



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

**Interim Report 2008**

# Corporate Information

## Executive Directors

Mr. William Cheng Kai Man (*Chairman*)

Mr. Albert Hui Wing Ho

## Non-Executive Directors

Mr. David Cheng Kai Ho

Madam Mabel Lui Fung Mei Yee

## Independent Non-Executive Directors

Mr. Vincent Kwok Chi Sun

Mr. Chan Kim Fai

Mr. Hui Kin Hing

## Company Secretary

Mr. Peter Lee Yip Wah

## Auditors

Deloitte Touche Tohmatsu

35th Floor, One Pacific Place

88 Queensway

Hong Kong

## Solicitors

Dibb Lupton Alsop

40th Floor, Bank of China Tower

1 Garden Road

Central, Hong Kong

Woo, Kwan, Lee & Lo

26th Floor, Jardine House

1 Connaught Place

Hong Kong

## Principal Bankers

The Hongkong and Shanghai Banking

Corporation Limited

Chong Hing Bank Limited

## Registered Office

3rd Floor, Shun Ho Tower

24-30 Ice House Street

Central, Hong Kong

## Share Registrars

Tricor Tengis Limited

26th Floor, Tesbury Centre

28 Queen's Road East

Hong Kong

Tel: 2980 1333

## Company's Website

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

## **INTERIM RESULTS**

The board of directors (the “Board”) of 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, 2008 amounted to HK\$211,143,000 (six months ended 30th June, 2007: HK\$609,673,000) and the unaudited consolidated profit after minority interests of the Group for the six months ended 30th June, 2008 amounted to HK\$53,504,000 (six months ended 30th June, 2007: HK\$167,715,000).

The results of the Group for the six months ended 30th June, 2008 and its financial position as at that date are set out in the condensed financial statements on pages 9 to 23 of this report.

## **INTERIM DIVIDEND**

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

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

- For the six months ended 30th June, 2008, the Group’s revenue was mostly derived from the aggregate of income from operation of hotels, property rental income, interest and dividend income. The income from operation of hotels increased from HK\$88 million to HK\$102 million for the same period compared with last year. The increase of revenue for the period was due to better tourism visit environment and smooth running of the operations of Ramada Hotel Kowloon, Ramada Hong Kong Hotel, Best Western Hotel Taipa, Macau and Magnificent International Hotel, Shanghai.

The properties rental income was derived from office building of 633 King’s Road, Shun Ho Tower, various shops of Ramada Hotel Kowloon, Ramada Hong Kong Hotel and Best Western Hotel Taipa, Macau amounted to approximately HK\$36 million.

- As at 30th June, 2008, the overall debts of the Group was HK\$959 million (31.12.2007: HK\$874 million), of which HK\$899 million (31.12.2007: HK\$874 million) was bank borrowings and HK\$60 million (31.12.2007: Nil) was shareholder loan. The increase of overall debts was due to the acquisition of one hotel development property for a total of approximately HK\$99 million.

The gearing ratio was approximately 31% (31.12.2007: 31%) in terms of external bank borrowings of HK\$899 million (31.12.2007: HK\$874 million) and shareholder loan of HK\$60 million (31.12.2007: Nil) against funds employed of HK\$3,068 million (31.12.2007: HK\$2,862 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, 633 King's Road and various shops in Ramada Hong Kong Hotel, Ramada Hotel Kowloon and Best Western Hotel Taipa, Macau were fully letted. It is expected that the rental revenue from these properties will continue to increase.

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

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

Looking ahead, the Board considers that the successful completion of Olympic Games in China will facilitate international travels to Hong Kong and China. The implementation by the PRC government of CEPA and the furtherance of relaxation of mainland travelers to visit Hong Kong help stimulate further regional tourism. It is envisaged that the hotel business should further improve in the coming year confirming the Group's correct strategy to build up a major portfolio of prime 4-star hotels in Hong Kong and major cities of China. The continuous increase of inbound tourists justified the Group's intention to expand the Group's hotel assets. The recent low interest rate, high inflation and tight land supply government policy backs the demand in the local property market that brings benefit to the Group's commercial portfolio in Central and North Point. With the unforeseeable events with the global financial turmoil, the management of the Group will adopt a conservative approach and will not expect to make further asset acquisitions but to make best endeavour to complete the constructions of the 4 new hotels in Hong Kong to increase the earning base and value for the Company.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

## DIRECTORS' INTERESTS IN LISTED SECURITIES

As at 30th June, 2008, the interests or short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required (a) to be entered in the register required to be kept by the Company under section 352 of the SFO; or (b) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

### The Company

Name of director	Capacity	Nature of interests	Number of shares held	Approximate % of shareholding
William Cheng Kai Man	Interest of controlled corporations	Corporate	216,608,825 (Note)	71.17

#### 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	65.31
William Cheng Kai Man	Magnificent Estates Limited ("Magnificent Estates") (Note 2)	Interest of controlled corporations	Corporate	2,986,809,406	50.07
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, 2008, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be entered in the register required to be kept by the Company 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, 2008, the following persons (not being directors or chief executive of the Company) had interests in the shares in the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Capacity	Number of shares	Approximate % of shareholding
Mercury Fast Limited ("Mercury")	Beneficial owner	62,602,700	20.60
Magnificent Estates ( <i>Note 1</i> )	Interest of controlled corporation	62,602,700	20.60
Shun Ho Technology ( <i>Note 1</i> )	Interest of controlled corporation	62,602,700	20.60
Trillion Resources ( <i>Note 2</i> )	Beneficial owner and interest of controlled corporations	216,608,825	71.17
Liza Lee Pui Ling ( <i>Note 3</i> )	Interest of spouse	216,608,825	71.17

### 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 50.07% 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 65.31% by Omnicor, which was in turn owned as to 100% by the Company, which was in turn directly and indirectly owned as to 71.17% 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, 2008 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, by Deloitte Touche Tohmatsu, whose independent review report is included on page 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, 17th September, 2008



## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

# Deloitte.

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### 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 23, which comprises the condensed consolidated balance sheet of Shun Ho Resources Holdings Limited as of 30th June, 2008 and the related condensed consolidated income statement, the statement of changes in equity and the cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

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

### CONCLUSION

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

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

17th September, 2008

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

		<b>Six months ended</b>	
		<b>30.6.2008</b>	30.6.2007
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	(unaudited and restated)
Revenue	3	<b>139,110</b>	99,577
Cost of sales		<b>(2,108)</b>	(2,269)
Other service costs		<b>(55,119)</b>	(44,887)
Depreciation and release of prepaid lease payments for land		<b>(14,904)</b>	(14,511)
Gross profit		<b>66,979</b>	37,910
Revaluation surplus/increase in fair value of investment properties		<b>184,927</b>	784,249
Other income		<b>2,421</b>	10,849
Gain (loss) on fair value changes of investments held for trading		<b>600</b>	(457)
Administrative expenses		<b>(10,916)</b>	(10,068)
– Depreciation		<b>(1,905)</b>	(1,314)
– Others		<b>(9,011)</b>	(8,754)
Share of loss of an associate		–	(4)
Finance costs	5	<b>(9,868)</b>	(5,193)
Losses on disposal and deemed disposal of interests in a subsidiary	6	–	(62,626)
Profit before taxation	7	<b>234,143</b>	754,660
Income tax expense	8	<b>(23,000)</b>	(144,987)
Profit for the period		<b>211,143</b>	609,673
Attributable to:			
Shareholders of the Company		<b>53,504</b>	167,715
Minority interests		<b>157,639</b>	441,958
		<b>211,143</b>	609,673
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
Basic	9	<b>22.1</b>	69.4

## CONDENSED CONSOLIDATED BALANCE SHEET

AT 30TH JUNE, 2008

	<i>Notes</i>	<b>30.6.2008</b> <i>HK\$'000</i> <b>(unaudited)</b>	31.12.2007 <i>HK\$'000</i> (audited)
<b>Non-current assets</b>			
Property, plant and equipment		<b>419,409</b>	424,766
Prepaid lease payments for land		<b>1,112,803</b>	1,028,057
Investment properties	<i>11</i>	<b>2,079,170</b>	2,536,250
Property under development		<b>703,584</b>	39,718
Interest in an associate		–	–
Available-for-sale investments	<i>12</i>	<b>780</b>	780
Deposits for acquisition of land		<b>29,700</b>	4,694
		<b><u>4,345,446</u></b>	<u>4,034,265</u>
<b>Current assets</b>			
Inventories		<b>752</b>	689
Properties held for sale		<b>21,574</b>	21,534
Investments held for trading	<i>13</i>	<b>21,466</b>	20,931
Prepaid lease payments for land		<b>12,176</b>	12,065
Trade and other receivables	<i>14</i>	<b>21,896</b>	16,892
Other deposits and prepayments		<b>4,244</b>	4,930
Pledged bank deposits		<b>110</b>	110
Bank balances and cash		<b>14,613</b>	12,254
		<b><u>96,831</u></b>	<u>89,405</u>
<b>Current liabilities</b>			
Trade and other payables	<i>15</i>	<b>34,248</b>	42,646
Rental and other deposits received		<b>33,585</b>	21,489
Advance from ultimate holding company	<i>20(a)</i>	<b>59,470</b>	–
Tax liabilities		<b>12,765</b>	6,929
Bank loans	<i>16</i>	<b>899,292</b>	873,550
		<b><u>1,039,360</u></b>	<u>944,614</u>
<b>Net current liabilities</b>		<b><u>(942,529)</u></b>	<u>(855,209)</u>
<b>Total assets less current liabilities</b>		<b><u>3,402,917</u></b>	<u>3,179,056</u>
<b>Capital and reserves</b>			
Share capital	<i>17</i>	<b>152,184</b>	152,184
Share premium and reserves		<b>763,548</b>	709,373
Equity attributable to shareholders of the Company		<b>915,732</b>	861,557
Minority interests		<b>2,152,724</b>	2,000,238
<b>Total equity</b>		<b>3,068,456</b>	2,861,795
<b>Non-current liability</b>			
Deferred tax liabilities		<b>334,461</b>	317,261
		<b><u>3,402,917</u></b>	<u>3,179,056</u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Attributable to shareholders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Property revaluation reserve HK\$'000 <i>(Note a)</i>	Security revaluation reserve HK\$'000 <i>(Note b)</i>	Translation reserve HK\$'000	Retained profits HK\$'000	Own shares held by a subsidiary HK\$'000 <i>(Note c)</i>	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
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 a foreign operation	-	-	-	-	(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
Exchange differences arising on translation of a foreign operation	-	-	-	-	1,448	-	-	1,448	1,447	2,895
Net income recognised directly in equity	-	-	-	-	1,448	-	-	1,448	1,447	2,895
Profit for the period	-	-	-	-	-	29,727	-	29,727	97,762	127,489
Total recognised income for the period	-	-	-	-	1,448	29,727	-	31,175	99,209	130,384
Disposal of interest in a subsidiary	-	-	-	-	-	-	-	-	81,185	81,185
At 31st December, 2007 (audited)	152,184	20,068	22,702	(12,252)	2,009	689,680	(12,834)	861,557	2,000,238	2,861,795
Exchange differences arising on translation of a foreign operation	-	-	-	-	671	-	-	671	1,994	2,665
Net income recognised directly in equity	-	-	-	-	671	-	-	671	1,994	2,665
Profit for the period	-	-	-	-	-	53,504	-	53,504	157,639	211,143
Total recognised income for the period	-	-	-	-	671	53,504	-	54,175	159,633	213,808
Dividends paid to minority shareholders	-	-	-	-	-	-	-	-	(7,147)	(7,147)
At 30th June, 2008 (unaudited)	152,184	20,068	22,702	(12,252)	2,680	743,184	(12,834)	915,732	2,152,724	3,068,456

**Notes:**

- (a) The property revaluation reserve is frozen upon the transfer of properties from property, plant and equipment to investment properties and will be transferred to retained profits when the relevant properties are disposed of.
- (b) Included in security revaluation reserve at 30th June, 2008 is decrease in change in fair value of securities amounted to HK\$12,252,000 (31st December, 2007 and 30th June, 2007: HK\$12,252,000) 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, 2008**

	<b>Six months ended</b>	
	<b>30.6.2008</b>	30.6.2007
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	(unaudited)
Net cash from operating activities	<u><b>74,267</b></u>	<u>44,825</u>
Net cash used in investing activities:		
Balance paid for prepaid lease payments for land	<b>(89,186)</b>	(175,500)
Deposit paid on acquisition of land	<b>(29,700)</b>	(73,000)
Expenditure on property under development	<b>(12,255)</b>	(63,385)
Purchase of investment properties	<b>(2,993)</b>	–
Acquisition of property, plant and equipment	<b>(2,211)</b>	(11,857)
Proceeds from disposal of property, plant and equipment	<b>850</b>	9,364
Proceeds from disposal of partial interest in a subsidiary	<u>–</u>	<u>115,721</u>
	<u><b>(135,495)</b></u>	<u>(198,657)</u>
Net cash from financing activities:		
Advance from the ultimate holding company	<b>59,470</b>	–
New bank loans raised	<b>49,000</b>	305,600
Repayment of bank loans	<b>(24,250)</b>	(159,683)
Interest paid	<b>(13,486)</b>	(8,821)
Dividend paid to minority shareholders	<b>(7,147)</b>	(4,977)
Proceeds from placement of new shares of a subsidiary	–	139,000
Expenses incurred in relation to placement of new shares of a subsidiary	<u>–</u>	<u>(3,034)</u>
	<u><b>63,587</b></u>	<u>268,085</u>
Net increase in cash and cash equivalents	<b>2,359</b>	114,253
Cash and cash equivalents at the beginning of the period	<u><b>12,254</b></u>	<u>93,180</u>
Cash and cash equivalents at the end of the period, represented by bank balances and cash	<u><b>14,613</b></u>	<u>207,433</u>

# **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

## **1. BASIS OF PREPARATION**

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

## **2. PRINCIPAL ACCOUNTING POLICIES**

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2007.

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

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

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

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

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

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

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

<sup>2</sup> Effective for annual periods beginning on or after 1st July, 2009

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

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

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

## 3. REVENUE

	Six months ended	
	30.6.2008	30.6.2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Income from operation of hotels	102,421	88,320
Property rental income	36,033	10,550
Interest income from debt securities	616	667
Dividend income	40	40
	<u>139,110</u>	<u>99,577</u>

#### 4. SEGMENT INFORMATION

##### Business segments

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

Hospitality services	–	investment in and operation of hotels
Property investment	–	property letting
Property development and sales	–	development and sales of properties
Securities investment and trading	–	investment in and trading of securities

Segment information about these businesses is presented below:

##### REVENUE AND RESULTS

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

	Hospitality services HK\$'000 (unaudited)	Property investment HK\$'000 (unaudited)	Property development and sales HK\$'000 (unaudited)	Securities investment and trading HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
REVENUE					
External	<u>102,421</u>	<u>36,033</u>	<u>–</u>	<u>656</u>	<u>139,110</u>
SEGMENT RESULTS					
Operations	36,349	29,974	–	1,256	67,579
Increase in fair value of investment properties	<u>–</u>	<u>184,927</u>	<u>–</u>	<u>–</u>	<u>184,927</u>
	<u>36,349</u>	<u>214,901</u>	<u>–</u>	<u>1,256</u>	252,506
Other income					2,421
Unallocated corporate expenses					(10,916)
Finance costs					<u>(9,868)</u>
Profit before taxation					234,143
Income tax expenses					<u>(23,000)</u>
Profit for the period					<u>211,143</u>



#### 4. SEGMENT INFORMATION (Continued)

##### Business segments (Continued)

Six months ended 30th June, 2007

	Hospitality services HK\$'000 (unaudited)	Property investment HK\$'000 (unaudited)	Property development and sales HK\$'000 (unaudited)	Securities investment and trading HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
REVENUE					
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
Other income					10,849
Unallocated corporate expenses					(10,068)
Share of loss of an associate					(4)
Finance costs					(5,193)
Losses on disposal and deemed disposal of interests in a subsidiary					<u>(62,626)</u>
Profit before taxation					754,660
Income tax expense					<u>(144,987)</u>
Profit for the period					<u>609,673</u>

##### Geographical segments

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

	Six months ended	
	30.6.2008 HK\$'000 (unaudited)	30.6.2007 HK\$'000 (unaudited)
Hong Kong	106,447	73,151
Macau	22,256	16,970
Other regions in the People's Republic of China (the "PRC")	<u>10,407</u>	<u>9,456</u>
	<u>139,110</u>	<u>99,577</u>

## 5. FINANCE COSTS

	<b>Six months ended</b>	
	<b>30.6.2008</b> <i>HK\$'000</i> <b>(unaudited)</b>	<b>30.6.2007</b> <i>HK\$'000</i> <b>(unaudited)</b>
Interest on:		
Bank loans wholly repayable within five years	<b>13,016</b>	8,821
Advance from ultimate holding company wholly repayable within five years	<u><b>470</b></u>	<u>–</u>
	<b>13,486</b>	8,821
Less: amount capitalised in property under development	<u><b>(3,618)</b></u>	<u>(3,628)</u>
	<u><b>9,868</b></u>	<u>5,193</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 of 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 a 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 a 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 for the six months ended 30th June, 2007.

## 7. PROFIT BEFORE TAXATION

	<b>Six months ended</b>	
	<b>30.6.2008</b> <i>HK\$'000</i> <b>(unaudited)</b>	<b>30.6.2007</b> <i>HK\$'000</i> <b>(unaudited)</b>
Profit before taxation has been arrived at after charging (crediting):		
Release of prepaid lease payments for land	<b>9,024</b>	6,866
Less: amortisation capitalised in property under development	<u><b>(2,991)</b></u>	<u>(834)</u>
	<b>6,033</b>	6,032
Depreciation of property, plant and equipment	<b>10,776</b>	9,793
Interest on bank deposits, included in other income	<b>(120)</b>	(1,492)
Gain on disposal of property, plant and equipment, included in other income	<u><b>(371)</b></u>	<u>(9,315)</u>

## 8. INCOME TAX EXPENSE

	<b>Six months ended</b>	
	<b>30.6.2008</b>	30.6.2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
The taxation charge comprises:		
Current tax		
Hong Kong Profits Tax	<u>5,800</u>	<u>5,522</u>
Deferred tax		
Current period's provision	32,379	139,465
Effect of change in tax rate on opening deferred tax liability	<u>(15,179)</u>	<u>–</u>
	<u>17,200</u>	<u>139,465</u>
	<u><b>23,000</b></u>	<u><b>144,987</b></u>

Hong Kong Profits Tax was recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008/2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the six months ended 30th June, 2008. The estimated average annual tax rate used is 16.5% (six months ended 2007: 17.5%) for six months period ended 30th June, 2008.

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

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

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

## 9. EARNINGS PER SHARE

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

	<b>Six months ended</b>	
	<b>30.6.2008</b>	30.6.2007
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Profit for the period and profit for the purpose of calculating basic earnings per share	<u><b>53,504</b></u>	<u>167,715</u>
	<b>Number of shares</b>	
	<b>'000</b>	<b>'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u><b>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 30.6.2007: nil).

## 11. INVESTMENT PROPERTIES

During the period, certain investment properties with an aggregate carrying value of approximately HK\$645,000,000 were transferred to the balance of property under development. The fair value of such investment properties at the date of transfer was determined by reference to a valuation carried out by Dudley Surveyors Limited. The increase in fair value of such investment properties amounted to HK\$9,000,000 together with changes in fair values of other investment properties have been recognised in the condensed consolidated income statement.

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

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

## 12. AVAILABLE-FOR-SALE INVESTMENTS

	<b>30.6.2008</b> <i>HK\$'000</i> <b>(unaudited)</b>	31.12.2007 <i>HK\$'000</i> (audited)
Unlisted equity investments	<u>780</u>	<u>780</u>

## 13. INVESTMENTS HELD FOR TRADING

	<b>30.6.2008</b> <i>HK\$'000</i> <b>(unaudited)</b>	31.12.2007 <i>HK\$'000</i> (audited)
Listed securities at fair value		
Equity securities listed in Hong Kong	<b>193</b>	240
Debt securities listed outside Hong Kong	<u>21,273</u>	<u>20,691</u>
	<u><b>21,466</b></u>	<u>20,931</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 trade receivables at the balance sheet date:

	<b>30.6.2008</b> <i>HK\$'000</i> <b>(unaudited)</b>	31.12.2007 <i>HK\$'000</i> (audited)
0 – 30 days	<b>16,460</b>	11,670
31 – 60 days	<b>1,682</b>	2,304
Over 60 days	<u>677</u>	<u>1,268</u>
	<u><b>18,819</b></u>	<u>15,242</u>

Analysed for reporting as:

Trade receivables	<b>18,819</b>	15,242
Other receivables	<u>3,077</u>	<u>1,650</u>
	<u><b>21,896</b></u>	<u>16,892</u>

## 15. TRADE AND OTHER PAYABLES

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

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

Analysed for reporting as:

Trade payables	<b>16,224</b>	13,829
Other payables	<b>18,024</b>	28,817
	<b>34,248</b>	42,646

## 16. BANK LOANS

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

## 17. SHARE CAPITAL

	<b>Number of shares '000</b>	<b>Nominal value HK\$'000</b>
Ordinary shares of HK\$0.5 each		
Authorised		
At 30th June, 2008 (unaudited) and 31st December, 2007 (audited)	<b>400,000</b>	<b>200,000</b>
Issued and fully paid		
At 30th June, 2008 (unaudited) and 31st December, 2007 (audited)	<b>304,369</b>	<b>152,184</b>

At 30th June, 2008, the Company's 62,603,000 (31.12.2007: 62,603,000) issued shares with an aggregate nominal value of HK\$31,301,000 (31.12.2007: 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>30.6.2008</b> <i>HK\$'000</i> <b>(unaudited)</b>	31.12.2007 <i>HK\$'000</i> (audited)
(a) Property development expenditure	<u><b>17,188</b></u>	<u>16,537</u>
(b) Acquisition of prepaid lease payments for land for development	<u><b>168,300</b></u>	<u>89,186</u>

## 19. PLEDGE OF ASSETS

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

- (a) leasehold interest in land, investment properties, property under development and property, plant and equipment of the Group with carrying amounts of HK\$769 million (31.12.2007: HK\$775 million), HK\$1,539 million (31.12.2007: HK\$2,047 million), HK\$698 million (31.12.2007: HK\$40 million) and HK\$185 million (31.12.2007: HK\$187 million), 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\$21 million (31.12.2007: HK\$23 million) and bank deposit with a carrying amount of HK\$110,000 (31.12.2007: HK\$110,000). The pledged listed securities represent the debt securities held by a subsidiary of Magnificent as detailed in note 13.

## 20. RELATED PARTY TRANSACTIONS

The Group had the following transactions and balances with related parties:

- (a) During the period, the immediate and ultimate holding company, Trillion Resources Limited ("Trillion"), made unsecured short-term advances to the Group 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 Group on such advances amounted to HK\$470,000 (six months ended 30.6.2007: nil) in respect of the period. The interest payable to Trillion amounted to HK\$470,000 (six months ended 30.6.2007: nil) has been capitalised in property under development. At 30th June, 2008, such advances amounted to HK\$59,470,000 (31.12.2007: nil) remained outstanding.
- (b) The compensation of key management personnel paid or payable by the Group in respect of the period which comprised short-term benefits attributable to all the key personnel of the Group, amounted to HK\$2,857,000 (six months ended 30.6.2007: HK\$2,612,000).

## 21. EVENTS AFTER THE BALANCE SHEET DATE

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

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

## 22. COMPARATIVE FIGURES

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