



**SHUN HO TECHNOLOGY  
HOLDINGS LIMITED**  
**順豪科技控股有限公司**

Interim Report 2006  
二零零六年中期報告

## **INTERIM RESULTS**

The board of directors (the “Board”) of Shun Ho Technology Holdings Limited (the “Company”) announces that the unaudited consolidated profit after taxation of the Company and its subsidiaries (together the “Group”) for the six months ended 30th June, 2006 amounted to HK\$44,990,000 (six months ended 30th June, 2005: HK\$47,209,000) and the unaudited consolidated profit after minority interests of the Group for the six months ended 30th June, 2006 amounted to HK\$32,780,000 (six months ended 30th June, 2005: HK\$33,741,000).

The results of the Group for the six months ended 30th June, 2006 and its financial position as at that date are set out in the condensed financial statements on pages 8 to 20 of this report.

## **INTERIM DIVIDEND**

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

During the period under review, the Company’s major subsidiary, Magnificent Estates Limited, continued with its operations of property investment, development and leasing, and operation of hotels.

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

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

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

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

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

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

- The new accounting standards continue to have adverse impact on the results from hotel business, these hotels are now stated at cost less depreciation resulting in a significant impact of the following:
  - (a) Reduction of the carrying amount of the net assets value of the Group as the market value of the Group's hotel properties has not been accounted for; and
  - (b) Reduction of hotel operating profits due to depreciation of the hotel properties amounting to HK\$10 million for the period under review.
- For the period under review, the investment properties such as Shun Ho Tower, various shops in Ramada Hong Kong Hotel, Ramada Hotel Kowloon and Best Western Hotel Taipa Macau remain fully letted.

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

- At 30th June, 2006, overall debt was HK\$263 million (31/12/2005: HK\$263 million), which reduced from HK\$415 million at 30th June 2005. Interest expenses amounted to HK\$7 million for the period under review.

At 30th June, 2006, gearing ratio was approximately 16% (31/12/2005: 16%) in terms of external bank borrowings of HK\$246 million (31/12/2005: HK\$246 million) and advance from a shareholder of HK\$17 million (31/12/2005: HK\$17 million) against funds employed (including net assets and minority interests) of HK\$1,681 million (31/12/2005: HK\$1,633 million).

The Group's bank borrowings carry interest at floating rates and are mainly denominated in Hong Kong dollar. Accordingly, the exchange risk of the Group is minimal.

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

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

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the period.

## DIRECTORS' INTERESTS IN LISTED SECURITIES

As at 30th June, 2006, the interests or short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("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                  | 350,628,682<br>(Note)        | 65.3                                 |
| Fung Chi Keung          | Beneficial owner                    | Personal                   | 2,000                        | 0.0004                               |

### Note:

Omnico Company Inc., Trillion Resources Limited and Mercury Fast Limited beneficially owned 269,485,937 shares, 183,235 shares and 80,959,510 shares of the Company respectively, representing 50.2%, 0.03% and 15.1% 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 | Magnificent Estates Limited<br>("Magnificent Estates")<br>(Note 1)      | Interest of controlled corporations | Corporate           | 3,781,883,239         | 69.2                          |
| William Cheng Kai Man | Shun Ho Resources Holdings Limited<br>("Shun Ho Resources")<br>(Note 2) | Interest of controlled corporations | Corporate           | 216,608,825           | 71.2                          |
| William Cheng Kai Man | Trillion Resources Limited<br>("Trillion Resources")<br>(Note 3)        | Beneficial owner                    | Personal            | 1                     | 100                           |
| Albert Hui Wing Ho    | Shun Ho Resources<br>(Note 2)   | Beneficial owner                    | Personal            | 45,787                | 0.02                          |
| Fung Chi Keung        | Magnificent Estates<br>(Note 1)   | Beneficial owner                    | Personal            | 2,000                 | 0.00004                       |
| Fung Chi Keung        | Shun Ho Resources<br>(Note 2)   | Beneficial owner                    | Personal            | 2,000                 | 0.0007                        |

### Notes:

1. Magnificent Estates, the Company's subsidiary, 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 holding company, is a public limited company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange.
3. Trillion Resources, the Company's ultimate holding company, is a company incorporated in the British Virgin Islands.

The Company or any of its associated corporations had no share option scheme during the period.

Save as disclosed above and save for shares in subsidiaries held by a director in trust for their immediate holding companies, as at 30th June, 2006, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be entered in the register required to be kept by the Company under section 352 of the SFO; or (b) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies and none of the directors or their associates or their spouse or children under the age of 18, had any right to subscribe for the securities of the Company or associated corporations, or had exercised any such right during the period.

## SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2006, the following persons (not being directors or chief executive of the Company) had interests in the shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

| Name of shareholder                              | Capacity  | Number of shares | Approximate % of shareholding |
|--|---|------------------|-------------------------------|
| Mercury Fast Limited (“Mercury”)                 | Beneficial owner  | 80,959,510       | 15.1                          |
| Magnificent Estates ( <i>Note 1</i> )            | Interest of controlled corporation                      | 80,959,510       | 15.1                          |
| Omnico Company Inc. (“Omnico”) ( <i>Note 2</i> ) | Beneficial owner and interest of controlled corporation | 350,445,447      | 65.3                          |
| Shun Ho Resources ( <i>Note 3</i> )              | Interest of controlled corporations                     | 350,628,682      | 65.3                          |
| Trillion Resources ( <i>Note 3</i> )             | Interest of controlled corporations                     | 350,628,682      | 65.3                          |
| Liza Lee Pui Ling ( <i>Note 4</i> )              | Interest of spouse                                      | 350,628,682      | 65.3                          |

### Notes:

1. Mercury is a wholly-owned subsidiary of Magnificent Estates.
2. Omnico beneficially owned 269,485,937 shares of the Company (the “Shares”) and was taken to be interested in 80,959,510 Shares held by Mercury which is owned as to 100% by Magnificent Estates, which is in turn owned as to 69.2% by the Company and its subsidiaries, and the Company is in turn directly and indirectly owned as to 65.3% by Omnico.
3. Omnico is a wholly-owned subsidiary of Shun Ho Resources, which is in turn directly and indirectly owned as to 71.2% by Trillion Resources, which is in turn wholly-owned by Mr. William Cheng Kai Man. So, Shun Ho Resources and Trillion Resources were taken to be interested in 350,628,682 Shares by virtue of their direct and indirect interests in Omnico and a wholly-owned subsidiary of Shun Ho Resources.
4. Madam Liza Lee Pui Ling was deemed to be interested in 350,628,682 Shares by virtue of the interest in such Shares of her spouse, Mr. William Cheng Kai Man, a director of the Company.

Save as disclosed above, there was no person, other than a director or chief executive of the Company, who has an interest or short position in the Shares and underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

## INDEPENDENT REVIEW

The interim results for the six months ended 30th June, 2006 are unaudited, but have been reviewed in accordance with Statement of Auditing Standards 700 “Engagements to Review Interim Financial Reports” issued by the Hong Kong Institute of Certified Public Accountants, by Deloitte Touche Tohmatsu, whose independent review report is included on page 7 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 27th May, 2005 whereby every director shall be subject to retirement by rotation at least once every three years. The Company considers that sufficient measures have been taken to ensure that its corporate governance practices are no less exacting than those in the Code.

#### *Code Provisions B.1.4 and C.3.4*

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

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

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

By order of the Board

**Peter Lee Yip Wah**  
*Secretary*

Hong Kong, 15th September, 2006

## INDEPENDENT REVIEW REPORT

# Deloitte.

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### TO THE BOARD OF DIRECTORS OF SHUN HO TECHNOLOGY HOLDINGS LIMITED

*(incorporated in Hong Kong with limited liability)*

## INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 8 to 20.

## DIRECTORS' RESPONSIBILITIES

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

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## REVIEW WORK PERFORMED

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

## REVIEW CONCLUSION

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

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



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

|  |              | <b>Six months ended</b> |                    |
|--|--------------|-------------------------|--------------------|
|  | <i>Notes</i> | <b>30.6.2006</b>        | 30.6.2005          |
|  |              | <b>HK\$'000</b>         | <b>HK\$'000</b>    |
|  |              | <b>(unaudited)</b>      | <b>(unaudited)</b> |
| Turnover   | 3            | <b>86,556</b>           | 141,432            |
| Cost of sales  |              | <b>(1,876)</b>          | (66,481)           |
| Other service costs                                    |              | <b>(43,835)</b>         | (31,270)           |
|  |              | <hr/>                   | <hr/>              |
| Gross profit   |              | <b>40,845</b>           | 43,681             |
| Discount on acquisition of subsidiaries                |              | –                       | 13,505             |
| Increase in fair value of investment properties        | 11           | <b>30,800</b>           | 3,800              |
| Gain on change in value of leasehold interest in land  | 10           | <b>2,804</b>            | –                  |
| Other income   |              | <b>2,149</b>            | 367                |
| Decrease in fair value of investments held for trading |              | <b>(472)</b>            | (577)              |
| Depreciation and amortisation                          |              | <b>(14,137)</b>         | (12,552)           |
| Selling and marketing expenses                         |              | –                       | (3,561)            |
| Administrative expenses                                |              | <b>(6,195)</b>          | (6,324)            |
| Share of losses of associates                          |              | <b>(4)</b>              | (220)              |
| Finance costs  | 5            | <b>(3,561)</b>          | (3,588)            |
|  |              | <hr/>                   | <hr/>              |
| Profit before taxation                                 | 6            | <b>52,229</b>           | 34,531             |
| Taxation   | 7            | <b>(7,239)</b>          | 12,678             |
|  |              | <hr/>                   | <hr/>              |
| Profit for the period                                  |              | <b>44,990</b>           | 47,209             |
|  |              | <hr/> <hr/>             | <hr/> <hr/>        |
| Attributable to:                                       |              |                         |                    |
| Shareholders of the Company                            |              | <b>32,780</b>           | 33,741             |
| Minority interests                                     |              | <b>12,210</b>           | 13,468             |
|  |              | <hr/>                   | <hr/>              |
|  |              | <b>44,990</b>           | 47,209             |
|  |              | <hr/> <hr/>             | <hr/> <hr/>        |
|  |              | <i>HK Cents</i>         | <i>HK Cents</i>    |
| Earnings per share                                     | 8            |                         |                    |
| Basic  |              | <b>7.19</b>             | 7.40               |
|  |              | <hr/> <hr/>             | <hr/> <hr/>        |

## CONDENSED CONSOLIDATED BALANCE SHEET

AT 30TH JUNE, 2006

|  | <i>Notes</i> | <b>30.6.2006</b><br><i>HK\$'000</i><br><b>(unaudited)</b> | 31.12.2005<br><i>HK\$'000</i><br><b>(audited)</b> |
|--|--------------|---|---|
| <b>Non-current Assets</b>                          |              |   |   |
| Property, plant and equipment                      | 10           | 391,758   | 398,572   |
| Prepaid lease payments for land                    | 10           | 809,400   | 822,489   |
| Investment properties                              | 11           | 601,000   | 560,000   |
| Property under development                         |              | 132,858   | 85,927  |
| Interests in associates                            |              | 652   | 645   |
| Available-for-sale investments                     | 12           | 37,090  | 30,829  |
|  |              | <b>1,972,758</b>  | <b>1,898,462</b>                                  |
| <b>Current Assets</b>                              |              |   |   |
| Inventories  |              | 667   | 742   |
| Properties for sale                                |              | 15,214  | 15,173  |
| Investments held for trading                       | 13           | 21,319  | 21,791  |
| Prepaid lease payments for land                    | 10           | 13,835  | 13,744  |
| Trade and other receivables                        | 14           | 8,855   | 14,475  |
| Deposits and prepayments                           |              | 3,605   | 3,697   |
| Trade balance due from a shareholder               | 14 & 20(a)   | 1,008   | 913   |
| Trade balance due from an associate                | 14           | –   | 14  |
| Bank balances and cash                             |              | 94,824  | 100,399   |
|  |              | <b>159,327</b>  | <b>170,948</b>                                    |
| <b>Current Liabilities</b>                         |              |   |   |
| Trade and other payables                           | 15           | 24,347  | 21,119  |
| Rental and other deposits received                 |              | 8,779   | 4,107   |
| Advance from a shareholder                         | 20(a)        | 16,969  | 16,826  |
| Amount due to an associate                         | 20(b)        | 2,269   | 2,269   |
| Tax liabilities                                    |              | 6,904   | 3,558   |
| Bank loans – due within one year                   | 16           | 245,602   | 246,409   |
|  |              | <b>304,870</b>  | <b>294,288</b>                                    |
| <b>Net Current Liabilities</b>                     |              | <b>(145,543)</b>  | <b>(123,340)</b>                                  |
|  |              | <b>1,827,215</b>  | <b>1,775,122</b>                                  |
| <b>Capital and Reserves</b>                        |              |   |   |
| Share capital                                      | 17           | 268,538   | 268,538   |
| Share premium and reserves                         |              | 1,001,223   | 963,990   |
| Equity attributable to shareholders of the Company |              | <b>1,269,761</b>  | <b>1,232,528</b>                                  |
| Minority interests                                 |              | 411,375   | 400,547   |
| <b>Total Equity</b>                                |              | <b>1,681,136</b>  | <b>1,633,075</b>                                  |
| <b>Non-current Liability</b>                       |              |   |   |
| Deferred tax liabilities                           |              | 146,079   | 142,047   |
|  |              | <b>1,827,215</b>  | <b>1,775,122</b>                                  |

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

|  | Attributable to shareholders of the Company |                                 |                                   |   |  |                                   |                                    |   |                         |                                      |                         |
|--|---|---------------------------------|-----------------------------------|---|--|-----------------------------------|------------------------------------|---|-------------------------|--------------------------------------|-------------------------|
|  | Share capital<br><i>HKS'000</i>             | Share premium<br><i>HKS'000</i> | Capital reserve<br><i>HKS'000</i> | Property revaluation reserve<br><i>HKS'000</i><br><i>(Note)</i> | Securities revaluation reserve<br><i>HKS'000</i> | General reserve<br><i>HKS'000</i> | Retained profits<br><i>HKS'000</i> | Own shares held by a subsidiary<br><i>HKS'000</i> | Total<br><i>HKS'000</i> | Minority interests<br><i>HKS'000</i> | Total<br><i>HKS'000</i> |
| At 1st January, 2005   | 268,538                                     | 118,800                         | 4,181                             | 50,063  | (8,146)  | 263                               | 767,867                            | (14,573)  | 1,186,993               | 385,163                              | 1,572,156               |
| Net income recognised directly in equity   |   |                                 |                                   |   |  |                                   |                                    |   |                         |                                      |                         |
| Increase on revaluation of available-for-sale investments                              | -   | -                               | -                                 | -   | 3,033  | -                                 | -                                  | -   | 3,033                   | 1,349                                | 4,382                   |
| Profit for the period  | -   | -                               | -                                 | -   | -  | -                                 | 33,741                             | -   | 33,741                  | 13,468                               | 47,209                  |
| Total recognised income for the period   | -   | -                               | -                                 | -   | 3,033  | -                                 | 33,741                             | -   | 36,774                  | 14,817                               | 51,591                  |
| Dividends paid to minority shareholders  | -   | -                               | -                                 | -   | -  | -                                 | -                                  | -   | -                       | (2,523)                              | (2,523)                 |
| Final dividend for the year ended 31st December, 2004 paid                             | -   | -                               | -                                 | -   | -  | -                                 | (2,965)                            | -   | (2,965)                 | -                                    | (2,965)                 |
| At 30th June, 2005   | 268,538                                     | 118,800                         | 4,181                             | 50,063  | (5,113)  | 263                               | 798,643                            | (14,573)  | 1,220,802               | 397,457                              | 1,618,259               |
| Net expenses recognised directly in equity   |   |                                 |                                   |   |  |                                   |                                    |   |                         |                                      |                         |
| Decrease in value of available-for-sale investments                                    | -   | -                               | -                                 | -   | (6,066)  | -                                 | -                                  | -   | (6,066)                 | (2,698)                              | (8,764)                 |
| Profit for the period  | -   | -                               | -                                 | -   | -  | -                                 | 17,792                             | -   | 17,792                  | 5,788                                | 23,580                  |
| Total recognised income and expense for the period                                     | -   | -                               | -                                 | -   | (6,066)  | -                                 | 17,792                             | -   | 11,726                  | 3,090                                | 14,816                  |
| At 31st December, 2005   | 268,538                                     | 118,800                         | 4,181                             | 50,063  | (11,179)   | 263                               | 816,435                            | (14,573)  | 1,232,528               | 400,547                              | 1,633,075               |
| Increase in fair value of available-for-sale investments                               | -   | -                               | -                                 | -   | 4,330  | -                                 | -                                  | -   | 4,330                   | 1,931                                | 6,261                   |
| Surplus on revaluation upon reclassification to investment properties <i>(Note 10)</i> | -   | -                               | -                                 | 149   | -  | -                                 | -                                  | -   | 149                     | 65                                   | 214                     |
| Deferred tax on revaluation of properties  | -   | -                               | -                                 | (26)  | -  | -                                 | -                                  | -   | (26)                    | (12)                                 | (38)                    |
| Net income recognised directly in equity   | -   | -                               | -                                 | 123   | 4,330  | -                                 | -                                  | -   | 4,453                   | 1,984                                | 6,437                   |
| Profit for the period  | -   | -                               | -                                 | -   | -  | -                                 | 32,780                             | -   | 32,780                  | 12,210                               | 44,990                  |
| Total recognised income for the period   | -   | -                               | -                                 | 123   | 4,330  | -                                 | 32,780                             | -   | 37,233                  | 14,194                               | 51,427                  |
| Dividends paid to minority shareholders  | -   | -                               | -                                 | -   | -  | -                                 | -                                  | -   | -                       | (3,366)                              | (3,366)                 |
| At 30th June, 2006   | 268,538                                     | 118,800                         | 4,181                             | 50,186  | (6,849)  | 263                               | 849,215                            | (14,573)  | 1,269,761               | 411,375                              | 1,681,136               |

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

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

|  | <b>Six months ended</b> |                      |
|--|-------------------------|----------------------|
|  | <b>30.6.2006</b>        | 30.6.2005            |
|  | <b>HK\$'000</b>         | HK\$'000             |
|  | <b>(unaudited)</b>      | (unaudited)          |
| Net cash from operating activities                       | <u>50,454</u>           | <u>146,913</u>       |
| Net cash used in investing activities:                   |                         |                      |
| Expenditure on property under development                | (43,025)                | (7,602)              |
| Acquisition of subsidiaries                              | –                       | (221,654)            |
| Other investing cash flows                               | <u>(2,388)</u>          | <u>(6,027)</u>       |
|  | <u>(45,413)</u>         | <u>(235,283)</u>     |
| Net cash used in financing activities:                   |                         |                      |
| Advance from a shareholder                               | 143                     | 1,408                |
| New bank loans raised                                    | –                       | 65,500               |
| Repayment of bank loans                                  | (807)                   | (75,989)             |
| Dividend paid  | (3,366)                 | (5,488)              |
| Interest paid  | (6,582)                 | (5,012)              |
| Other financing cash flows                               | <u>–</u>                | <u>2,184</u>         |
|  | <u>(10,612)</u>         | <u>(17,397)</u>      |
| Net decrease in cash and cash equivalents                | (5,571)                 | (105,767)            |
| Cash and cash equivalents at the beginning of the period | <u>100,276</u>          | <u>134,072</u>       |
| Cash and cash equivalents at the end of the period       | <u><u>94,705</u></u>    | <u><u>28,305</u></u> |
| Analysis of cash and cash equivalents                    |                         |                      |
| Bank balances and cash                                   | 94,824                  | 28,972               |
| Less: Pledged bank deposits                              | <u>(119)</u>            | <u>(667)</u>         |
|  | <u><u>94,705</u></u>    | <u><u>28,305</u></u> |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2006

## 1. BASIS OF PREPARATION

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

## 2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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

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

<sup>2</sup> Effective for annual periods beginning on or after 1st March, 2006.

<sup>3</sup> Effective for annual periods beginning on or after 1st May, 2006.

<sup>4</sup> Effective for annual periods beginning on or after 1st June, 2006.

### 3. TURNOVER

|   | <b>Six months ended</b> |                 |
|---|-------------------------|-----------------|
|   | <b>30.6.2006</b>        | 30.6.2005       |
|   | <b><i>HK\$'000</i></b>  | <i>HK\$'000</i> |
| Income from operations of hotels and furnished suites | <b>78,190</b>           | 44,438          |
| Property rental income                                | <b>7,762</b>            | 7,906           |
| Proceeds from sale of properties                      | –                       | 88,503          |
| Interest from debt securities                         | <b>604</b>              | 585             |
|   | <hr/>                   | <hr/>           |
|   | <b>86,556</b>           | 141,432         |
|   | <hr/> <hr/>             | <hr/> <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 and furnished suites |
| Property investment               | – | property letting  |
| Property development and trading  | – | development and trading of properties                     |
| Securities investment and trading | – | investment in and trading of securities                   |

#### 4. SEGMENT INFORMATION (Continued)

##### Business segments (Continued)

Segment information about these businesses is presented below:

Six months ended 30th June, 2006

|   | Hospitality<br>services<br><i>HK\$'000</i> | Property<br>investment<br><i>HK\$'000</i> | Property<br>development<br>and trading<br><i>HK\$'000</i> | Securities<br>investment<br>and trading<br><i>HK'000</i> | Other<br>operations<br><i>HK\$'000</i> | Consolidated<br><i>HK\$'000</i> |
|---|--|---|---|--|--|---------------------------------|
| TURNOVER  |  |   |   |  |  |                                 |
| External  | <u>78,190</u>                              | <u>7,762</u>                              | <u>-</u>  | <u>604</u>   | <u>-</u>                               | <u>86,556</u>                   |
| SEGMENT RESULTS   |  |   |   |  |  |                                 |
| Operations  | 22,786                                     | 7,017                                     | -   | 132  | -                                      | 29,935                          |
| Increase in fair value of<br>investment properties                                | <u>-</u>                                   | <u>30,800</u>                             | <u>-</u>  | <u>-</u>   | <u>-</u>                               | <u>30,800</u>                   |
|   | <u>22,786</u>                              | <u>37,817</u>                             | <u>-</u>  | <u>132</u>   | <u>-</u>                               | <u>60,735</u>                   |
| Other income  |  |   |   |  |  | 2,149                           |
| Gain on change in value<br>of leasehold interest<br>in land                       |  |   |   |  |  | 2,804                           |
| Unallocated corporate<br>expenses less amount<br>reimbursed by holding<br>company |  |   |   |  |  | (9,894)                         |
| Share of losses of<br>associates  |  |   |   |  |  | (4)                             |
| Finance costs   |  |   |   |  |  | <u>(3,561)</u>                  |
| Profit before taxation  |  |   |   |  |  | <u>52,229</u>                   |

#### 4. SEGMENT INFORMATION (Continued)

##### Business segments (Continued)

Six months ended 30th June, 2005

|   | Hospitality<br>services<br><i>HK\$'000</i> | Property<br>investment<br><i>HK\$'000</i> | Property<br>development<br>and trading<br><i>HK\$'000</i> | Securities<br>investment<br>and trading<br><i>HK'000</i> | Other<br>operations<br><i>HK\$'000</i> | Consolidated<br><i>HK\$'000</i> |
|---|--|---|---|--|--|---------------------------------|
| TURNOVER  |  |   |   |  |  |                                 |
| External  | <u>44,438</u>                              | <u>7,906</u>                              | <u>88,503</u>   | <u>585</u>   | <u>-</u>                               | <u>141,432</u>                  |
| SEGMENT RESULTS   |  |   |   |  |  |                                 |
| Operations  | 1,313                                      | 5,685                                     | 22,056  | 8  | (31)                                   | 29,031                          |
| Increase in fair value of<br>investment properties                                | <u>-</u>                                   | <u>3,800</u>                              | <u>-</u>  | <u>-</u>   | <u>-</u>                               | <u>3,800</u>                    |
|   | <u>1,313</u>                               | <u>9,485</u>                              | <u>22,056</u>   | <u>8</u>   | <u>(31)</u>                            | <u>32,831</u>                   |
| Other income  |  |   |   |  |  | 292                             |
| Discount on acquisition<br>of subsidiaries  | 13,505                                     | -   | -   | -  | -                                      | 13,505                          |
| Unallocated corporate<br>expenses less<br>amount reimbursed<br>by holding company |  |   |   |  |  | (8,289)                         |
| Share of losses of<br>associates  |  |   |   |  |  | (220)                           |
| Finance costs   |  |   |   |  |  | <u>(3,588)</u>                  |
| Profit before taxation  |  |   |   |  |  | <u>34,531</u>                   |

##### Geographical segments

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

|   | Six months ended             |                              |
|---|------------------------------|------------------------------|
|   | 30.6.2006<br><i>HK\$'000</i> | 30.6.2005<br><i>HK\$'000</i> |
| Hong Kong                                       | <b>63,881</b>                | 128,254                      |
| Macau   | <b>15,141</b>                | 5,941                        |
| Other regions in the People's Republic of China | <b>7,534</b>                 | 7,237                        |
|   | <u><b>86,556</b></u>         | <u>141,432</u>               |



## 5. FINANCE COSTS

|  | Six months ended |              |
|--|------------------|--------------|
|  | 30.6.2006        | 30.6.2005    |
|  | HK\$'000         | HK\$'000     |
| Interest on:   |                  |              |
| Bank loans and overdrafts wholly repayable within five years | 6,144            | 4,789        |
| Other loans  | 438              | 223          |
|  | <u>6,582</u>     | <u>5,012</u> |
| Less: amount capitalised in property under development       | (3,021)          | (1,424)      |
|  | <u>3,561</u>     | <u>3,588</u> |

## 6. PROFIT BEFORE TAXATION

|   | Six months ended |              |
|---|------------------|--------------|
|   | 30.6.2006        | 30.6.2005    |
|   | HK\$'000         | HK\$'000     |
| Profit before taxation has been arrived at after charging (crediting):      |                  |              |
| Amortisation of prepaid lease payments for land                             | 6,975            | 6,954        |
| Less: amortisation capitalised in property under development                | (885)            | (885)        |
|   | <u>6,090</u>     | <u>6,069</u> |
| Depreciation of property, plant and equipment                               | 8,047            | 6,483        |
| Interest on bank deposits included in other income                          | (1,762)          | (85)         |
| Share of taxation of associates (included in share of losses of associates) | -                | (46)         |
|   | <u>-</u>         | <u>(46)</u>  |

## 7. TAXATION

|   | Six months ended |                 |
|---|------------------|-----------------|
|   | 30.6.2006        | 30.6.2005       |
|   | HK\$'000         | HK\$'000        |
| The taxation charge (credit) comprises: |                  |                 |
| Current tax                             |                  |                 |
| Hong Kong Profits Tax                   | 3,245            | 5,349           |
| Deferred tax                            | 3,994            | (18,027)        |
|   | <u>7,239</u>     | <u>(12,678)</u> |

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

## 8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the period attributable to shareholders of the Company of HK\$32,780,000 (six months ended 30.6.2005: HK\$33,741,000) and on 456,117,092 (six months ended 30.6.2005: 456,117,092) shares in issue during the period. The number of shares adopted in the calculation of the earnings per share has been arrived at after eliminating the shares in the Company held by a subsidiary.

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

## 9. DIVIDENDS

During the period, no dividend was paid to shareholders of the Company.

The directors have resolved not to declare any interim dividend for the period.

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

During the period, certain shopping area of hotel property, comprising leasehold interest in land and building with an aggregate fair value of HK\$10,200,000, was reclassified from property, plant and equipment and prepaid lease payments for land to investment properties. The fair value of such building and prepaid lease payments for land at the date of reclassification was determined by reference to a valuation carried out by Dudley Surveyors Limited, independent qualified professional valuers not connected with the Group. The difference between the aggregate fair value of such building and prepaid lease payments for land and their aggregate carrying value amounted to HK\$3,018,000. Of which, an amount of HK\$2,804,000 attributable to the prepaid lease payments for land has been credited to the income statement and the remaining balance of HK\$214,000 attributable to the building has been dealt with in property revaluation reserve.

## 11. INVESTMENT PROPERTIES

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

## 12. AVAILABLE-FOR-SALE INVESTMENTS

|  | <b>30.6.2006</b><br><i>HK\$'000</i> | 31.12.2005<br><i>HK\$'000</i> |
|--|-------------------------------------|-------------------------------|
| Equity securities listed in Hong Kong, at fair value | <b>36,310</b>                       | 30,049                        |
| Unlisted equity investments                          | <b>780</b>                          | 780                           |
|  | <b>37,090</b>                       | 30,829                        |

### 13. INVESTMENTS HELD FOR TRADING

|  | <b>30.6.2006</b><br><i>HK\$'000</i> | 31.12.2005<br><i>HK\$'000</i> |
|--|-------------------------------------|-------------------------------|
| Listed securities at fair value          |                                     |                               |
| Equity securities listed in Hong Kong    | <b>9</b>                            | 9                             |
| Debt securities listed outside Hong Kong | <b>21,310</b>                       | 21,782                        |
|  | <u><b>21,319</b></u>                | <u>21,791</u>                 |

### 14. TRADE AND OTHER RECEIVABLES/TRADE BALANCES DUE FROM A SHAREHOLDER AND AN ASSOCIATE

Except for an average credit period of 30 to 60 days granted to travel agencies and customers of the hotels and the furnished suites, the Group does not allow any credit period to its customers.

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

|              | <b>30.6.2006</b><br><i>HK\$'000</i> | 31.12.2005<br><i>HK\$'000</i> |
|--------------|-------------------------------------|-------------------------------|
| 0 - 30 days  | <b>6,330</b>                        | 13,385                        |
| 31 - 60 days | <b>1,664</b>                        | 732                           |
| Over 60 days | <b>1,869</b>                        | 1,285                         |
|              | <u><b>9,863</b></u>                 | <u>15,402</u>                 |

Analysis for reporting as:

|                                      |                     |               |
|--------------------------------------|---------------------|---------------|
| Trade and other receivables          | <b>8,855</b>        | 14,475        |
| Trade balance due from a shareholder | <b>1,008</b>        | 913           |
| Trade balance due from an associate  | -                   | 14            |
|                                      | <u><b>9,863</b></u> | <u>15,402</u> |

### 15. TRADE AND OTHER PAYABLES

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

|              | <b>30.6.2006</b><br><i>HK\$'000</i> | 31.12.2005<br><i>HK\$'000</i> |
|--------------|-------------------------------------|-------------------------------|
| 0 - 30 days  | <b>16,263</b>                       | 13,899                        |
| 31 - 60 days | <b>616</b>                          | 322                           |
| Over 60 days | <b>7,468</b>                        | 6,898                         |
|              | <u><b>24,347</b></u>                | <u>21,119</u>                 |

## 16. BANK LOANS

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

## 17. SHARE CAPITAL

|  | <b>Number of<br/>shares<br/>'000</b> | <b>Nominal<br/>value<br/>HK\$'000</b> |
|--|--------------------------------------|---------------------------------------|
| Ordinary shares of HK\$0.5 each            |                                      |                                       |
| Authorised                                 |                                      |                                       |
| At 30th June, 2006 and 31st December, 2005 | <u>640,000</u>                       | <u>320,000</u>                        |
| Issued and fully paid                      |                                      |                                       |
| At 30th June, 2006 and 31st December, 2005 | <u>537,077</u>                       | <u>268,538</u>                        |

At 30th June, 2006, the Company's 80,959,510 (31.12.2005: 80,959,510) issued shares with an aggregate nominal value of HK\$40,480,000 (31.12.2005: HK\$40,480,000) were held by a subsidiary of the Company's listed subsidiary, Magnificent Estates Limited ("Magnificent"). In accordance with the Companies Ordinance, members of the Group who are shareholders of the Company have no right to vote at meetings of the Company.

## 18. PROJECT COMMITMENTS

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

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

## 19. PLEDGE OF ASSETS

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

- (a) leasehold interest in land and buildings of the Group with an aggregate carrying amount of HK\$1,163 million (31.12.2005: HK\$1,133 million);
- (b) assignment of the Group's rentals and hotel revenue; and
- (c) pledge of the listed securities held by subsidiaries with an aggregate market value of approximately HK\$105 million (31.12.2005: HK\$95 million) and the bank deposits of the Group with an aggregate carrying amount of approximately HK\$119,000 (31.12.2005: HK\$123,000). The pledged listed securities include shares of the Company held by a subsidiary of Magnificent as detailed in note 17.

## 20. RELATED PARTY TRANSACTIONS

Other than those disclosed above, the Group had the following transactions and balances with related parties:

- (a) During the period, the holding company, Shun Ho Resources Holdings Limited ("Shun Ho Resources"), made unsecured short-term advances to the Company which carry interest chargeable at Hong Kong Inter-bank Offered Rate plus 1% per annum. The advances are repayable on demand. Interest payable by the Company on such advances amounted to HK\$438,000 (six months ended 30.6.2005: HK\$223,000) in respect of the period. At 30th June, 2006, such advances amounted to HK\$16,969,000 (31.12.2005: HK\$16,826,000) remained outstanding.

In addition, the Group had a trade balance due from Shun Ho Resources amounted to HK\$1,008,000 (31.12.2005: HK\$913,000) which is unsecured, interest free and repayable on demand.

During the period, the Group provided administrative facilities to Shun Ho Resources, for which fees totalling HK\$75,000 (six months ended 30.6.2005: HK\$75,000), calculated on a cost reimbursement basis, were charged.

- (b) During the current period, the Group had an amount due to an associate, Lucky Country Development Limited ("Lucky Country"), which is unsecured and interest free with no fixed repayment terms. The amount due to Lucky Country of HK\$2,269,000 (31.12.2005: HK\$2,269,000) remained outstanding at 30th June, 2006.
- (c) The compensation of key management personnel paid or payable by the Group in respect of the period, which substantially comprised short-term benefits attributable to such personnel, amounted to HK\$2,446,000 (six months ended 30.6.2005: HK\$2,638,000).