel, Shanghai	<b>380</b>	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.

- With the positive cash flow surplus of HK\$67 million for the six months ended in June 2008, the forecasted increase of rental incomes and steady hotel operations will ensure stronger future annual cash flow surplus which will help to ease the construction costs required to build the new hotels that will increase the incomes and value of the Company.

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 1,200 rooms. The Board aims to increase the number of hotel rooms to about 2,200 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 successful completion of Olympic Games in China will facilitate 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 low interest rate, high inflation and tight land supply government policy backs the demand in the local property market that brings benefit to the Group's commercial portfolio in Central and North Point. With the unforeseeable events and global financial turmoil, the management of the Company will adopt a conservative approach and will not expect to make further asset acquisitions but to make best endeavour to complete the constructions of the 4 new hotels in Hong Kong to increase the earning base and value for the Company.

## 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, 2008, 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 corporation	Corporate	2,986,809,406 (Note)	50.07

### Note:

Shun Ho Technology Holdings Limited ("Shun Ho Technology"), South Point Investments Limited and Shun Ho Technology Developments Limited beneficially owned 2,709,729,423 shares in the Company ("Shares"), 273,579,983 Shares and 3,500,000 Shares respectively, representing approximately 45.43%, 4.59% 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 (Note 1)	Interest of controlled corporations	Corporate	350,742,682	65.31
William Cheng Kai Man	Shun Ho Resources Holdings Limited (“Shun Ho Resources”) (Note 2)	Interest of controlled corporations	Corporate	216,608,825	71.17
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, 2008, 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, 2008, 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:

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of shares</b>	<b>Approximate % of shareholding</b>
Shun Ho Technology	Beneficial owner and interest of controlled corporations	2,986,809,406 <i>(Note 1)</i>	50.07
Omnico Company Inc. ("Omnico")	Interest of controlled corporations	2,986,809,406 <i>(Note 2)</i>	50.07
Shun Ho Resources	Interest of controlled corporations	2,986,809,406 <i>(Note 2)</i>	50.07
Trillion Resources Limited ("Trillion")	Interest of controlled corporations	2,986,809,406 <i>(Note 2)</i>	50.07
Liza Lee Pui Ling	Interest of spouse	2,986,809,406 <i>(Note 3)</i>	50.07
Credit Suisse Securities (Europe) Limited	Beneficial owner	404,586,000 <i>(Note 4)</i>	6.78
Credit Suisse Investment Holdings (UK)	Interest of controlled corporations	404,586,000 <i>(Note 4)</i>	6.78
Credit Suisse Investments (UK)	Interest of controlled corporations	404,586,000 <i>(Note 4)</i>	6.78
Credit Suisse (International) Holding AG	Interest of controlled corporations	404,758,000 <i>(Note 4)</i>	6.79

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of shares</b>	<b>Approximate % of shareholding</b>
Credit Suisse	Interest of controlled corporations	404,758,000 (Note 4)	6.79
Credit Suisse Group	Interest of controlled corporations	404,758,000 (Note 4)	6.79
Mackenzie Cundill Recovery Fund	Beneficial owner	500,000,000 (Note 5)	8.38
Power Financial Corporation	Interest of controlled corporations	597,040,000 (Note 5)	10.01
Power Corporation of Canada	Interest of controlled corporations	597,040,000 (Note 5)	10.01
Nordex Inc.	Interest of controlled corporations	597,040,000 (Note 5)	10.01
IGM Financial Inc.	Interest of controlled corporations	597,040,000 (Note 5)	10.01
Gelco Enterprises Ltd	Interest of controlled corporations	597,040,000 (Note 5)	10.01
Desmarais Paul G.	Interest of controlled corporations	597,040,000 (Note 5)	10.01

*Notes:*

1. Shun Ho Technology beneficially owned 2,709,729,423 Shares and was taken to be interested in 273,579,983 Shares held by South Point Investments Limited and 3,500,000 Shares held by Shun Ho Technology Developments Limited, all of which are wholly-owned subsidiaries of Shun Ho Technology.

2. Shun Ho Technology was directly and indirectly owned as to 65.31% by Omnico, which was in turn owned as to 100% by Shun Ho Resources, which was in turn directly and indirectly owned as to 71.17% by Trillion, which was in turn wholly-owned by Mr. William Cheng Kai Man. So, Omnico, Shun Ho Resources and Trillion were taken to be interested in 2,986,809,406 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 2,986,809,406 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 and Credit Suisse (Hong Kong) Limited beneficially owned 404,586,000 Shares and 172,000 Shares respectively. 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. Credit Suisse (Hong Kong) Limited was owned as to 94.75% by Credit Suisse (International) Holding AG and as to 5.25% by Credit Suisse First Boston International (Guernsey) Limited. Credit Suisse Investments (UK), Credit Suisse First Boston Management AG and Credit Suisse First Boston International (Guernsey) Limited 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 its subsidiaries, interested in the total number of 597,040,000 Shares. MFC was an indirect wholly owned subsidiary of IGM Financial Inc. (held as to 100%). IGM Financial Inc. was a non-wholly owned subsidiary of Power Financial Corporation (held as to 56.0%) which was in turn an indirect non-wholly owned subsidiary of Power Corporation of Canada (held as to 66.4%). Power Corporation of Canada was 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, 2008 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, by Deloitte Touche Tohmatsu, whose independent review report is included on page 16 of this interim report. The interim results have also been reviewed by the Group’s Audit Committee.

## **CORPORATE GOVERNANCE**

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

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

#### *Code Provision A.2.1*

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

#### *Code Provision A.4.1*

Non-executive directors of the Company have no set term of office but retire from office on a rotational basis at least once every three years. 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, 17th September, 2008



## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

# Deloitte.

# 德勤

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

*(incorporated in Hong Kong with limited liability)*

### INTRODUCTION

We have reviewed the interim financial information set out on pages 17 to 32, which comprises the condensed consolidated balance sheet of Magnificent Estates Limited as of 30th June, 2008 and the related condensed consolidated income statement, the statement of changes in equity and the 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 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 is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making 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  
17th September, 2008

**CONDENSED CONSOLIDATED INCOME STATEMENT**  
**FOR THE SIX MONTHS ENDED 30TH JUNE, 2008**

		<b>Six months ended</b>	
		<b>30.6.2008</b>	30.6.2007
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	(unaudited and restated)
Revenue	3	<b>139,110</b>	99,637
Cost of sales		<b>(2,108)</b>	(2,114)
Other service costs		<b>(54,988)</b>	(44,964)
Depreciation and release of prepaid lease payments for land		<u><b>(11,893)</b></u>	<u>(11,501)</u>
Gross profit		<b>70,121</b>	41,058
Revaluation surplus/increase in fair value of investment properties	10	<b>184,927</b>	784,249
Other income		<b>2,419</b>	9,587
Gain (loss) on fair value changes of investments held for trading		<b>643</b>	(531)
Administrative expenses		<b>(8,956)</b>	(8,033)
– Depreciation		<b>(1,905)</b>	(1,314)
– Others		<b>(7,051)</b>	(6,719)
Share of loss of an associate		–	(4)
Finance costs	5	<u><b>(18,080)</b></u>	<u>(14,077)</u>
Profit before taxation	6	<b>231,074</b>	812,249
Income tax expense	7	<u><b>(21,915)</b></u>	<u>(143,743)</u>
Profit attributable to shareholders of the Company for the period		<u><b>209,159</b></u>	<u>668,506</u>
Dividend	8	<u><b>14,315</b></u>	<u>12,023</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
Basic	9	<u><b>3.51</b></u>	<u>12.17</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

AT 30TH JUNE, 2008

	<i>Notes</i>	<b>30.6.2008</b> <i>HK\$'000</i> <b>(unaudited)</b>	31.12.2007 <i>HK\$'000</i> <b>(audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment		<b>408,603</b>	413,847
Prepaid lease payments for land		<b>909,542</b>	821,904
Investment properties	<i>10</i>	<b>2,079,170</b>	2,536,250
Property under development		<b>703,584</b>	39,718
Interest in an associate		–	–
Available-for-sale investments	<i>11</i>	<b>184,333</b>	208,771
Deposit for acquisition of land		<b>29,700</b>	4,694
		<b><u>4,314,932</u></b>	<u>4,025,184</u>
<b>Current assets</b>			
Inventories		<b>752</b>	689
Properties for sale		<b>21,574</b>	21,534
Investments held for trading	<i>11</i>	<b>21,277</b>	20,698
Prepaid lease payments for land		<b>12,334</b>	12,223
Trade and other receivables	<i>12</i>	<b>21,883</b>	16,882
Other deposits and prepayments		<b>3,931</b>	4,506
Trade balances due from intermediate holding companies	<i>12</i>	<b>29</b>	32
Pledged bank deposits		<b>110</b>	110
Bank balances and cash		<b>13,318</b>	10,965
		<b><u>95,208</u></b>	<u>87,639</u>
<b>Current liabilities</b>			
Trade and other payables	<i>13</i>	<b>32,254</b>	40,513
Rental and other deposits received		<b>33,585</b>	21,489
Advance from immediate holding company	<i>18(b)</i>	<b>539,371</b>	530,871
Advance from ultimate holding company	<i>18(c)</i>	<b>59,470</b>	–
Advance from a fellow subsidiary		<b>4,745</b>	–
Tax liabilities		<b>9,304</b>	4,553
Bank loans	<i>14</i>	<b>899,292</b>	873,550
		<b><u>1,578,021</u></b>	<u>1,470,976</u>
<b>Net current liabilities</b>		<b><u>(1,482,813)</u></b>	<u>(1,383,337)</u>
<b>Total assets less current liabilities</b>		<b><u>2,832,119</u></b>	<u>2,641,847</u>
<b>Capital and reserves</b>			
Share capital	<i>15</i>	<b>59,647</b>	59,647
Share premium and reserves		<b>2,474,217</b>	2,301,145
		<b>2,533,864</b>	2,360,792
<b>Non-current liability</b>			
Deferred tax liabilities		<b>298,255</b>	281,055
		<b><u>2,832,119</u></b>	<u>2,641,847</u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE SIX MONTHS ENDED 30TH JUNE, 2008

	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)	Security revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	
At 1st January, 2007 (audited)	54,647	210,640	612,477	179	2,411	2,308	416,737	1,299,399
Exchange differences arising on translation of a foreign operation	-	-	-	-	-	(401)	-	(401)
Increase in fair value of available-for-sale investments	-	-	-	-	59,303	-	-	59,303
Net income (expenses) 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 31st December, 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 (unaudited)	59,647	341,606	612,477	179	61,714	1,907	1,073,220	2,150,750
Exchange differences arising on translation of a foreign operation	-	-	-	-	-	2,894	-	2,894
Increase in fair value of available-for-sale investments	-	-	-	-	69,178	-	-	69,178
Net income recognised directly in equity	-	-	-	-	69,178	2,894	-	72,072
Expenses incurred in relation to the placement of new shares	-	(363)	-	-	-	-	-	(363)
Profit attributable to shareholders of the Company	-	-	-	-	-	-	138,333	138,333
Total recognised income and expense for the period	-	(363)	-	-	69,178	2,894	138,333	210,042
At 31st December, 2007 (audited)	59,647	341,243	612,477	179	130,892	4,801	1,211,553	2,360,792
Exchange differences arising on translation of a foreign operation	-	-	-	-	-	2,666	-	2,666
Decrease in fair value of available-for-sale investments	-	-	-	-	(24,438)	-	-	(24,438)
Net income (expense) recognised directly in equity	-	-	-	-	(24,438)	2,666	-	(21,772)
Profit attributable to shareholders of the Company	-	-	-	-	-	-	209,159	209,159
Total recognised income and expense for the period	-	-	-	-	(24,438)	2,666	209,159	187,387
Final dividend for year ended 31st December, 2007, paid (note 8)	-	-	-	-	-	-	(14,315)	(14,315)
At 30th June, 2008 (unaudited)	59,647	341,243	612,477	179	106,454	7,467	1,406,397	2,533,864

**Notes:**

- (a) The special capital reserve represents the difference arising from the reduction of the nominal value of the Company's shares in 1999.
- (b) The property revaluation reserve is frozen upon the transfer of properties from property, plant and equipment to investment properties and will be transferred to retained profits when the relevant properties are disposed of.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE SIX MONTHS ENDED 30TH JUNE, 2008**

	<b>Six months ended</b>	
	<b>30.6.2008</b>	30.6.2007
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Net cash from operating activities	<u><b>75,509</b></u>	<u>45,639</u>
Net cash used in investing activities:		
Balance paid for prepaid lease payments for land	<b>(89,186)</b>	(175,500)
Deposit paid for acquisition of land	<b>(29,700)</b>	(73,000)
Expenditure on property under development	<b>(12,255)</b>	(63,385)
Purchase of investment properties	<b>(2,993)</b>	–
Acquisition of property, plant and equipment	<b>(2,206)</b>	(11,854)
Proceeds from disposal of property, plant and equipment	<u><b>850</b></u>	<u>9,364</u>
	<u><b>(135,490)</b></u>	<u>(314,375)</u>
Net cash from financing activities:		
Advance from ultimate holding company	<b>59,470</b>	–
New bank loans raised	<b>49,000</b>	305,600
Repayment of advances from immediate holding company	<b>8,356</b>	–
Advance from immediate holding company	<b>5,772</b>	154,387
Repayment of bank loans	<b>(24,250)</b>	(159,683)
Interest paid	<b>(21,699)</b>	(17,705)
Dividend paid	<b>(14,315)</b>	(12,023)
Proceeds from placement of new shares	–	139,000
Expenses incurred in relation to the placement of new shares	<u><b>–</b></u>	<u>(3,034)</u>
	<u><b>62,334</b></u>	<u>406,542</u>
Net increase in cash and cash equivalents	<b>2,353</b>	137,806
Cash and cash equivalents at the beginning of the period	<u><b>10,965</b></u>	<u>6,493</u>
Cash and cash equivalents at the end of the period, represented by bank balances and cash	<u><u><b>13,318</b></u></u>	<u><u>144,299</u></u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2008

## 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 (the “HKICPA”).

## 2. PRINCIPAL ACCOUNTING POLICIES

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

The principal 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, 2007.

In the current interim period, the Group has applied, for the first time, the following new interpretations (“new Interpretations”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1st January, 2008.

HK(IFRIC) 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) 12	Service Concession Arrangements
HK(IFRIC) 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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

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

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) – Int 13	Customer Loyalty Programmes <sup>3</sup>
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate <sup>1</sup>
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation <sup>4</sup>

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

- <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 July, 2009
- <sup>3</sup> Effective for annual periods beginning on or after 1st July, 2008
- <sup>4</sup> Effective for annual periods beginning on or after 1st October, 2008

The adoption of HKFRS 3 (Revised) may affect the accounting treatment for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

## 3. REVENUE

	<b>Six months ended</b>	
	<b>30.6.2008</b>	30.6.2007
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Income from operation of hotels	<b>102,421</b>	88,320
Property rental income	<b>36,033</b>	10,610
Interest income from debt securities	<b>616</b>	667
Dividend income	<b>40</b>	40
	<hr/> <b>139,110</b> <hr/>	<hr/> 99,637 <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 hotels
Property investment	–	property letting
Property development and sales	–	development and sales of properties
Securities investment and trading	–	investment in and trading of securities

Segment information about these businesses is presented below:

##### REVENUE AND RESULTS

##### Six months ended 30th June, 2008

	Hospitality services <i>HK\$'000</i> (unaudited)	Property investment <i>HK\$'000</i> (unaudited)	Property development and sales <i>HK\$'000</i> (unaudited)	Securities investment and trading <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
REVENUE					
External	<u>102,421</u>	<u>36,033</u>	<u>–</u>	<u>656</u>	<u>139,110</u>
SEGMENT RESULTS					
Operations	38,979	30,486	–	1,299	70,764
Increase in fair value of investment properties	<u>–</u>	<u>184,927</u>	<u>–</u>	<u>–</u>	<u>184,927</u>
	<u>38,979</u>	<u>215,413</u>	<u>–</u>	<u>1,299</u>	255,691
Other income					2,419
Unallocated corporate expenses					(8,956)
Finance costs					<u>(18,080)</u>
Profit before taxation					231,074
Income tax expense					<u>(21,915)</u>
Profit attributable to shareholders of the Company for the period					<u>209,159</u>



#### 4. SEGMENT INFORMATION (Continued)

##### Business segments (Continued)

Six months ended 30th June, 2007

	Hospitality services <i>HK\$'000</i> (unaudited)	Property investment <i>HK\$'000</i> (unaudited)	Property development and sales <i>HK\$'000</i> (unaudited)	Securities investment and trading <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
REVENUE					
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
Other income					9,587
Unallocated corporate expenses					(8,033)
Share of loss of an associate					(4)
Finance costs					<u>(14,077)</u>
Profit before taxation					812,249
Income tax expense					<u>(143,743)</u>
Profit attributable to shareholders of the Company for the period					<u>668,506</u>

##### Geographical segments

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

	Six months ended	
	30.6.2008	30.6.2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Hong Kong	106,447	73,211
Macau	22,256	16,970
Other regions in the People's Republic of China (the "PRC")	<u>10,407</u>	<u>9,456</u>
	<u>139,110</u>	<u>99,637</u>

## 5. FINANCE COSTS

	Six months ended	
	30.6.2008 <i>HK\$'000</i> (unaudited)	30.6.2007 <i>HK\$'000</i> (unaudited)
Interest on:		
Bank loans wholly repayable within five years	13,016	8,821
Advance from immediate holding company wholly repayable within five years	8,213	8,884
Advance from ultimate holding company wholly repayable within five years	<u>470</u>	<u>–</u>
	21,699	17,705
Less: amount capitalised in property under development	<u>(3,619)</u>	<u>(3,628)</u>
	<u><u>18,080</u></u>	<u><u>14,077</u></u>

## 6. PROFIT BEFORE TAXATION

	Six months ended	
	30.6.2008 <i>HK\$'000</i> (unaudited)	30.6.2007 <i>HK\$'000</i> (unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Release of prepaid lease payments for land	6,130	3,973
Less: amortisation capitalised in property under development	<u>(2,991)</u>	<u>(834)</u>
	3,139	3,139
Depreciation of property, plant and equipment	10,659	9,676
Interest on bank deposits, included in other income	(120)	(229)
Gain on disposal of property, plant and equipment, included in other income	<u>(371)</u>	<u>(9,315)</u>

## 7. INCOME TAX EXPENSE

	<b>Six months ended</b>	
	<b>30.6.2008</b>	30.6.2007
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
The taxation charge comprises:		
Current tax		
Hong Kong Profits Tax	<u>4,715</u>	<u>4,278</u>
Deferred tax		
Current period's provision	<b>32,379</b>	139,465
Effect of change in tax rate on opening deferred tax liability	<u>(15,179)</u>	<u>–</u>
	<u>17,200</u>	<u>139,465</u>
	<u><b>21,915</b></u>	<u>143,743</u>

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008/2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the six months ended 30th June, 2008. The estimated average annual tax rate used is 16.5% (six months ended 30.6.2007: 17.5%) for the six-months period ended 30th June, 2008.

Pursuant to the PRC Enterprise Income Tax law passed by the Tenth National People's Congress on 16th March, 2007, the new Enterprise Income Tax rates for domestic and foreign enterprises were changed from 33% to 25% from 1st January, 2008. For subsidiaries which are subject to statutory tax rate at 33% before 1st January, 2008, deferred tax is recognised based on the tax rate that is expected to apply in the period when asset is realised or the liability is settled.

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

No deferred tax liabilities on the temporary differences attributable to the undistributed retained profits earned by the Group's PRC subsidiary were charged to the condensed consolidated income statement for the six months ended 30th June, 2008 as the management considered that the amount is not significant.

## 8. DIVIDEND

During the period, the final dividend of 0.24 HK cent per share in respect of the year ended 31st December, 2007 was paid to shareholders (six months ended 30.6.2007: 0.22 HK cent per share in respect of the year ended 31st December, 2006).

The directors have resolved not to declare an interim dividend in respect of the current period (six months ended 30.6.2007: 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>30.6.2008</b>	30.6.2007
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Profit for the period and profit for the purpose of calculating basic earnings per share	<u><b>209,159</b></u>	<u>668,506</u>
	<b>Number of shares</b>	
	<b>'000</b>	<b>'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u><b>5,964,701</b></u>	<u>5,492,325</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, certain investment properties with an aggregate carrying value of approximately HK\$645,000,000 were transferred to the balance of property under development. The fair value of such investment properties at the date of transfer was determined by reference to a valuation carried out by Dudley Surveyors Limited. The increase in fair value of such investment properties amounted to HK\$9,000,000 together with changes in fair values of other investment properties have been recognised in the condensed consolidated income statement.

The Group's investment properties at 30th June, 2008 were fair valued by Dudley Surveyors Limited. The increase in fair value of the investment properties, including the change in fair value of the aforesaid investment properties prior to the transfer to property under development, of HK\$184,927,000 during the period (six months ended 30.06.2007: HK\$784,249,000) has been recognised in the condensed consolidated income statement.

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

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

	Available-for-sale investments (non-current)		Investments held for trading (current)	
	30.6.2008 HK\$'000 (unaudited)	31.12.2007 HK\$'000 (audited)	30.6.2008 HK\$'000 (unaudited)	31.12.2007 HK\$'000 (audited)
Listed securities at fair value				
Equity securities listed in Hong Kong	183,553	207,991	4	7
Debt securities listed outside Hong Kong	-	-	21,273	20,691
Unlisted equity investments	<u>780</u>	<u>780</u>	<u>-</u>	<u>-</u>
	<u><b>184,333</b></u>	<u>208,771</u>	<u><b>21,277</b></u>	<u>20,698</u>

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

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 trade receivables at the balance sheet date:

	30.6.2008 HK\$'000 (unaudited)	31.12.2007 HK\$'000 (audited)
0 – 30 days	16,460	11,670
31 – 60 days	1,682	2,304
Over 60 days	<u>705</u>	<u>1,300</u>
	<u><b>18,847</b></u>	<u>15,274</u>

Analysed for reporting as:

Trade receivables	18,818	15,242
Other receivables	<u>3,065</u>	<u>1,640</u>
	<b>21,883</b>	16,882
Trade balances due from intermediate holding companies ( <i>Note</i> )	<u>29</u>	<u>32</u>
	<u><b>21,912</b></u>	<u>16,914</u>

*Note:* The amounts are unsecured, interest free and the directors expect that the amounts will be recoverable within 12 months from the balance sheet date.

### 13. TRADE AND OTHER PAYABLES

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

	<b>30.6.2008</b> <i>HK\$'000</i> <b>(unaudited)</b>	31.12.2007 <i>HK\$'000</i> (audited)
0 – 30 days	<b>1,997</b>	9,307
31 – 60 days	<b>653</b>	986
Over 60 days	<b>13,574</b>	3,536
	<b><u>16,224</u></b>	<u>13,829</u>

Analysed for reporting as:

Trade payables	<b>16,224</b>	13,829
Other payables	<b>16,030</b>	26,684
	<b><u>32,254</u></b>	<u>40,513</u>

### 14. BANK LOANS

During the period, the Group raised bank loans totalling HK\$49,000,000 (six months ended 30.6.2007: HK\$305,600,000) and repaid bank loans totalling HK\$24,250,000 (six months ended 30.6.2007 HK\$159,683,000). The outstanding bank loans carry interest at prevailing market rates.

### 15. SHARE CAPITAL

	<b>Number of shares</b> <i>'000</i>	<b>Nominal value</b> <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 30th June, 2008 (unaudited) and 31st December, 2007 (audited)	<b><u>80,000,000</u></b>	<u>800,000</u>
Issued and fully paid:		
At 30th June, 2008 (unaudited) and 31st December, 2007 (audited)	<b><u>5,964,701</u></b>	<u>59,647</u>

## 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>30.6.2008</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.12.2007 <i>HK\$'000</i> (audited)
(a) Property development expenditure	<u><b>17,188</b></u>	<u>16,537</u>
(b) Acquisition of prepaid lease payments for land for development	<u><b>168,300</b></u>	<u>89,186</u>

## 17. PLEDGE OF ASSETS

At 30th June, 2008, the bank loan facilities of subsidiaries, were secured by the following:

- (a) leasehold interest in land, investment properties, property under development and property, plant and equipment of the Group with carrying amounts of HK\$769 million (31.12.2007: HK\$775 million), HK\$1,539 million (31.12.2007: HK\$2,047 million), HK\$698 million (31.12.2007: HK\$40 million) and HK\$183 million (31.12.2007: HK\$185 million), respectively;
- (b) pledge of shares in and subordination of loans due from subsidiaries with an aggregate carrying amount of approximately HK\$737 million (31.12.2007: HK\$345 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\$21 million (31.12.2007: HK\$21 million) and bank deposit with a carrying amount of HK\$110,000 (31.12.2007: HK\$110,000). The pledged listed securities represent the debts securities held by the Group as detailed in note 11.

## 18. RELATED PARTY TRANSACTIONS

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

	<b>Six months ended</b>	
	<b>30.6.2008</b>	30.6.2007
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Shun Ho Technology Holdings Limited and its subsidiaries* ( <i>note a</i> )		
Rental expenses	<b>520</b>	520
Interest expenses on advances to the Group ( <i>note b</i> )	<b>8,213</b>	8,884
Corporate management fees for administrative facilities received	<b>791</b>	683
Shun Ho Resources Holdings Limited ( <i>note a</i> )		
Corporate management fees for administrative facilities provided received	<b>50</b>	75
Trillion Resources Limited ( <i>note c</i> )		
Interest expenses on advances to the Group	<b>470</b>	–
Compensation of key management personnel ( <i>note d</i> )	<b><u>2,238</u></b>	<u>2,024</u>

\* 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, 2008, the Group had outstanding advances due to Shun Ho Technology amounted to HK\$539,371,000 (31.12.2007: HK\$530,871,000) which is unsecured, carries interest at Hong Kong Inter-bank Offered Rate plus 1% and is repayable on demand.
- (c) At 30th June, 2008, the Group had outstanding advances due to Trillion Resources Limited, the ultimate holding company, amounted to HK\$59,470,000 (31.12.2007: Nil) which is unsecured, carries interest at Hong Kong Inter-Bank Offered Rate plus 1% and is repayable on demand.
- (d) The compensation of key management personnel comprised short-term benefits attributable to such personnel.



## 19. EVENTS AFTER THE BALANCE SHEET DATE

- (a) On 21st May, 2008, a wholly-owned subsidiary of the Company had entered into an agreement with Phoenix Asia Real Estate Investments L.P., Dennis Law Sau Yiu and Law Kwok Hung (the “Vendors”) for the purchase of the Sino Money Investments Limited (“Sino Money”) for a consideration of HK\$198,000,000. The acquisition was completed on 15th August, 2008. The major activity of Sino Money is holding a property located in Hong Kong and accordingly, the transaction has been accounted for as the acquisition of assets.
- (b) On 1st August, 2008, the Board of the Company announced that the Company proposed to issue 5% mandatorily convertible bonds (the “Rights Bonds”) convertible into the listed shares of the Company in the proportion of one unit of Rights Bond for every two existing listed shares held by the shareholders. The Rights Bonds to be issued by the Company will be for a principal amount of approximately HK\$477,176,000 with a coupon interest of 5% per annum payable quarterly in arrears. Each unit of Rights Bonds will entitle its holder to convert the Rights Bonds into one listed share of the Company at the conversion price of HK\$0.16 commenced from and including the first anniversary of the date on which the Rights Bonds are issued (the “Issue Date”) up to 30 months from the Issue Date (“Maturity Date”). The Company may redeem all or some only of the Bonds at any time prior to Maturity Date at 110% of their principal amount, together with accrued interest. The issue of Rights Bonds is not yet completed.

Shun Ho Technology and the Company has entered into the underwriting agreement on 1st August, 2008 whereby Shun Ho Technology agreed conditionally to accept or procure the acceptance of Shun Ho Technology’s portion and to underwrite all the Rights Bonds other than Shun Ho Technology’s portion.

## 20. COMPARATIVE FIGURES

In the current period, the directors considered it is more appropriate to include the depreciation charge on property, plant and equipment for administrative purpose in administrative expenses. Accordingly, the depreciation charge of HK\$1,314,000 for the prior period was reclassified from “depreciation and release of prepaid lease payments for land” to “administrative expenses”. The comparative amount has been restated to conform to the current period presentation.