SHUN HO RESOURCES HOLDINGS LIMITED
(順 豪 資 源 集 團 有 限 公 司)

(Stock Code: 253)

Interim Report 2010

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
DLA Piper Hong Kong
17th Floor, Edinburgh Tower
15 Queen's Road Central
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
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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, 2010 amounted to HK$185,057,000 (six months ended 30th June, 2009: HK$55,440,000) and the unaudited consolidated profit after non-controlling interests of the Group for the six months ended 30th June, 2010 amounted to HK$55,522,000 (six months ended 30th June, 2009: HK$16,611,000).

The results of the Group for the six months ended 30th June, 2010 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 has resolved not to declare an interim dividend for the six months ended 30th June, 2010 (six months ended 30th June, 2009: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

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

- The unaudited consolidated profit after non-controlling interest of the Group for the six months ended 30th June, 2010 amounted to HK$55,522,000 (six months ended 30th June, 2009: HK$16,611,000).

- For the year ended 30th June, 2010, the Group's income was mostly derived from the aggregate of income from operation of hotels and properties rental income.

  The hotels operation income increased by 23% to HK$97 million (30.6.2009: HK$79 million). The increase of revenue for the period was due to substantial hotel improvement in hotel revenue and reduction of operating costs.

  The properties rental income was derived from office buildings of Shun Ho Tower, 633 King's Road and shops from Ramada Hotel Kowloon, Ramada Hong Kong Hotel and Best Western Hotel Taipa, Macau amounted to HK$45 million (30.6.2009: HK$43 million). The growth was derived from 633 King's Road. At the date of this report, 633 King's Road provided an annual rental income of HK$71 million (excluding rates and management fee).

Other income amounted to HK$8.1 million (30.6.2009: HK$7.3 million) which was mostly property management fee income of HK$7.7 million (30.6.2009: HK$7 million) with related expenses of HK$5.9 million (30.6.2009: HK$5.2 million).

- Overall service costs for the Group for the period was HK$47 million (30.6.2009: HK$47 million), which HK$46.5 million (30.6.2009: HK$46 million) was for the hotel operations including food and beverage and costs of sales and HK$0.5 million (30.6.2009: HK$1 million) was mainly for leasing commission paid for investment properties. The leasing commissions paid for the leased premises represent total commissions payable for the three years of rental period.

  Administrative expenses of HK$9 million which was the same as last period for corporate management office including directors' fees, salaries for executive staff and employees, rental, marketing expenses and office expenses.

  Other expenses were property management expenses of HK$5.9 million (30.6.2009: HK$5.2 million).

- At 30th June, 2010, the overall debt of the Group was HK$1,101 million (31.12.2009: HK$1,104 million). All the debt was borrowed by Magnificent Estates Group. The gearing ratio of the Group (including Magnificent Estates Group) was approximately 33% (31.12.2009: 35%) in terms of bank borrowings of HK$1,040 million (31.12.2009: HK$1,043 million) and HK$61 million (31.12.2009: HK$61 million) was advance from shareholders against funds employed of HK$3,300 million (31.12.2009: HK$3,118 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 change 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 and shops in Ramada Hotel Kowloon, Ramada Hong Kong Hotel and Best Western Hotel Taipa, Macau remained fully let. It is expected that the rental revenue from these properties will have modest increase in 2010.

  As at the date of this report, the leasing of the grade A office building at 633 King's Road achieved HK$71 million (excluding rates and management fee) per annum. The management envisages the office building will have modest rental increase in 2010 as most leases are due for renewal.

  For the period under review, there was no significant property being disposed of. The houses at Gold Coast, New Territories are already available for leasing and rental income.

- In the coming year, it is envisaged that the hotel business would be improving due to the recovery of world economy thus more business travelling. The leisure travelling continues to improve due to continuous increase of inbound tour from global interests in Asia and implementation of the CEPA and further relaxation of mainlanders to travel freely. The management of the hotels will endeavour to maintain the high occupancy but will focus on obtaining higher room rates.

Nos. 239-251 Queen's Road West Hotel Development

A 435 rooms hotel development has been approved by the relevant authorities. Foundation work was completed. Superstructure construction contract has been awarded. The recent commencement of development of the Western MTR Line will improve future value of this property significantly.

Nos. 338 -346 Queen's Road West Hotel Development

A 214 serviced apartment hotel development has been approved to be built. Foundation contract was already awarded. Approval has been obtained to increase the plot ratio from 12 to 13.2 with no land premium payment required. The recent commencement of development of the Western MTR Line will improve future value of this property significantly.

Nos. 19-23 Austin Avenue, Tsimshatsui Hotel Development

Approval has been obtained to increase from 300 rooms to 400 rooms hotel development. Foundation piling was completed. Commencement of superstructure construction is expected to begin this Autumn.

Nos. 30-40 Bowrington Road, Causeway Bay

A 265 rooms hotel development has been approved by the relevant authorities. Superstructure construction is in progress and completion expected in Autumn 2010. The new hotel will be named as Best Western Hotel 華麗精品酒店.

Looking ahead, the management expects 2010 will be a much improved 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 will increase due to the return of higher yield commercial travellers because of the global economic recovery. With the signs of many global economic recovery, 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 trade fair seasons that will compliment the already busy leisure travelling market which will result in room rates and revenue recovery.

The improving hotel business will help to increase the Group's overall turnover. The rental incomes of the commercial buildings and shops are expected to enjoy modest increase since most leases are due for renewal in 2010/2012.

The low interest rate environment and tight land supply government policy backs the demand in the local property market that benefits the Group's property portfolio especially the office buildings in Central and North Point. The conservative 17% debt ratio ensures the Group's stability over any further unforeseeable global financial turmoils.

The management will continue to adopt a conservative approach and to make best endeavour to complete the construction of the four new hotels in Hong Kong to substantially increase the earning base and value for the Group. In view of the substantial construction costs outlay for 2010 to 2011, the management is trying best endeavour to streamline cashflow in order to ensure the Group's future obligations are met.

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, 2010, 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%) (or 71.09% on the assumption that the convertible bonds of Magnificent have been fully converted into Magnificent Shares as at 30th June, 2010). Mr. William Cheng Kai Man had controlling interest in these 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 Fastgrow Engineering & Construction Company Limited, a wholly-owned subsidiary of Shun Ho Technology.

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, 2010 (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, 2010 (i.e. 5,964,701,489 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, 2010, 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, 2010, 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 *(Note 1)*	Interest of controlled corporation	62,602,700	20.60
Shun Ho Technology *(Note 1)*	Interest of controlled corporation	62,602,700	20.60
Trillion Resources *(Note 2)*	Beneficial owner and interest of controlled corporation	216,608,825	71.20
Liza Lee Pui Ling *(Note 3)*	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, 2010) 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, 2010 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, 30th August, 2010

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 (collectively referred to as the "Group") as of 30th June, 2010 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
30th August, 2010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

		Six months ended 30th June,	
		2010	2009
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**141,763**	121,483
Cost of sales		**(1,772)**	(1,948)
Other service costs		**(46,742)**	(46,947)
Depreciation and release of prepaid lease payments for land		**(13,340)**	(14,669)
Gross profit		**79,909**	57,919
Gain on fair value changes of investment properties	*11*	**152,030**	23,000
Other income		**8,100**	7,310
Gain on fair value changes of investments held for trading		**32**	15
Loss on disposal of a subsidiary	*15*	**(19)**	–
Administrative expenses		**(11,207)**	(11,224)
– Depreciation		**(2,412)**	(2,676)
– Others		**(8,795)**	(8,548)
Other expenses		**(5,931)**	(5,209)
Finance costs	*5*	**(2,396)**	(5,816)
Profit before taxation		**220,518**	65,995
Income tax expense	*6*	**(35,461)**	(10,555)
Profit for the period	*7*	**185,057**	55,440
Other comprehensive (expense) income			
Exchange differences arising on translation of foreign operations		**(362)**	34
Total comprehensive income for the period		**184,695**	55,474

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

	Note	Six months ended 30th June, **2010** *HK$'000* (Unaudited)	2009 *HK$'000* (Unaudited)
Profit for the period attributable to:			
Owners of the Company		**55,522**	16,611
Non-controlling interests		**129,535**	38,829
		185,057	55,440
Total comprehensive income attributable to:			
Owners of the Company		**55,417**	16,620
Non-controlling interests		**129,278**	38,854
		184,695	55,474
		HK cents	*HK cents*
Earnings per share			
Basic and diluted	*9*	**22.97**	6.87

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30TH JUNE, 2010

	Notes	As at 30th June, 2010 HK$'000 (Unaudited)	As at 31st December, 2009 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment	*10*	**930,059**	932,306
Prepaid lease payments for land		**59,608**	60,182
Investment properties	*11*	**2,139,820**	1,987,790
Properties under development		**1,599,664**	1,545,202
Available-for-sale investments	*12*	**780**	780
		4,729,931	4,526,260
Current assets			
Inventories		**517**	647
Properties held for sale		**21,650**	21,650
Investments held for trading	*13*	**188**	156
Prepaid lease payments for land		**1,502**	1,502
Trade and other receivables	*14*	**7,867**	11,273
Other deposits and prepayments		**5,337**	4,737
Tax recoverable		**3,301**	3,301
Pledged bank deposits	*21(c)*	**110**	110
Bank balances and cash		**56,017**	36,737
		96,489	80,113
Assets classified as held for sale	*15*	**1,716**	4,853
		98,205	84,966

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

AT 30TH JUNE, 2010

	Notes	**As at 30th June, 2010** ***HK$'000*** **(Unaudited)**	As at 31st December, 2009 *HK$'000* (Restated)
Current liabilities			
Trade and other payables	*16*	**27,285**	25,558
Rental and other deposits received		**20,942**	12,709
Advance from ultimate holding company	*19(a)*	**60,825**	60,917
Tax liabilities		**21,709**	10,355
Bank loans	*17*	**563,933**	567,425
		694,694	676,964
Liabilities associated with assets classified as held for sale	*15*	**–**	353
		694,694	677,317
Net current liabilities		**(596,489)**	(592,351)
Total assets less current liabilities		**4,133,442**	3,933,909
Capital and reserves			
Share capital	*18*	**152,184**	152,184
Share premium and reserves		**1,032,016**	976,599
Equity attributable to owners of the Company		**1,184,200**	1,128,783
Non-controlling interests		**2,115,697**	1,989,001
		3,299,897	3,117,784
Non-current liabilities			
Rental deposits received		**11,281**	18,102
Bank loans	*17*	**476,000**	476,000
Deferred tax liabilities		**346,264**	322,023
		833,545	816,125
		4,133,442	3,933,909

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

	Attributable to owners of the Company										
	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)*	Sub total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1st January, 2009 (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)	152,184	20,068	22,702	(12,252)	2,590	743,588	(12,834)	145,625	1,061,671	1,962,641	3,024,312
Profit for the period	–	–	–	–	–	26,875	–	–	26,875	61,300	88,175
Exchange differences arising on translation of foreign operations	–	–	–	–	1,581	–	–	–	1,581	3,716	5,297
Total comprehensive income for the period	–	–	–	–	1,581	26,875	–	–	28,456	65,016	93,472
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	38,656	38,656	(38,656)	–
At 31st December, 2009 (audited)	152,184	20,068	22,702	(12,252)	4,171	770,463	(12,834)	184,281	1,128,783	1,989,001	3,117,784
Profit for the period	–	–	–	–	–	55,522	–	–	55,522	129,535	185,057
Exchange differences arising on translation of foreign operations	–	–	–	–	(105)	–	–	–	(105)	(257)	(362)
Total comprehensive income (expense) for the period	–	–	–	–	(105)	55,522	–	–	55,417	129,278	184,695
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(2,582)	(2,582)
At 30th June, 2010 (unaudited)	152,184	20,068	22,702	(12,252)	4,066	825,985	(12,834)	184,281	1,184,200	2,115,697	3,299,897

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, 2010

		Six months ended 30th June,	
		2010	2009
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Net cash from operating activities		**92,232**	57,475
Net cash used in investing activities:			
Expenditure on properties under development		**(51,026)**	(23,876)
Decrease in time deposits		**–**	2,500
Acquisition of property, plant and equipment		**(14,419)**	(2,257)
Proceeds from disposal of a subsidiary	*15*	**4,500**	–
Deposit for acquisition of property, plant and equipment		**–**	(68)
Proceeds from disposal of property, plant and equipment		**–**	1,950
		(60,945)	(21,751)
Cash used in financing activities:			
Interest paid		**(5,489)**	(13,409)
Repayment of bank loans		**(3,512)**	–
Dividend paid to non-controlling interests		**(2,582)**	–
Repayment of ultimate holding company		**(424)**	–
		(12,007)	(13,409)
Net increase in cash and cash equivalents		**19,280**	22,315
Cash and cash equivalents at the beginning of the period		**36,737**	19,920
Cash and cash equivalents at the end of the period, represented by bank balances and cash		**56,017**	42,235

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

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, 2009, except as described below:

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA:

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

Except as described below, the adoption of these new and revised HKFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Amendment to HKAS 17 Leases

As part of *Improvements to HKFRSs* issued in 2009, HKAS 17 *Leases* has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments for land in the condensed consolidated statement of financial position. The amendment to HKAS 17 has removed such a requirement. The amendment requires the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Amendment to HKAS 17 Leases (Continued)

In accordance with the transitional provisions set out in the amendment to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1st January, 2010 based on information that existed at the inception of the leases. Leasehold lands that qualify for finance lease classification have been reclassified from prepaid lease payments for land to property, plant and equipment and properties under development retrospectively. This resulted in a reclassification from prepaid lease payments for land with a previous carrying amount of HK$1,255,964,000 at 1st January, 2009 to property, plant and equipment and properties under development that are measured at cost model. No profit or loss items are affected as a result of the reclassification.

The effect of changes in accounting policies described above on the financial positions of the Group as at 31st December, 2009 is as follows:

	As at 31st December, 2009 (Originally stated)	Adjustments	As at 31st December, 2009 (Restated)
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	395,070	537,236	932,306
Properties under development	843,299	701,903	1,545,202
Prepaid lease payments for land	1,300,823	(1,239,139)	61,684
Total effects on net assets	2,539,192	–	2,539,192

The effect of changes in accounting policies described above on the financial positions of the Group as at 1st January, 2009 is as follows:

	As at 1st January, 2009 (Originally stated)	Adjustments	As at 1st January, 2009 (Restated)
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	418,522	547,772	966,294
Properties under development	741,914	708,192	1,450,106
Prepaid lease payments for land	1,313,841	(1,255,964)	57,877
Total effects on net assets	2,474,277	–	2,474,277

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendment)	Classification of Rights Issues[2]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 9	Financial Instruments[5]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1st July, 2010 and 1st January, 2011, as appropriate
2 Effective for annual periods beginning on or after 1st February, 2010
3 Effective for annual periods beginning on or after 1st July, 2010
4 Effective for annual periods beginning on or after 1st January, 2011
5 Effective for annual periods beginning on or after 1st January, 2013

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

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 the financial position of the Group.

3. REVENUE

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

	Six months ended 30th June, 2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Income from operation of hotels	**96,615**	78,744
Property rental	**45,148**	42,739
	141,763	121,483

4. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the chief operating decision maker, Chairman of the Company, for the purpose of resources allocation and performance assessment are therefore 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 – Shops
8. Securities investment and trading
9. Property development – 239-251 Queen's Road West
10. Property development – 19-23 Austin Avenue
11. Property development – 30-40 Bowrington Road
12. Property development – 338-346 Queen's Road West

Information regarding the above segments is reported below.

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 Six months ended 30th June,		Segment profit (loss) Six months ended 30th June,	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Hospitality services	**96,615**	78,744	**34,976**	16,293
– Ramada Hotel Kowloon	**27,920**	23,961	**5,819**	1,568
– Ramada Hong Kong Hotel	**35,455**	29,572	**16,577**	9,815
– Best Western Hotel Taipa, Macau	**22,174**	18,450	**9,277**	5,690
– Magnificent International Hotel, Shanghai	**11,066**	6,761	**3,303**	(780)
Property investment	**45,148**	42,739	**196,963**	64,626
– 633 King's Road	**31,838**	30,323	**141,724**	29,423
– Shun Ho Tower	**8,849**	7,902	**29,677**	23,919
– Shops	**4,461**	4,514	**25,562**	11,284
Securities investment and trading	**–**	–	**32**	15
Property development	**–**	–	**–**	–
– 239-251 Queen's Road West	**–**	–	**–**	**–**
– 19-23 Austin Avenue	**–**	–	**–**	**–**
– 30-40 Bowrington Road	**–**	–	**–**	**–**
– 338-346 Queen's Road West	**–**	–	**–**	**–**
	141,763	121,483	**231,971**	80,934
Other income			**8,100**	7,310
Other expenses			**(5,931)**	(5,209)
Loss on disposal of a subsidiary			**(19)**	–
Central administration costs and directors' salaries			**(11,207)**	(11,224)
Finance costs			**(2,396)**	(5,816)
Profit before taxation			**220,518**	65,995

4. SEGMENT INFORMATION *(Continued)*

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

Segment profit (loss) represents the profit earned (loss incurred) by each segment without allocation of central administration costs, directors' salaries, loss on disposal of a subsidiary, other income and other expense that are not directly related to core business and finance costs. This is the measure reported to the chief operating decision maker, Chairman of the Company, for the purposes of resources allocation and performance assessment.

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

	As at 30th June, 2010 *HK$'000* **(Unaudited)**	As at 31st December, 2009 *HK$'000* (Audited)
Segment assets		
Hospitality services	**882,688**	896,417
– Ramada Hotel Kowloon	**312,121**	318,998
– Ramada Hong Kong Hotel	**344,834**	348,849
– Best Western Hotel Taipa, Macau	**136,236**	137,656
– Magnificent International Hotel, Shanghai	**89,497**	90,914
Property investment	**2,143,102**	1,993,190
– 633 King's Road	**1,422,786**	1,315,099
– Shun Ho Tower	**417,016**	395,890
– Shops	**303,300**	282,201
Securities investment and trading	**968**	936
Property development	**1,600,668**	1,545,438
– 239-251 Queen's Road West	**357,353**	351,528
– 19-23 Austin Avenue	**700,590**	690,113
– 30-40 Bowrington Road	**334,700**	297,771
– 338-346 Queen's Road West	**208,025**	206,026
	4,627,426	4,435,981
Unallocated assets	**200,710**	175,245
	4,828,136	4,611,226

5. FINANCE COSTS

	Six months ended 30th June, **2010** *HK$'000* (Unaudited)	2009 *HK$'000* (Unaudited)
Interests on:		
Bank loans wholly repayable within five years	**5,489**	13,038
Advance from ultimate holding company *(note 19(a))*	**332**	371
Other	**11**	16
	5,832	13,425
Less: amount capitalised in properties under development	**(3,436)**	(7,609)
	2,396	5,816

6. INCOME TAX EXPENSE

	Six months ended 30th June, **2010** *HK$'000* (Unaudited)	2009 *HK$'000* (Unaudited)
Current tax		
Hong Kong	**9,315**	4,099
The People's Republic of China ("PRC")	**985**	–
Other jurisdiction	**840**	409
	11,140	4,508
Deferred tax		
Current period	**24,321**	6,047
	35,461	10,555

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. The estimated weighted average annual tax rate used is 16.5% for the six months ended 30th June, 2010 (six months ended 30th June, 2009: 16.5%).

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.

Deferred tax liabilities on the temporary differences attributable to the undistributed retained profits earned by the Group's PRC subsidiary amounted to HK$180,000 (six months ended 30th June, 2009: nil) were charged to profit or loss for the six months ended 30th June, 2010.

7. PROFIT FOR THE PERIOD

	Six months ended 30th June, 2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Restated)
Profit for the period has been arrived at after charging (crediting):		
Release of prepaid lease payments for land	**751**	751
Depreciation of property, plant and equipment	**15,001**	16,594
Interest on bank deposits, included in other income	**(4)**	(43)
Gain on disposal of property, plant and equipment, included in other income	**–**	(255)

8. DIVIDEND

No dividends were paid, declared or proposed during the reported period. The directors do not recommend the payment of an interim dividend for the current period (six months ended 30th June, 2009: nil).

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

Earnings

	Six months ended 30th June, 2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period and earnings for the purposes of basic and diluted earnings per share	**55,522**	16,611

Number of shares

	Six months ended 30th June, 2010	2009
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of ordinary shares for the purposes of basic and diluted earnings per share	**241,765**	241,766

The computation of diluted earnings per share does not assume the conversion of the Group's outstanding mandatory convertible bonds since their assumed conversion would result in an increase in earnings per share for both periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30th June, 2010, the Group has acquired land and buildings of HK$13,997,000 and furniture, fixtures and equipment of HK$422,000. The Group did not dispose of any property, plant and equipment during the period. In addition, the Group has transferred a land and building of HK$1,716,000 to assets held for sale.

During the six months ended 30th June, 2009, the Group has acquired a land and building of HK$1,688,000, furniture, fixtures and equipment of HK$509,000 and motor vehicles and vessels of HK$60,000. Meanwhile, the Group has disposed of a land and building and certain furniture, fixtures and equipment with carrying amounts of HK$1,695,000 for cash proceeds of HK$1,950,000, resulting in a profit on disposal of HK$255,000. In addition, the Group has transferred a land and building of HK$4,851,000 to assets classified as held for sale.

11. INVESTMENT PROPERTIES

The fair values of the Group's investment properties at 30th June, 2010 and 31st December, 2009 have been arrived at on the basis of valuations carried out as of these dates by Dudley Surveyors Limited, an independent qualified professional valuers not connected to the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The resulting gain on fair value changes of investment properties of HK$152,030,000 has been recognised directly in profit or loss for the six months ended 30th June, 2010 (six months ended 30th June, 2009: HK$23,000,000).

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.

12. AVAILABLE-FOR-SALE INVESTMENTS

	As at 30th June, 2010	As at 31st December, 2009
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Unlisted equity investments	**780**	780

13. INVESTMENTS HELD FOR TRADING

	As at 30th June, 2010 HK$'000 (Unaudited)	As at 31st December, 2009 HK$'000 (Audited)
Listed equity securities in Hong Kong at fair value	**188**	156

14. 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 other customers. The following is an analysis of trade receivables by age, presented based on the invoice date, at the end of the reporting period:

	As at 30th June, 2010 HK$'000 (Unaudited)	As at 31st December, 2009 HK$'000 (Audited)
Not yet due	**1,316**	3,729
0 – 30 days	**4,885**	5,556
31 – 60 days	**653**	960
Over 60 days	**–**	6
	6,854	10,251
Analysed for reporting as:		
Trade receivables	**6,854**	10,251
Other receivables	**1,013**	1,022
	7,867	11,273

15. LOSS ON DISPOSAL OF A SUBSIDIARY/ASSETS CLASSIFIED AS HELD FOR SALE

On 15th June, 2009, Shun Ho Construction (Holdings) Limited, a wholly-owned subsidiary of the Company, entered into an agreement with an independent third party for the disposal of the Company's 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 the Group for an aggregate consideration of HK$4,500,000. The principal activity of City Wealth was the holding of a residential unit located in Hong Kong which was under assets classified as held for sale as at 31st December, 2009. The disposal was completed on 24th June, 2010, upon which the Group passed the control of City Wealth to the buyer.

The net assets of City Wealth at the date of disposal were as follows:

	24th June, 2010
	HK$'000
Net assets disposed of	4,519
Loss on disposal	(19)
Total consideration received, satisfied by cash and net cash inflow arising on disposal	4,500

The consideration of HK$4,500,000 compared to the cost of the property of HK$3,477,000 as at the date of acquisition resulted in a surplus of HK$1,023,000.

On 2nd June, 2010, Mercury Fast Limited, a wholly-owned subsidiary of the Company, entered into an agreement with an independent third party for the disposal of the residential unit located in Hong Kong (the "Disposal"), for a consideration of HK$1,720,000 (the "Proceeds").

Upon completion of the Disposal, the Proceeds of the Disposal are expected to exceed the carrying amount of the assets effectively sold and, accordingly, no impairment loss has been recognised on the assets which were classified as assets held for sale at 30th June, 2010.

16. TRADE AND OTHER PAYABLES

The following is an analysis of trade payables by age, presented based on the invoice date, at the end of the reporting period:

	As at 30th June, 2010 *HK$'000* **(Unaudited)**	As at 31st December, 2009 *HK$'000* (Audited)
0 – 30 days	**12,375**	7,826
31 – 60 days	**11**	1,237
Over 60 days	**1,229**	369
	13,615	9,432
Analysed for reporting as:		
Trade payables	**13,615**	9,432
Other payables	**13,670**	16,126
	27,285	25,558

17. BANK LOANS

	As at 30th June, 2010 *HK$'000* **(Unaudited)**	As at 31st December, 2009 *HK$'000* (Audited)
Secured bank loans	**1,039,933**	1,043,425
Carrying amount repayable:		
On demand or within one year	**563,933**	567,425
More than one year, but not exceeding two years	**476,000**	476,000
	1,039,933	1,043,425
Less: Amounts due within one year shown under current liabilities	**(563,933)**	(567,425)
Amounts due over one year shown under non-current liabilities	**476,000**	476,000

17. BANK LOANS *(Continued)*

During the current period, the Group has repaid bank loans of HK$3,512,000 (six months ended 30th June, 2009: nil). All the Group's bank loans are floating rate borrowings, which carry interests at Hong Kong Interbank Offered Rate ("HIBOR") plus 0.8% to 1.25% per annum (year ended 31st December, 2009: HIBOR plus 0.65% to 1.2% per annum). The bank loans are secured over certain of the Group's properties. Interest rates on the Group's bank loans are repriced according to the HIBOR monthly. Effective interest rate is 1% per annum (year ended 31st December, 2009: 1% per annum).

At the end of the reporting period, the undrawn bank loan facilities of the Group amounted to an aggregate of approximately HK$500 million (31st December, 2009: HK$397 million).

18. SHARE CAPITAL

	Number of shares *'000*	Nominal value *HK$'000*
Ordinary shares of HK$0.5 each		
Authorised:		
At 30th June, 2010 (unaudited) and 31st December, 2009 (audited)	400,000	200,000
Issued and fully paid:		
At 30th June, 2010 (unaudited) and 31st December, 2009 (audited)	304,369	152,184

At 30th June, 2010, the Company's 62,603,000 (31st December, 2009: 62,603,000) issued shares with an aggregate nominal value of HK$31,301,000 (31st December, 2009: HK$31,301,000) held by a subsidiary of Magnificent Estates Limited. 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.

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,	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
THE GROUP		
Trillion Resources Limited (the Company's ultimate holding company)		
Interest expenses on advances to the Group *(note a)*	**332**	371
Compensation of key management personnel *(note b)*	**3,113**	2,679

Notes:

(a) The advance from ultimate holding company are unsecured, carry interests at HIBOR plus 1% per annum and is repayable on demand.

(b) The compensation of key management personnel comprised short-term benefits attributable to such personnel.

20. PROJECT COMMITMENTS

At 30th June, 2010, the Group had outstanding commitments contracted for but not provided in the condensed consolidated financial statements in respect of the property development expenditure amounting to HK$115,502,000 (31st December, 2009: HK$123,416,000).

21. PLEDGE OF ASSETS

At 30th June, 2010, the bank loan facilities of the Group were secured by the following:

(a) investment properties, properties under development and property, plant and equipment of the Group with carrying amounts of approximately HK$1,591 million (31st December, 2009: HK$1,462 million), HK$1,600 million (31st December, 2009: HK$1,545 million) and HK$511 million (31st December, 2009: HK$517 million), respectively;

(b) assignment of the Group's rentals and hotel revenue respectively; and

(c) bank deposits with a carrying amount of HK$110,000 (31st December, 2009: HK$110,000).