



**SHUN HO RESOURCES  
HOLDINGS LIMITED**  
**(順豪資源集團有限公司)**  
(Stock Code: 253)

Interim Report 2007

# Corporate Information

## Executive Directors

Mr. William Cheng Kai Man (*Chairman*)  
Mr. Albert Hui Wing Ho

## Non-Executive Directors

Mr. David Cheng Kai Ho  
Madam Mabel Lui Fung Mei Yee

## Independent Non-Executive Directors

Mr. Vincent Kwok Chi Sun  
Mr. Chan Kim Fai  
Mr. Hui Kin Hing

## Company Secretary

Mr. Peter Lee Yip Wah

## Auditors

Deloitte Touche Tohmatsu  
35th Floor, One Pacific Place  
88 Queensway  
Hong Kong

## Solicitors

Dibb Lupton Alsop  
40th Floor, Bank of China Tower  
1 Garden Road  
Central, Hong Kong

Woo, Kwan, Lee & Lo  
26th Floor, Jardine House  
1 Connaught Place  
Hong Kong

## Principal Bankers

The Hongkong and Shanghai Banking  
Corporation Limited  
Chong Hing Bank Limited

## Registered Office

3rd Floor, Shun Ho Tower  
24-30 Ice House Street  
Central, Hong Kong

## Share Registrars

Tricor Tengis Limited  
26th Floor, Tesbury Centre  
28 Queen's Road East  
Hong Kong  
Tel: 2980 1333

## Company Website

[www.shunho.com.hk](http://www.shunho.com.hk)

## **INTERIM RESULTS**

The board of directors (the “Board”) of Shun Ho Resources 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, 2007 amounted to HK\$609,673,000 (six months ended 30th June, 2006: HK\$44,972,000) and the unaudited consolidated profit after minority interests of the Group for the six months ended 30th June, 2007 amounted to HK\$167,715,000 (six months ended 30th June, 2006: HK\$16,441,000).

The results of the Group for the six months ended 30th June, 2007 and its financial position as at that date are set out in the condensed financial statements on pages 9 to 22 of this report.

## **INTERIM DIVIDEND**

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

During the period under review, the Group through its major subsidiary, Shun Ho Technology Holdings Limited and Magnificent Estates Limited, continued with its operations of properties investment, development and leasing and operation of hotels.

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

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

The properties rental income was derived from office building of Shun Ho Tower and various shops of Ramada Hotel Kowloon, Ramada Hong Kong Hotel and Best Western Hotel Taipa, Macau amounted to HK\$10,550,000.

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

- As at 30th June, 2007, the overall debts was bank borrowings of HK\$462 million (31.12.2006: HK\$316 million). The increase of overall debts was due to the acquisition of three hotel development properties for a total of approximately HK\$960 million.

The gearing ratio was approximately 17% (31.12.2006: 18%) in terms of external bank borrowings of HK\$462 million (31.12.2006: HK\$316 million) against funds employed of HK\$2,650 million (31.12.2006: HK\$1,732 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 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.

- 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.

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

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

Looking ahead, the Board considers that the prosperity and Olympic Games in China will continue to fuel international travels to Hong Kong and China. The implementation by the PRC Government of CEPA and the furtherance of relaxation of mainland 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 major portfolio of prime 4-star hotels in Hong Kong and major cities of China. The continuous increase of inbound tourists justified the Group's intention to expand the Group's hotel assets. The recent rising property prices also add momentum to the Hong Kong business environment that brings benefit to the Group's commercial portfolio in Central and North Point. The Group will continue to acquire quality hotels and investment/development properties should the opportunity arises.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

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

## **DIRECTORS' INTERESTS IN LISTED SECURITIES**

As at 30th June, 2007, the interests or short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("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	216,608,825 (Note)	71.2

#### *Note:*

Trillion Resources Limited and Mercury Fast Limited beneficially owned 154,006,125 shares and 62,602,700 shares in the Company respectively, representing 50.6% and 20.6% of the issued share capital of the Company respectively. Mr. William Cheng Kai Man had controlling interests in each of these companies.

## Associated corporations

Name of director	Name of associated corporation	Capacity	Nature of interests	Number of shares held	Approximate % of shareholding
William Cheng Kai Man	Shun Ho Technology Holdings Limited ("Shun Ho Technology") (Note 1)	Interest of controlled corporations	Corporate	350,742,682	65.3
William Cheng Kai Man	Magnificent Estates Limited ("Magnificent Estates") (Note 2)	Interest of controlled corporations	Corporate	3,202,883,239	53.7
William Cheng Kai Man	Trillion Resources Limited ("Trillion Resources") (Note 3)	Beneficial owner	Personal	1	100

### Notes:

1. Shun Ho Technology, the Company's subsidiary, is a public limited company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange.
2. Magnificent Estates, the Company's indirect subsidiary, 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 holding company, is a company incorporated in the British Virgin Islands.

None of the Company or any of its associated corporations had any share option scheme during the period.

Save as disclosed above and save for shares in subsidiaries held by a director in trust for their immediate holding companies, as at 30th June, 2007, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be entered in the register required to be kept by the Company pursuant to 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 corporation, or had exercised any such right during the period.

## SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2007, the following persons (not being directors or chief executive of the Company) had interests in the shares in the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Capacity	Number of shares	Approximate % of shareholding
Mercury Fast Limited (“Mercury”)	Beneficial owner	62,602,700	20.6
Magnificent Estates ( <i>Note 1</i> )	Interest of controlled corporation	62,602,700	20.6
Shun Ho Technology ( <i>Note 1</i> )	Interest of controlled corporation	62,602,700	20.6
Trillion Resources ( <i>Note 2</i> )	Beneficial owner and interest of controlled corporations	216,608,825	71.2
Liza Lee Pui Ling ( <i>Note 3</i> )	Interest of spouse	216,608,825	71.2

*Notes:*

1. Magnificent Estates and Shun Ho Technology were taken to be interested in 62,602,700 shares in the Company (“Shares”) owned by Mercury, a wholly-owned subsidiary of Magnificent Estates which in turn owned as to 53.7% by Shun Ho Technology and its subsidiaries.
2. Trillion Resources beneficially owned 154,006,125 Shares and was taken to be interested in 62,602,700 Shares by virtue of its indirect interests in Mercury, which was an indirect subsidiary in Shun Ho Technology. Shun Ho Technology was directly and indirectly owned as to 65.3% by Omnico, which was in turn owned as to 100% by the Company, which was in turn directly and indirectly owned as to 71.2% by Trillion Resources. Trillion Resources was wholly-owned by Mr. William Cheng Kai Man.
3. Madam Liza Lee Pui Ling owned deemed to be interested in 216,608,825 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 had an interest or short position in the Shares and underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

## INDEPENDENT REVIEW

The interim results for the six months ended 30th June, 2007 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, by Deloitte Touche Tohmatsu, whose independent review report is included on page 8 of this interim report. The interim results have also been reviewed by the Group’s Audit Committee.

## **CORPORATE GOVERNANCE**

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

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

#### *Code Provision A.2.1*

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

#### *Code Provision A.4.1*

Non-executive directors of the Company have no set term of office but retire from office on a rotational basis at least once every three years. Amendment to the articles of association of the Company was proposed and approved by the shareholders at the annual general meeting of the Company held on 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.

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

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

By order of the Board

**Peter Lee Yip Wah**  
*Secretary*

Hong Kong, 13th September, 2007



## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

# Deloitte.

# 德勤

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

*(incorporated in Hong Kong with limited liability)*

### INTRODUCTION

We have reviewed the interim financial information set out on pages 9 to 22, which comprises the condensed consolidated balance sheet of Shun Ho Resources Holdings Limited as of 30th June, 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*

Hong Kong  
13th September, 2007

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

		<b>Six months ended</b>	
	<i>Notes</i>	<b>30.6.2007</b>	30.6.2006
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
Turnover	3	<b>99,577</b>	86,556
Cost of sales		<b>(2,269)</b>	(1,876)
Other service costs		<b>(44,887)</b>	(43,835)
Depreciation and release of prepaid lease payments for land		<b>(15,845)</b>	(14,137)
		<hr/>	<hr/>
Gross profit		<b>36,576</b>	26,708
Revaluation surplus/increase in fair value of investment properties		<b>784,249</b>	30,800
Gain on change in value of leasehold interest in land upon transfer to investment properties		–	2,804
Other income		<b>10,849</b>	2,076
Decrease in fair value of investments held for trading		<b>(457)</b>	(463)
Administrative expenses		<b>(8,734)</b>	(6,587)
Share of loss of an associate		<b>(4)</b>	(4)
Finance costs	5	<b>(5,193)</b>	(3,123)
Losses on disposal and deemed disposal of interests in a subsidiary	6	<b>(62,626)</b>	–
		<hr/>	<hr/>
Profit before taxation	7	<b>754,660</b>	52,211
Taxation	8	<b>(144,987)</b>	(7,239)
		<hr/>	<hr/>
Profit for the period		<b>609,673</b>	44,972
		<hr/>	<hr/>
Attributable to:			
Shareholders of the Company		<b>167,715</b>	16,441
Minority interests		<b>441,958</b>	28,531
		<hr/>	<hr/>
		<b>609,673</b>	44,972
		<hr/>	<hr/>
		<i>HK Cents</i>	<i>HK Cents</i>
Earnings per share	9		
Basic		<b>69.4</b>	6.8
		<hr/>	<hr/>

## CONDENSED CONSOLIDATED BALANCE SHEET

AT 30TH JUNE, 2007

	<i>Notes</i>	30.6.2007 <i>HK\$'000</i> (unaudited)	31.12.2006 <i>HK\$'000</i> (audited)
<b>Non-current Assets</b>			
Property, plant and equipment		408,025	405,927
Prepaid lease payments for land		806,355	802,483
Investment properties	11	1,894,700	634,330
Deposits for acquisition of land		73,000	–
Property under development		12,425	234,897
Interest in an associate		550	554
Available-for-sale investments	12	780	780
		<b>3,195,835</b>	<b>2,078,971</b>
<b>Current Assets</b>			
Inventories		667	615
Properties for sale		19,174	15,505
Investments held for trading	13	22,564	23,022
Prepaid lease payments for land		12,295	13,835
Trade and other receivables	14	7,654	12,497
Other deposits and prepayments		4,209	4,398
Deposit for acquisition of land		–	19,500
Pledged bank deposit		110	110
Bank balances and cash		207,433	93,180
		<b>274,106</b>	<b>182,662</b>
<b>Current Liabilities</b>			
Trade and other payables	15	38,946	43,098
Rental and other deposits received		9,441	7,026
Amount due to an associate	20(b)	2,269	2,269
Tax liabilities		11,186	5,665
Bank loans	16	462,196	315,743
		<b>524,038</b>	<b>373,801</b>
<b>Net Current Liabilities</b>		<b>(249,932)</b>	<b>(191,139)</b>
		<b>2,945,903</b>	<b>1,887,832</b>
<b>Capital and Reserves</b>			
Share capital	17	152,184	152,184
Share premium and reserves		678,198	510,730
Equity attributable to shareholders of the Company		<b>830,382</b>	662,914
Minority interests		<b>1,819,844</b>	1,068,706
<b>Total Equity</b>		<b>2,650,226</b>	1,731,620
<b>Non-current Liability</b>			
Deferred tax liabilities		295,677	156,212
		<b>2,945,903</b>	<b>1,887,832</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

Attributable to shareholders of the Company

	Share capital HK\$'000	Share premium HK\$'000	Property revaluation reserve HK\$'000 (Note a)	Securities revaluation reserve HK\$'000 (Note b)	Translation reserve HK\$'000	Retained profits HK\$'000	Own shares held by a subsidiary HK\$'000 (Note c)	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st January, 2006 (audited)	152,184	20,068	22,641	(12,252)	–	451,357	(12,834)	621,164	997,431	1,618,595
Surplus on revaluation upon reclassification to investment properties	–	–	74	–	–	–	–	74	140	214
Deferred tax on revaluation of properties	–	–	(13)	–	–	–	–	(13)	(25)	(38)
Net income recognised directly in equity	–	–	61	–	–	–	–	61	115	176
Profit for the period	–	–	–	–	–	16,441	–	16,441	28,531	44,972
Total recognised income for the period	–	–	61	–	–	16,441	–	16,502	28,646	45,148
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	(3,367)	(3,367)
At 30th June, 2006 (unaudited)	152,184	20,068	22,702	(12,252)	–	467,798	(12,834)	637,666	1,022,710	1,660,376
Exchange differences arising on translation of financial statements of a subsidiary	–	–	–	–	808	–	–	808	1,502	2,310
Net income recognised directly in equity	–	–	–	–	808	–	–	808	1,502	2,310
Profit for the period	–	–	–	–	–	24,440	–	24,440	44,494	68,934
Total recognised income for the period	–	–	–	–	808	24,440	–	25,248	45,995	71,244
At 1st January, 2007 (audited)	152,184	20,068	22,702	(12,252)	808	492,238	(12,834)	662,914	1,068,706	1,731,620
Exchange differences arising on translation of financial statements of a subsidiary	–	–	–	–	(247)	–	–	(247)	(156)	(403)
Net expense recognised directly in equity	–	–	–	–	(247)	–	–	(247)	(156)	(403)
Profit for the period	–	–	–	–	–	167,715	–	167,715	441,958	609,673
Total recognised (expense) income for the period	–	–	–	–	(247)	167,715	–	167,468	441,802	609,270
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	(4,977)	(4,977)
Disposal of interest in a subsidiary	–	–	–	–	–	–	–	–	149,256	149,256
Deemed disposal of interest in a subsidiary	–	–	–	–	–	–	–	–	165,057	165,057
At 30th June, 2007 (unaudited)	152,184	20,068	22,702	(12,252)	561	659,953	(12,834)	830,382	1,819,844	2,650,226

### Notes:

- (a) The property revaluation reserve is frozen upon the transfer from property, plant and equipment to investment properties and will be transferred to retained profits when the relevant properties are disposed of.
- (b) Included in securities revaluation reserve at 30th June, 2007 is decrease in change in fair value of securities amounted to HK\$12,650,000 (31.12.2006 and 30.6.2006: HK\$12,650,000) attributable to the securities held by an associate. That associate has become a subsidiary of the Company since 2001.
- (c) The own shares held by a subsidiary represents the carrying amount of shares in the Company held by an entity at the time the entity become a subsidiary of the Company.

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

	<b>Six months ended</b>	
	<b>30.6.2007</b>	<b>30.6.2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Net cash from operating activities	<b>44,825</b>	50,149
Net cash used in investing activities:		
Balance paid for prepaid lease payments for land	<b>(175,500)</b>	–
Deposits paid for acquisition of land	<b>(73,000)</b>	–
Expenditure on property under development	<b>(63,385)</b>	(43,025)
Acquisition of property, plant and equipment	<b>(11,857)</b>	–
Proceeds from disposal of interests in a subsidiary	<b>115,721</b>	–
Proceeds on disposal of property, plant and equipment	<b>9,364</b>	–
Other investing cash flows	–	(2,388)
	<b>(198,657)</b>	(45,413)
Net cash from (used in) financing activities:		
Proceeds from placement of new shares of a subsidiary	<b>139,000</b>	–
Expenses incurred in relation to the placement of new shares of a subsidiary	<b>(3,034)</b>	–
New bank loans raised	<b>305,600</b>	–
Repayment of bank loans	<b>(159,683)</b>	(807)
Dividends paid to minority shareholders	<b>(4,977)</b>	(3,366)
Interest paid	<b>(8,821)</b>	(6,144)
	<b>268,085</b>	(10,317)
Net increase (decrease) in cash and cash equivalents	<b>114,253</b>	(5,581)
Cash and cash equivalents at the beginning of the period	<b>93,180</b>	100,296
Cash and cash equivalents at the end of the period, represented by bank balances and cash	<b>207,433</b>	94,715

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

## 1. BASIS OF PREPARATION

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

## 2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2006.

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

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

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

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

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

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

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

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

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

### 3. TURNOVER

	Six months ended	
	30.6.2007	30.6.2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Income from operation of hotels	<b>88,320</b>	78,190
Property rental income	<b>10,550</b>	7,762
Interest from debt securities	<b>667</b>	604
Dividend income	<b>40</b>	—
	<hr/>	<hr/>
	<b>99,577</b>	86,556
	<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 hotels
Property investment	– property letting
Property development and trading	– development and trading of properties
Securities investment and trading	– investment in and trading of securities

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

##### Business segments *(Continued)*

Segment information about these businesses is presented below:

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

	Hospitality services <i>HK\$'000</i> (unaudited)	Property investment <i>HK\$'000</i> (unaudited)	Property development and trading <i>HK\$'000</i> (unaudited)	Securities investment and trading <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
TURNOVER					
External	<u>88,320</u>	<u>10,550</u>	<u>-</u>	<u>707</u>	<u>99,577</u>
SEGMENT RESULTS					
Operations	27,187	10,016	-	250	37,453
Revaluation surplus/increase in fair value of investment properties	<u>-</u>	<u>784,249</u>	<u>-</u>	<u>-</u>	<u>784,249</u>
	<u>27,187</u>	<u>794,265</u>	<u>-</u>	<u>250</u>	821,702
Unallocated other income					10,849
Unallocated corporate expenses					(72,694)
Share of loss of an associate					(4)
Finance costs					<u>(5,193)</u>
Profit before taxation					754,660
Taxation					<u>(144,987)</u>
Profit for the period					<u>609,673</u>



#### 4. SEGMENT INFORMATION (Continued)

##### Business segments (Continued)

Six months ended 30th June, 2006

	Hospitality services <i>HK\$'000</i> (unaudited)	Property investment <i>HK\$'000</i> (unaudited)	Property development and trading <i>HK\$'000</i> (unaudited)	Securities investment and trading <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
TURNOVER					
External	<u>78,190</u>	<u>7,762</u>	<u>–</u>	<u>604</u>	<u>86,556</u>
SEGMENT RESULTS					
Operations	22,786	7,017	–	140	29,943
Increase in fair value of investment properties	<u>–</u>	<u>30,800</u>	<u>–</u>	<u>–</u>	<u>30,800</u>
	<u>22,786</u>	<u>37,817</u>	<u>–</u>	<u>140</u>	<u>60,743</u>
Gain on change in value of leasehold interest in land upon transfer to investment properties					2,804
Unallocated other income					2,076
Unallocated corporate expenses					(10,285)
Share of loss of an associate					(4)
Finance costs					<u>(3,123)</u>
Profit before taxation					52,211
Taxation					<u>(7,239)</u>
Profit for the period					<u>44,972</u>

##### Geographical segments

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

	Six months ended	
	30.6.2007 <i>HK\$'000</i> (unaudited)	30.6.2006 <i>HK\$'000</i> (unaudited)
Hong Kong	<b>73,151</b>	63,881
Macau	<b>16,970</b>	15,141
Other regions in the People's Republic of China	<b>9,456</b>	7,534
	<u><b>99,577</b></u>	<u>86,556</u>

## 5. FINANCE COSTS

	<b>Six months ended</b>	
	<b>30.6.2007</b>	30.6.2006
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	(unaudited)
Interest on bank loans and overdrafts wholly repayable within five years	<b>8,821</b>	6,144
Less: amount capitalised in property under development	<b>(3,628)</b>	(3,021)
	<b><u>5,193</u></b>	<u>3,123</u>

## 6. LOSSES ON DISPOSAL AND DEEMED DISPOSAL OF INTERESTS IN A SUBSIDIARY

On 23rd February, 2007, the Group disposed of 579,000,000 ordinary shares in Magnificent Estates Limited (“Magnificent”), a subsidiary indirectly held by the Company, representing 10.6% of the total issued share capital of Magnificent, at HK\$0.205 per ordinary share.

In addition, pursuant to a subscription agreement dated 30th April, 2007 entered into between Magnificent and its minority shareholder, 500,000,000 new ordinary shares of HK\$0.01 each of Magnificent were issued at a price of HK\$0.278 per new ordinary share. The transaction, constituted as deemed disposal of interests in Magnificent, was completed on 21st June, 2007.

As a result of the above transactions, the total losses recognised on disposal and deemed disposal of interests in the subsidiary amounted to HK\$62,626,000 (six months ended 30th June, 2006: nil).

## 7. PROFIT BEFORE TAXATION

	<b>Six months ended</b>	
	<b>30.6.2007</b>	30.6.2006
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	(unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Release of prepaid lease payments for land	<b>6,866</b>	6,975
Less: amortisation capitalised in property under development	<b>(834)</b>	(885)
	<b><u>6,032</u></b>	<u>6,090</u>
Depreciation of property, plant and equipment	<b>9,813</b>	8,047
Interest on bank deposits, included in other income	<b>(1,492)</b>	(1,762)
Gain on disposal of property, plant and equipment, included in other income	<b>(9,315)</b>	–
	<b><u>(9,315)</u></b>	<u>–</u>

## 8. TAXATION

<b>Six months ended</b>	
<b>30.6.2007</b>	30.6.2006
<b>HK\$'000</b>	HK\$'000
<b>(unaudited)</b>	(unaudited)

The taxation charge comprises:

Current tax		
Hong Kong Profits Tax	<b>5,522</b>	3,245
Deferred tax	<b>139,465</b>	3,994
	<u><b>144,987</b></u>	<u>7,239</u>

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

## 9. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

<b>Six months ended</b>	
<b>30.6.2007</b>	30.6.2006
<b>HK\$'000</b>	HK\$'000
<b>(unaudited)</b>	(unaudited)

Results for the period and results for the purpose of calculating basic earnings per share

<u><b>167,715</b></u>	<u>16,441</u>
-----------------------	---------------

<b>Number of shares</b>	
<b>'000</b>	'000
<b>(unaudited)</b>	(unaudited)

Weighted average of ordinary shares for the purpose of calculating basic earnings per share

<u><b>241,766</b></u>	<u>241,766</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. DIVIDEND

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

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

## 11. INVESTMENT PROPERTIES

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

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

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

## 12. AVAILABLE-FOR-SALE INVESTMENTS

	<b>30.6.2007</b> <i>HK\$'000</i> <b>(unaudited)</b>	31.12.2006 <i>HK\$'000</i> (audited)
Unlisted equity investments	<u><b>780</b></u>	<u>780</u>

## 13. INVESTMENTS HELD FOR TRADING

	<b>30.6.2007</b> <i>HK\$'000</i> <b>(unaudited)</b>	31.12.2006 <i>HK\$'000</i> (audited)
Listed securities at fair value		
Equity securities listed in Hong Kong	<b>187</b>	107
Debt securities listed outside Hong Kong	<u><b>22,377</b></u>	<u>22,915</u>
	<u><b>22,564</b></u>	<u>23,022</u>

#### 14. TRADE AND OTHER RECEIVABLES

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

	<b>30.6.2007</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.12.2006 <i>HK\$'000</i> (audited)
0 – 30 days	<b>6,326</b>	10,270
31 – 60 days	<b>1,146</b>	1,646
Over 60 days	<b>182</b>	581
	<u><b>7,654</b></u>	<u>12,497</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>30.6.2007</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.12.2006 <i>HK\$'000</i> (audited)
0 – 30 days	<b>30,099</b>	37,030
31 – 60 days	<b>633</b>	892
Over 60 days	<b>8,214</b>	5,176
	<u><b>38,946</b></u>	<u>43,098</u>

#### 16. BANK LOANS

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

#### 17. SHARE CAPITAL

	<b>Number of</b> <b>shares</b> <i>'000</i>	<b>Nominal</b> <b>value</b> <i>HK\$'000</i>
Ordinary shares of HK\$0.5 each		
Authorised		
At 30th June, 2007 (unaudited) and 31st December, 2006 (audited)	<u>400,000</u>	<u>200,000</u>
Issued and fully paid		
At 30th June, 2007 (unaudited) and 31st December, 2006 (audited)	<u>304,369</u>	<u>152,184</u>

## 17. SHARE CAPITAL (Continued)

At 30th June, 2007, the Company has 62,603,000 (31.12.2006: 62,603,000) issued shares with an aggregate nominal value of HK\$31,301,000 (31.12.2006: HK\$31,301,000) held by a subsidiary of 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 contracted for but not provided in the condensed consolidated financial statements in respect of the following:

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

## 19. PLEDGE OF ASSETS

At 30th June, 2007, the bank loan facilities of subsidiaries, which were utilised to the extent of approximately HK\$462 million (31.12.2006: HK\$316 million), were secured by the following:

- (a) leasehold interest in land, property, plant and equipment and investment properties of the Group with carrying amounts of HK\$704 million (31.12.2006: HK\$1,178 million), HK\$4 million (31.12.2006: HK\$5 million) and HK\$1,260 million (31.12.2006: nil), respectively;
- (b) assignment of the Group's rentals and hotel revenue; and
- (c) pledge of the listed securities held by the Group with an aggregate market value of approximately HK\$22 million (31.12.2006: HK\$23 million) and bank deposit with a carrying amount of HK\$110,000 (31.12.2006: HK\$110,000). The pledged listed securities include shares of the Company held by a subsidiary of Magnificent as detailed in note 17 and shares in the Company's listed subsidiary, Shun Ho Technology Holdings Limited, held by a subsidiary of Magnificent.

## **20. RELATED PARTY TRANSACTIONS**

Other than those disclosed in note 19, the Group had the following transactions and balances with related parties:

- (a) During the period, corporate management fees amounted to HK\$75,000 (six months ended 30.6.2006: HK\$75,000) were paid by the Group to Magnificent and its subsidiaries for administrative facilities provided on a cost reimbursement basis.
- (b) During the period, the Group had an amount due to an associate, Lucky Country Development Limited (“Lucky Country”), which is unsecured and interest free with no fixed repayment terms. The amount due to Lucky Country of HK\$2,269,000 (31.12.2006: HK\$2,269,000) remained outstanding at 30th June, 2007.
- (c) The compensation of key management personnel paid or payable by the Group in respect of the period, substantially all of which comprised short-term benefits attributable to all the key personnel of the Group, amounted to HK\$2,612,000 (six months ended 30.6.2006: HK\$2,599,000).

## **21. EVENTS AFTER THE BALANCE SHEET DATE**

- (a) On 7th March, 2007, a subsidiary of the Company entered into a provisional agreement with an independent third party for the acquisition of a property in Hong Kong at a consideration of HK\$500 million. The acquisition was completed on 23rd July, 2007.
- (b) On 18th April, 2007, another subsidiary of the Company entered into an agreement with an independent third party for the acquisition of a property in Hong Kong at a consideration of HK\$230 million. The acquisition was completed on 20th August, 2007.
- (c) On 8th August, 2007, the Group disposed of 216,000,000 shares in Magnificent representing approximately 3.62% of its total issued share capital for an aggregate consideration of HK\$64,800,000.