



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

Interim Report 2009

Corporate Information

Executive Directors

Mr. William Cheng Kai Man (*Chairman*)

Mr. Albert Hui Wing Ho

Non-Executive Director

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. Huen Po Wah

Auditor

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

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, 2009 amounted to HK\$55,440,000 (six months ended 30th June, 2008: HK\$211,143,000) and the unaudited consolidated profit after non-controlling interests of the Group for the six months ended 30th June, 2009 amounted to HK\$16,611,000 (six months ended 30th June, 2008: HK\$53,504,000).

The results of the Group for the six months ended 30th June, 2009 and its financial position as at that date are set out in the condensed financial statements on pages 11 to 30 of this report.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June, 2009 (six months ended 30th June, 2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The unaudited consolidated profit after non-controlling interests of the Group for the six months ended 30th June, 2009 amounted to HK\$16,611,000 (six months ended 30th June, 2008: HK\$53,504,000).

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

For the six months ended 30th June, 2009, the Magnificent Group’s revenue was mostly derived from the aggregate of income from operation of hotels and properties rental income. The revenue and other income for the Magnificent Group decreased by 12% from HK\$146 million to HK\$129 million for the same period compared with last year. The decrease of revenue for the period was due to 23% drop in hotel revenue but there was 19% increase in rental income.

For the period under review, the revenue for the 4 hotels was amounted to approximately HK\$79 million, a 23% decrease.

Name of Hotel	Avg Room Rate	Avg Room Rate
	2009	2008
	(Jan to Jun)	(Jan to Jun)
	HK\$	HK\$
Ramada Hotel Kowloon	554	697
Ramada Hong Kong Hotel	529	681
Best Western Hotel Taipa, Macau	377	405
Magnificent International Hotel, Shanghai	283	380

The properties rental income was derived from office building of 633 King's Road and Shun Ho Tower and various shops of Ramada Hotel Kowloon, Ramada Hong Kong Hotel and Best Western Hotel Taipa, Macau amounted to approximately HK\$42,739,000. Rental income was affected by the demolition of Swire & Maclaine House. As of the date of this interim report, rent leases of HK\$65 million attributable to 2009 (excluding rates and management fee) of 633 King's Road has been signed, only one and a half floors remain unleased.

Other income amounted to HK\$7.3 million which was mostly property management fee income of HK\$7 million with related expenses of HK\$5.2 million.

- As at 30th June, 2009, the overall debt of the Group was HK\$1,105 million (31st December, 2008: HK\$1,104 million). All the debt was borrowed by Magnificent Group. The gearing ratio of the Group (including Magnificent Group) was approximately 37% (31st December, 2008: 37%) in terms of bank borrowings of HK\$1,044 million (31st December, 2008: HK\$1,044 million) and HK\$61 million (31st December, 2008: HK\$60 million) was advance from shareholder against funds employed of HK\$3,024 million (31st December, 2008: HK\$2,969 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, remuneration and benefit. 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.

During the period under review, the leasing of the grade A office building at 633 King's Road achieved HK\$65 million per annum from 2009 with one and a half floor 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 already available for leasing and rental income.

It is the intention of the Group to build a portfolio of 3-4 stars hotels with significant market shares in Hong Kong. The expected annual operating return on these hotels will be about 10% on development cost and real estate capital gain potential of 50%. The Board believes these opportunities are readily available. The current four hotels owned by the Group offer about 1,000 rooms and the newly acquired hotel development sites in Sheung Wan, Causeway Bay and Tsimshatsui will add an additional 1,300 rooms. The Board aims to increase the number of hotel rooms to about 2,300 rooms to become a leading hotel rooms supplier in Hong Kong. Such strategy has and will continue to increase the value of the Group substantially.

The Board continues to study carefully various options to lower existing level of the Group's debts. During the financial period under review, efforts have already made by the Group to lower the Group's staffing level. Hotel operating expenses have successfully been lowered by 14%. The adverse effect of the temporary hotel business slowdown is partially compensated by significant reduction of the Group's interests expenses.

Looking ahead, the management expects 2009 continue to be a difficult year for hotel operation. The hotels occupancy remain high because of the increasing leisure travelling from the PRC and their further visa relaxation. The hotels room rates have fallen due to the lack of higher yield commercial travellers because of the global economic slowdown. With the many global economic rescue packages announced, the world's economic activities should resume normal at later part of this year. Thus, the management expects higher yield commercial travellers will return in Autumn that will compliment the already busy leisure travelling market which will result in room rates and revenue recovery.

The management will continue to adopt a conservative approach and will not make further asset acquisitions but to make best endeavour to complete the construction of the 4 new hotels in Hong Kong to increase the earning base and value for the Group.

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, 2009, 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)	71.20

Note:

Trillion Resources Limited and Mercury Fast Limited beneficially owned 154,006,125 shares and 62,602,700 shares in the Company respectively, representing 50.60% and 20.60% of the issued share capital of the Company respectively. Mr. William Cheng Kai Man had controlling interests in these companies.

Associated corporations

Name of director	Name of associated corporation	Capacity	Nature of interests	Number of shares/ underlying shares held	Approximate % of shareholding
William Cheng Kai Man	Shun Ho Technology Holdings Limited (Note 1)	Interest of controlled corporations	Corporate	350,742,682	65.31
William Cheng Kai Man	Magnificent Estates Limited (Note 2)	Interest of controlled corporations	Corporate	3,382,465,406 (Note 4) 2,978,198,581 (Note 5)	71.09 (Note 6)
William Cheng Kai Man	Trillion Resources Limited (Note 3)	Beneficial owner	Personal	1	100

Notes:

1. Shun Ho Technology Holdings Limited (“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 Limited (“Magnificent”), 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 Limited (“Trillion Resources”), the Company’s ultimate holding company, is a company incorporated in the British Virgin Islands.
4. Shun Ho Technology beneficially owned 2,709,729,423 shares of Magnificent (“Magnificent Shares”) (45.43%) and was taken to be interested in 395,656,000 Magnificent Shares (6.63%) held by Good Taylor Limited, 273,579,983 Magnificent Shares (4.59%) held by South Point Investments Limited and 3,500,000 Magnificent Shares (0.06%) held by Shun Ho Technology Developments Limited, representing a total of 3,382,465,406 Magnificent Shares (56.71%). Mr. William Cheng Kai Man had controlling interest in those companies.
5. Shun Ho Technology and Mr. William Cheng Kai Man were deemed to have interest in 2,978,198,581 units of convertible bonds of Magnificent held by South Point Investments Limited.
6. This represents the percentage of interests to the enlarged issued share capital of Magnificent on the assumption that the convertible bonds have been fully converted into Magnificent Shares as at 30th June, 2009 (i.e. 8,947,051,324 Magnificent Shares).

The aggregate of Magnificent Shares (i.e. 3,382,465,406) and the underlying Magnificent Shares (i.e. 2,978,198,581) represents 106.64% to the total issued share capital of Magnificent as at 30th June, 2009 (i.e. 5,964,700,883 Magnificent Shares).

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, 2009, 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, 2009, 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 (<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	71.20
Liza Lee Pui Ling (<i>Note 3</i>)	Interest of spouse	216,608,825	71.20

Notes:

1. Magnificent and Shun Ho Technology were taken to be interested in 62,602,700 shares of the Company (“Shares”) owned by Mercury as Mercury was a wholly-owned subsidiary of Magnificent which in turn owned as to 56.71% (or 71.09% on the assumption that the convertible bonds of Magnificent have been fully converted into Magnificent Shares as at 30th June, 2009) by Shun Ho Technology and its subsidiaries.
2. Shun Ho Technology was directly and indirectly owned as to 65.27% by Omnico, which was in turn owned as to 100% by the Company, which was in turn directly and indirectly owned as to 71.20% by Trillion Resources. Trillion Resources was wholly-owned by Mr. William Cheng Kai Man. 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.
3. Madam Liza Lee Pui Ling was 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, 2009 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 10 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. According to the articles of association of the Company, 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

Huen Po Wah
Secretary

Hong Kong, 17th September, 2009

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 11 to 30, which comprises the condensed consolidated statement of financial position of Shun Ho Resources Holdings Limited (the “Company”) and its subsidiaries as of 30th June, 2009 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows 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 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company 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 inquiries, 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, 2009

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

		Six months ended 30th June,	
	Notes	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Revenue	3	121,483	139,110
Cost of sales		(1,948)	(2,108)
Other service costs		(46,947)	(55,119)
Depreciation and release of prepaid lease payments for land		<u>(14,669)</u>	<u>(14,904)</u>
Gross profit		57,919	66,979
Increase in fair value of investment properties	10	23,000	184,927
Other income		7,310	7,380
Gain on fair value changes of investments held for trading		15	600
Administrative expenses		(11,224)	(10,916)
– Depreciation		(2,676)	(1,905)
– Others		(8,548)	(9,011)
Other expenses		(5,209)	(4,959)
Finance costs	5	<u>(5,816)</u>	<u>(9,868)</u>
Profit before taxation	6	65,995	234,143
Income tax expense	7	<u>(10,555)</u>	<u>(23,000)</u>
Profit for the period		<u>55,440</u>	<u>211,143</u>
Other comprehensive income			
Exchange differences arising on translation of foreign operations		<u>34</u>	<u>2,665</u>
Total comprehensive income for the period		<u><u>55,474</u></u>	<u><u>213,808</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (Continued)**

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

		Six months ended 30th June,	
	<i>Note</i>	2009	2008
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Profit for the period attributable to:			
Equity holders of the Company		16,611	53,504
Non-controlling interests/minority interests		<u>38,829</u>	<u>157,639</u>
		<u>55,440</u>	<u>211,143</u>
Total comprehensive income attributable to:			
Equity holders of the Company		16,620	54,175
Non-controlling interests/minority interests		<u>38,854</u>	<u>159,633</u>
		<u>55,474</u>	<u>213,808</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
Basic	9	<u>6.87</u>	<u>22.1</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2009

		As at 30th June, 2009	As at 31st December, 2008
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		402,823	418,522
Prepaid lease payments for land		1,292,255	1,301,432
Investment properties	<i>10</i>	1,940,580	1,917,580
Properties under development		776,543	741,914
Available-for-sale investments	<i>11</i>	780	780
Deposits for acquisition of property, plant and equipment		235	167
		<hr/> 4,413,216	<hr/> 4,380,395
CURRENT ASSETS			
Inventories		629	814
Properties for sale		21,895	21,650
Investments held for trading	<i>12</i>	119	104
Prepaid lease payments for land		12,409	12,409
Trade and other receivables	<i>13</i>	13,328	18,909
Other deposits and prepayments		5,059	5,560
Pledged bank deposits	<i>18</i>	110	110
Time deposits		–	2,500
Bank balances and cash		42,235	19,920
		<hr/> 95,784	<hr/> 81,976
Assets classified as held for sale	<i>20</i>	4,851	–
		<hr/> 100,635	<hr/> 81,976

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AT 30TH JUNE, 2009

	<i>Notes</i>	As at 30th June, 2009 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2008 <i>HK\$'000</i> (Audited)
CURRENT LIABILITIES			
Trade and other payables	14	27,770	43,682
Rental and other deposits received		31,389	30,106
Advance from ultimate holding company	19(b)	60,799	60,427
Tax liabilities		8,127	4,124
Bank loans	15	<u>292,112</u>	<u>181,914</u>
		420,197	320,253
Liabilities associated with assets classified as held for sale	20	<u>351</u>	—
		<u>420,548</u>	<u>320,253</u>
NET CURRENT LIABILITIES		<u>(319,913)</u>	<u>(238,277)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>4,093,303</u>	<u>4,142,118</u>
CAPITAL AND RESERVES			
Share capital	16	152,184	152,184
Share premium and reserves		<u>909,487</u>	<u>892,867</u>
Equity attributable to shareholders of the Company		1,061,671	1,045,051
Non-controlling interests/minority interests		<u>1,962,641</u>	<u>1,923,787</u>
		<u>3,024,312</u>	<u>2,968,838</u>
NON-CURRENT LIABILITIES			
Bank loans	15	752,425	862,425
Deferred tax liabilities		<u>316,566</u>	<u>310,855</u>
		<u>1,068,991</u>	<u>1,173,280</u>
		<u>4,093,303</u>	<u>4,142,118</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

	Attributable to shareholders of the Company								Non-controlling interests/ minority interests	Total	
	Share capital HK\$'000	Share premium HK\$'000	Property revaluation reserve HK\$'000 (Note a)	Security revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Own shares held by a subsidiary HK\$'000 (Note b)	Other reserve HK\$'000 (note c)			Total HK\$'000
At 1st January, 2008 (audited)	152,184	20,068	22,702	(12,252)	2,009	689,680	(12,834)	-	861,557	2,000,238	2,861,795
Profit for the period	-	-	-	-	-	53,504	-	-	53,504	157,639	211,143
Exchange differences arising on translation of foreign operations	-	-	-	-	671	-	-	-	671	1,994	2,665
Total comprehensive 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
Loss for the period	-	-	-	-	-	(16,207)	-	-	(16,207)	(67,843)	(84,050)
Exchange differences arising on translation of foreign operations	-	-	-	-	(99)	-	-	-	(99)	415	316
Total comprehensive income for the period	-	-	-	-	(99)	(16,207)	-	-	(16,306)	(67,428)	(83,734)
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	145,625	145,625	(161,509)	(15,884)
At 31st December, 2008 (audited)	152,184	20,068	22,702	(12,252)	2,581	726,977	(12,834)	145,625	1,045,051	1,923,787	2,968,838
Profit for the period	-	-	-	-	-	16,611	-	-	16,611	38,829	55,440
Exchange differences arising on translation of foreign operations	-	-	-	-	9	-	-	-	9	25	34
Total comprehensive income for the period	-	-	-	-	9	16,611	-	-	16,620	38,854	55,474
At 30th June, 2009 (unaudited)	<u>152,184</u>	<u>20,068</u>	<u>22,702</u>	<u>(12,252)</u>	<u>2,590</u>	<u>743,588</u>	<u>(12,834)</u>	<u>145,625</u>	<u>1,061,671</u>	<u>1,962,641</u>	<u>3,024,312</u>

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) 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.
- (c) The other reserve was resulted from the acquisition of additional interest in a subsidiary and represented the difference between the acquisition cost and the attributable additional interest in the carrying amounts of assets and liabilities of the subsidiary.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

	Six months ended 30th June,	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash from operating activities	<u>57,475</u>	<u>74,267</u>
Net cash used in investing activities:		
Expenditure on property under development	(23,876)	(12,255)
Acquisition of property, plant and equipment	(2,257)	(2,211)
Deposit for acquisition of property, plant and equipment	(68)	–
Decrease in time deposits	2,500	–
Proceeds from disposal of property, plant and equipment	1,950	850
Balance paid for prepaid lease payments for land	–	(89,186)
Deposit paid on acquisition of land	–	(29,700)
Purchase of investment properties	–	(2,993)
	<u>(21,751)</u>	<u>(135,495)</u>
Net cash (used in) from financing activities:		
Interest paid	(13,409)	(13,486)
Repayment of bank loans	–	(24,250)
Dividend paid to minority shareholders	–	(7,147)
Advance from the ultimate holding company	–	59,470
New bank loans raised	–	49,000
	<u>(13,409)</u>	<u>63,587</u>
Net increase in cash and cash equivalents	22,315	2,359
Cash and cash equivalents at the beginning of the period	<u>19,920</u>	<u>12,254</u>
Cash and cash equivalents at the end of the period, represented by bank balances and cash	<u><u>42,235</u></u>	<u><u>14,613</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

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 on the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values.

A number of new or revised standards, amendments and interpretations (“new HKFRSs”) are effective for the Group’s financial year beginning on 1st January, 2009. Except as described below, the same accounting policies, presentation and methods of computation have been followed in these condensed consolidated financial statements as were applied in the preparation of the Group’s consolidated financial statements for the year ended 31st December, 2008.

HKAS 1 (revised 2007) *Presentation of Financial Statements*

(effective for annual periods beginning on or after 1st January, 2009)

HKAS 1 (revised 2007) has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (revised 2007) has had no impact on the reported results or financial position of the Group.

HKFRS 8 *Operating Segments*

(effective for annual periods beginning on or after 1st January, 2009)

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1st January, 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14, *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity’s “system of internal financial reporting to key management personnel” serving only as the starting point for the identification of such segments. In the past, the Group’s primary reporting format was by business segments. The application of HKFRS 8 has resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

2. PRINCIPAL ACCOUNTING POLICIES (*Continued*)

HKFRS 8 Operating Segments (*Continued*)

(effective for annual periods beginning on or after 1st January, 2009)

In prior years, primary segment information was analysed on the basis of the operation of the Group's businesses, including hospitality services, property investment, property development and securities investment and trading. However, information reported to the chief operating decision maker, Chairman of the Group, for the purposes of resources allocation and performance assessment focuses more specifically on the performance of each hotel and investment property operation.

Information regarding the above operating segments is reported in note 4. Amounts reported for the prior period have been restated to conform to the requirements of HKFRS 8.

The adoption of the remaining new HKFRSs 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 recognised.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of the Improvements to HKFRSs issued in 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 ²
HKAS 39 (Amendment)	Eligible Hedged Items ¹
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ³
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ³
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC) – Int 18	Transfers of Assets from Customers ⁴

¹ Effective for annual periods beginning on or after 1st July, 2009

² Amendments that are effective for annual periods beginning on or after 1st July, 2009 and 1st January, 2010, as appropriate

³ Effective for annual periods beginning on or after 1st January, 2010

⁴ Effective for transfers on or after 1st July, 2009

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

3. REVENUE

Revenue represents the aggregate of income from operation of hotels, property rental, interest from debt securities and dividend, and is analysed as follows:

	Six months ended 30th June,	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Income from operation of hotels	78,744	102,421
Property rental	42,739	36,033
Interest from debt securities	–	616
Dividend	–	40
	<hr/>	<hr/>
	121,483	139,110
	<hr/> <hr/>	<hr/> <hr/>

4. SEGMENT INFORMATION

The Group's operating segments under HKFRS 8 are as follows:

1. Hospitality services – Ramada Hotel Kowloon
2. Hospitality services – Ramada Hong Kong Hotel
3. Hospitality services – Best Western Hotel Taipa, Macau
4. Hospitality services – Magnificent International Hotel, Shanghai
5. Property investment – 633 King's Road
6. Property investment – Shun Ho Tower
7. Property investment – 19-23 Austin Avenue
8. Property investment – Shops
9. Property development
10. Securities investment and trading

4. SEGMENT INFORMATION (Continued)

The following is an analysis of the Group's revenue and results by operating segment for the periods under review:

	Segment revenue		Segment profit	
	Six months ended 30th June,		Six months ended 30th June,	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hospitality services	78,744	102,421	16,293	36,349
– Ramada Hotel Kowloon	23,961	30,013	1,568	6,620
– Ramada Hong Kong Hotel	29,572	39,745	9,815	18,720
– Best Western Hotel Taipa, Macau	18,450	22,256	5,690	9,023
– Magnificent International Hotel, Shanghai	6,761	10,407	(780)	1,986
Property investment	42,739	36,033	64,626	214,901
– 633 King's Road	30,323	18,970	29,423	138,374
– Shun Ho Tower	7,902	6,633	23,919	53,826
– 19-23 Austin Avenue (note)	–	5,635	–	14,533
– Shops	4,514	4,795	11,284	8,168
Securities investment and trading	–	656	15	1,256
Property development	–	–	–	–
	<u>121,483</u>	<u>139,110</u>	<u>80,934</u>	<u>252,506</u>
Other income			7,310	7,380
Other expenses			(5,209)	(4,959)
Unallocated administration costs and directors' salaries			(11,224)	(10,916)
Finance costs			(5,816)	(9,868)
Profit before taxation			<u>65,995</u>	<u>234,143</u>

4. SEGMENT INFORMATION (Continued)

All of the segment revenue reported above is from external customers.

Segment profit represents the profit earned by each segment without allocation of investment revenue, central administration costs and directors' salaries and finance costs. This is the measure reported to the Group's Chairman for the purposes of resources allocation and assessment of segment performance.

The following is an analysis of the Group's assets by operating segment:

	As at 30th June, 2009 HK\$'000 (Unaudited)	As at 31st December, 2008 HK\$'000 (Audited)
Segment assets		
Hospitality services	2,383,254	2,370,388
– Ramada Hotel Kowloon	324,464	333,078
– Ramada Hong Kong Hotel	351,127	355,841
– Best Western Hotel Taipa, Macau	138,873	141,695
– Magnificent International Hotel, Shanghai	86,997	89,354
– 239-251 Queen's Road West	344,531	336,059
– 19-23 Austin Avenue (<i>note</i>)	651,459	646,437
– 30-40 Bowrington Road	280,544	265,357
– 338-346 Queen's Road West	205,259	202,567
Property investment	1,951,333	1,929,400
– 633 King's Road	1,300,241	1,301,095
– Shun Ho Tower	377,421	361,404
– Shops	273,671	266,901
Securities investment and trading	937	884
Property development	21,916	21,670
	4,357,440	4,322,342
Unallocated corporate assets	156,411	140,029
	4,513,851	4,462,371

The adoption of HKFRS 8 has resulted in a redesignation of the Group's reportable segments and has changed the basis of measurement of the Group's segment assets.

Note: During the six months ended 30th June, 2008, the property situated at 19-23 Austin Avenue previously held under investment properties was transferred to the balance of properties under development for the redevelopment into a hotel.

5. FINANCE COSTS

	Six months ended 30th June,	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interests on:		
Bank loans wholly repayable within five years	13,038	13,016
Advance from ultimate holding company wholly repayable within five years	371	470
Other	<u>16</u>	<u>–</u>
	13,425	13,486
Less: amount capitalised in property under development	<u>(7,609)</u>	<u>(3,618)</u>
	<u>5,816</u>	<u>9,868</u>

6. PROFIT BEFORE TAXATION

	Six months ended 30th June,	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Release of prepaid lease payments for land	9,176	9,024
Less: amount capitalised in property under development	<u>(3,144)</u>	<u>(2,991)</u>
	6,032	6,033
Depreciation of property, plant and equipment	11,313	10,776
Interest on bank deposits, included in other income	(43)	(120)
Gain on disposal of property, plant and equipment, included in other income	<u>(255)</u>	<u>(371)</u>

7. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The taxation charge comprises:		
Current tax		
Hong Kong	4,099	5,280
The People's Republic of China ("PRC")	–	520
Other jurisdiction	409	–
	4,508	5,800
Deferred tax		
Current period	6,047	32,379
Attributable to a change in tax rate	–	(15,179)
	6,047	17,200
	10,555	23,000

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profits 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 30th June, 2008: 16.5%) for six months period ended 30th June, 2009.

Taxation arising in other jurisdiction is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year prevailing in the relevant jurisdictions.

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

No deferred tax liabilities on the temporary differences attributable to the undistributed retained profits earned by the Group's PRC subsidiary were charged to the condensed consolidated statement of comprehensive income for the six months ended 30th June, 2009 as the management considered that the amount is not significant.

8. DIVIDEND

During the period ended 30th June, 2009, no dividend was declared to shareholders of the Company.

The directors have resolved not to declare an interim dividend in respect of the current period (six months ended 30th June, 2008: nil).

9. EARNINGS PER SHARE

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

	Six months ended 30th June,	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit for the period and earnings for the purpose of calculating basic earnings per share	<u>16,611</u>	<u>53,504</u>
	Number of shares	
	<i>'000</i>	<i>'000</i>
	(Unaudited)	(Unaudited)
Number of ordinary shares for the purpose of calculating basic earnings per share	<u>241,766</u>	<u>241,766</u>

Diluted earnings per share for both periods are not shown as there are no dilutive ordinary shares subsist during both periods presented.

10. INVESTMENT PROPERTIES

The Group's investment properties at 30th June, 2009 were valued by Dudley Surveyors Limited. The increase in fair value of the investment properties amounted to HK\$23,000,000 (six months ended 30th June, 2008: HK\$184,927,000) has been recognised in the condensed consolidated statement of comprehensive income.

During the six months ended 30th June, 2008, 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 also determined by reference to a valuation carried out by Dudley Surveyors Limited. The valuation was carried out by reference to market evidence of transaction prices for similar properties in similar location and condition under the prevailing market conditions. The increase in fair value of such investment properties amounted to HK\$9,000,000 was included in the increase in fair value of investment properties of HK\$184,927,000 during such period.

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.

All of the Group's leasehold interests in land held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

11. AVAILABLE-FOR-SALE INVESTMENTS

	As at 30th June, 2009 HK\$'000 (Unaudited)	As at 31st December, 2008 HK\$'000 (Audited)
Unlisted equity investments	<u>780</u>	<u>780</u>

12. INVESTMENTS HELD FOR TRADING

	As at 30th June, 2009 HK\$'000 (Unaudited)	As at 31st December, 2008 HK\$'000 (Audited)
Listed equity securities in Hong Kong at fair value	<u>119</u>	<u>104</u>

13. TRADE AND OTHER RECEIVABLES

Except for a 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 end of the reporting period:

	As at 30th June, 2009 HK\$'000 (Unaudited)	As at 31st December, 2008 HK\$'000 (Audited)
Not yet due	6,718	9,494
0 – 30 days	2,879	6,772
31 – 60 days	749	634
Over 60 days	42	96
	<u>10,388</u>	<u>16,996</u>

Analysed for reporting as:

Trade receivables	10,388	16,996
Other receivables	2,940	1,913
	<u>13,328</u>	<u>18,909</u>

14. TRADE AND OTHER PAYABLES

The following is an aged analysis of the Group's trade payables at the end of the reporting period:

	As at 30th June, 2009 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2008 <i>HK\$'000</i> (Audited)
0 – 30 days	11,980	8,522
31 – 60 days	48	633
Over 60 days	<u>1,728</u>	<u>6,488</u>
	<u>13,756</u>	<u>15,643</u>

The average credit period on purchase of goods is 30 days. The Group has financial risk management policies in place to ensure that the payables are within credit timeframe.

Analysed for reporting as:

Trade payables	13,756	15,643
Other payables	<u>14,014</u>	<u>28,039</u>
	<u>27,770</u>	<u>43,682</u>

15. BANK LOANS

	As at 30th June, 2009 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2008 <i>HK\$'000</i> (Audited)
Secured bank loans	<u>1,044,537</u>	<u>1,044,339</u>
Carrying amount repayable:		
On demand or within one year	292,112	181,914
More than one year, but not exceeding two years	653,425	763,425
More than two years, but not more than five years	<u>99,000</u>	<u>99,000</u>
	1,044,537	1,044,339
Less: Amounts due within one year shown under current liabilities	<u>(292,112)</u>	<u>(181,914)</u>
	<u>752,425</u>	<u>862,425</u>

15. BANK LOANS (Continued)

All the Group's bank loans are floating-rate borrowings, which carry interests at HIBOR plus 0.8% to 1.25% (year ended 31st December, 2008: 0.65% to 1.2%) in respect of the period/year presented. The bank loans are secured over certain of the Group's properties. Interest rate on the Group's bank loans are repriced according to the HIBOR monthly. Effective interest rate is 1.25% (year ended 31st December, 2008: 2.9%) per annum.

At the end of the reporting period, the available banking facilities of the Group amounted to approximately HK\$1,495 million (31st December, 2008: HK\$1,495 million), which was utilised to the extent of approximately HK\$1,045 million (31st December, 2008: HK\$1,045 million). In the opinion of the directors of the Company, the Group expects to renew the existing banking facilities on similar terms and conditions when the existing banking facilities of the Group mature.

16. SHARE CAPITAL

	Number of shares '000	Nominal value HK\$ '000
Ordinary shares of HK\$0.5 each		
Authorised:		
At 30th June, 2009 (unaudited) and 31st December, 2008 (audited)	<u>400,000</u>	<u>200,000</u>
Issued and fully paid:		
At 30th June, 2009 (unaudited) and 31st December, 2008 (audited)	<u>304,369</u>	<u>152,184</u>

At 30th June, 2009, the Company's 62,603,000 (31st December, 2008: 62,603,000) issued shares with an aggregate nominal value of HK\$31,301,000 (31st December, 2008: HK\$31,301,000) held by a subsidiary of Magnificent Estates Limited, both are subsidiaries of the Group. In accordance with the Hong Kong Companies Ordinance, members of the Group who are shareholders of the Company have no right to vote at meetings of the Company.

17. PROJECT COMMITMENTS

At the end of the reporting period, the Group had outstanding commitments contracted for but not provided in the condensed consolidated financial statements in respect of the following:

	As at 30th June, 2009 HK\$'000 (Unaudited)	As at 31st December, 2008 HK\$'000 (Audited)
(a) Property development expenditure	<u>136,071</u>	<u>12,958</u>
(b) Acquisition of property, plant and equipment	<u>2,115</u>	<u>1,503</u>

18. PLEDGE OF ASSETS

At 30th June, 2009, the bank loan facilities of the Group were secured by the following:

- (a) prepaid lease payments for land, investment properties, property under development and property, plant and equipment of the Group with carrying amounts of HK\$1,050 million (31st December, 2008: HK\$1,083 million), HK\$1,437 million (31st December, 2008: HK\$1,435 million), HK\$777 million (31st December, 2008: HK\$742 million) and HK\$178 million (31st December, 2008: HK\$180 million), respectively;
- (b) assignment of the Group's rentals and hotel revenue; and
- (c) pledge of bank deposits with a carrying amount of HK\$110,000 (31st December, 2008: HK\$110,000).

19. RELATED PARTY TRANSACTIONS

Other than those disclosed in the condensed consolidated statement of financial position, the Group had the following transactions and balances with related parties during the period:

	Six months ended 30th June,	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
THE GROUP		
Trillion Resources Limited (<i>note a</i>)		
Interest expenses on advances to the Group (<i>note b</i>)	371	470
Compensation of key management personnel (<i>note c</i>)	<u>2,679</u>	<u>2,857</u>

Notes:

- (a) Trillion Resources Limited is the Company's ultimate holding company.
- (b) The advance from ultimate holding company is unsecured, carries interests at HIBOR plus 1% and is repayable on demand.
- (c) The compensation of key management personnel comprised short-term benefits attributable to such personnel.

20. ASSETS CLASSIFIED AS HELD FOR SALE

On 15th June, 2009, Shun Ho Construction (Holdings) Limited, a subsidiary of the Group, entered into an agreement with an independent third party for the disposal of the entire issued share capital of City Wealth Limited ("City Wealth"), its wholly-owned subsidiary, together with the shareholder's loan of City Wealth due to Magnificent Estates Limited for an aggregate consideration of HK\$4,500,000 (the "Disposal"). The principal activity of City Wealth is holding a property in Hong Kong. The Disposal is expected to be completed on or before 30th June, 2010.

Upon completion of the Disposal, it is estimated that the proceeds of the Disposal would exceed the carrying amount of the net assets, accordingly, no impairment loss has been recognised on the assets which was classified as assets held for sale during the period.