



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

Interim Report 2011

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

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, 2011 amounted to approximately HK\$337,775,000 (six months ended 30th June, 2010: HK\$185,057,000) and the unaudited consolidated profit after non-controlling interests of the Group for the six months ended 30th June, 2011 amounted to HK\$121,227,000 (six months ended 30th June, 2010: HK\$55,522,000).

The results of the Group for the six months ended 30th June, 2011 and its financial position as at that date are set out in the condensed financial statements on pages 12 to 28 of this report.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30th June, 2011 (six months ended 30th June, 2010: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

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

- The unaudited consolidated profit after non-controlling interests of the Group for the six months ended 30th June, 2011 amounted to HK\$121,227,000 (six months ended 30th June, 2010: HK\$55,522,000).
- For the six months ended 30th June, 2011, 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 20% to HK\$116 million (30th June, 2010: HK\$97 million). The increase of revenue for the period was due to substantial improvement in hotel revenue.

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\$47 million (six months ended 30th June, 2010: HK\$45 million). The growth was derived from 633 King’s Road. At the date of this report, 633 King’s Road is providing an annual rental income of HK\$71 million (excluding rates and management fee).

Other income amounted to HK\$7.7 million (six months ended 30th June, 2010: HK\$8.1 million) which was mostly property management fee income of HK\$7.4 million (six months ended 30th June, 2010: HK\$7.7 million) with related expenses of HK\$6.4 million (six months ended 30th June, 2010: HK\$5.9 million).

- Overall service costs for the Group for the period was HK\$51.2 million (six months ended 30th June, 2010: HK\$47 million), which HK\$50.7 million (six months ended 30th June, 2010: HK\$46.5 million) was for the hotel operations including food and beverage and costs of sales and HK\$0.5 million (six months ended 30th June, 2010: HK\$0.5 million) was mainly for leasing commission paid for investment properties. The leasing commission paid for the leased premises represent total commission payable for the three years of rental period.

During the period, the administrative expenses was HK\$9.2 million (six months ended 30th June, 2010: HK\$8.8 million) for corporate management office including directors' fees, salaries for executive staff and employees, rental, marketing expenses and office expenses.

Other expenses were HK\$10.5 million (six months ended 30th June, 2010: HK\$5.9 million) property management expenses of HK\$6.4 million (six months ended 30th June, 2010: HK\$5.9 million) and pre-operating expenses of Best Western Hotel Causeway Bay of HK\$4.1 million (six months ended 30th June 2010: N/A). The 8% increase of property management expenses was due to the increase of cost of staff and utilities while the management fee remained unchanged.

- At 30th June, 2011, the overall debt of the Group was HK\$1,094 million (31st December, 2010: HK\$1,096 million). All the debt was borrowed by Magnificent Estates Group. The gearing ratio of the Group (including Magnificent Estates Group) was approximately 28% (31st December, 2010: 31%) in terms of bank borrowings of HK\$1,033 million (31st December, 2010: HK\$1,035 million) and HK\$61 million (31st December, 2010: HK\$61 million) was advance from shareholders against funds employed of HK\$3,863 million (31st December, 2010: HK\$3,532 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 about 10% increase in the Group's staffing level compared to 31st December 2010. 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 were almost fully let. It is expected that the rental revenue from these properties will have modest increase in 2011.

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 2011 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 continuous increase of inbound tourists, devaluation of Hong Kong dollar against Renminbi. 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

The hotel has been named Best Western Hotel Harbour View. The concrete superstructure construction has been completed on the date of this report. Occupation permit is expected to be obtained in early 2012. The construction 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 apartments hotel development was approved to be built. Foundation construction is well under way. Approval has been obtained to increase the plot ratio from 12 to 13.2 with no premium payment required. The construction of the Western MTR Line will improve future value and business of this property significantly.

Nos. 19-23 Austin Avenue, Tsimshatsui Hotel Development

The 397 rooms hotel development in the excellent shopping location in Tsimshatsui, superstructure construction is well underway. Operation commencement is expected in 2012.

Looking ahead, the management expects 2011 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 and devaluation of Hong Kong dollar against Renminbi. The hotels room rates will increase due to the return of higher yield commercial travellers. 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 increment at second half of this year. The improving hotel business will help to increase the Group's overall turnover.

The management is most pleased with the commencement of operation of the Best Western Hotel Causeway Bay and its immediate remarkable nearly full occupancies since July and its ability to increase the Group's future hotel revenue.

The management is most looking forward to the completion of the 435 rooms Best Western Hotel Harbour View and the 397 rooms hotel in Tsimshatsui in 2012 and their potential substantial increase of the Group's hotel revenue next year.

The rental incomes of the commercial buildings and shops are expected to enjoy modest increase.

The low interest rate environment, weakness of Hong Kong dollar and inflation back 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 14% debt ratio ensures the Group's stability over any further unforeseeable global financial turmoils.

Recent global debt crisis has materially dampened worldwide economical growth and significantly affecting the banking confidence. The management is cautious to any possible adverse effects.

The management will continue to adopt a conservative approach and to make best endeavour to complete the construction of the three 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 2011 to 2012, 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, 2011, 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 Issuers, 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 <i>(Note)</i>	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	6,360,663,987	71.09
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.

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, 2011, 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 Issuers 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, 2011, 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 corporation	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 71.09% 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, 2011 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 11 of this interim report. The interim results and the interim report 2011 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.

CHANGE OF DIRECTOR’S INFORMATION

Mr. Vincent Kwok Chi Sun has been appointed Independent Non-Executive Director of Evergreen International Holdings Limited.

By Order of the Board

William CHENG Kai Man
Chairman

Hong Kong, 30th August, 2011

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 12 to 28, which comprises the condensed consolidated statement of financial position of Shun Ho Resources Holdings Limited (the “Company”) and its subsidiaries as of 30th June, 2011 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and 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, 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2011

		Six months ended 30th June,	
	<i>Notes</i>	2011	2010
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	162,379	141,763
Cost of sales		(1,451)	(1,772)
Other service costs		(51,255)	(46,742)
Depreciation of property, plant and equipment and release of prepaid lease payments for land		(11,927)	(13,340)
Gross profit		97,746	79,909
Increase in fair value of investment properties	11	324,280	152,030
Other income		7,671	8,100
Gain on fair value changes of investments held for trading		2	32
Loss on disposal of a subsidiary		–	(19)
Administrative expenses		(12,042)	(11,207)
– Depreciation		(2,867)	(2,412)
– Others		(9,175)	(8,795)
Other expenses		(10,578)	(5,931)
Finance costs	5	(2,583)	(2,396)
Profit before taxation		404,496	220,518
Income tax expense	6	(66,721)	(35,461)
Profit for the period	7	337,775	185,057
Other comprehensive income (expense)			
Exchange differences arising on translation of foreign operations		1,545	(362)
Total comprehensive income for the period		339,320	184,695

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

FOR THE SIX MONTHS ENDED 30TH JUNE, 2011

		Six months ended 30th June,	
	<i>Note</i>	2011	2010
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Profit for the period attributable to:			
Owners of the Company		121,227	55,522
Non-controlling interests		<u>216,548</u>	<u>129,535</u>
		<u><u>337,775</u></u>	<u><u>185,057</u></u>
Total comprehensive income attributable to:			
Owners of the Company		121,720	55,417
Non-controlling interests		<u>217,600</u>	<u>129,278</u>
		<u><u>339,320</u></u>	<u><u>184,695</u></u>
Earnings per share			
Basic and diluted	9	<u><u>50.14</u></u>	<u><u>22.97</u></u>
		<i>HK cents</i>	<i>HK cents</i>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30TH JUNE, 2011

		As at 30th June, 2011	As at 31st December, 2010
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment	10	1,348,463	929,539
Prepaid lease payments for land		60,683	60,767
Investment properties	11	2,653,130	2,328,850
Properties under development		1,374,668	1,680,680
Available-for-sale investments	12	780	780
Deposit for acquisition of property, plant and equipment		—	2,591
		<u>5,437,724</u>	<u>5,003,207</u>
Current assets			
Inventories		745	520
Properties held for sale		21,650	21,650
Investments held for trading	13	228	226
Prepaid lease payments for land		1,502	1,502
Trade and other receivables	14	9,326	12,910
Other deposits and prepayments		6,044	4,402
Pledged bank deposits	20(c)	110	110
Bank balances and cash		55,134	41,915
		<u>94,739</u>	<u>83,235</u>
Current liabilities			
Trade and other payables	15	84,507	30,280
Rental and other deposits received		3,958	16,711
Advance from ultimate holding company	18(a)	61,571	61,211
Tax liabilities		24,476	12,468
Bank loans	16	1,032,785	1,034,792
		<u>1,207,297</u>	<u>1,155,462</u>
Net current liabilities		<u>(1,112,558)</u>	<u>(1,072,227)</u>
Total assets less current liabilities		<u><u>4,325,166</u></u>	<u><u>3,930,980</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)
AT 30TH JUNE, 2011

	<i>Note</i>	As at 30th June, 2011 HK\$'000 (Unaudited)	As at 31st December, 2010 HK\$'000 (Audited)
Capital and reserves			
Share capital	17	152,184	152,184
Share premium and reserves		<u>1,539,554</u>	<u>1,100,230</u>
Equity attributable to owners of the Company		1,691,738	1,252,414
Non-controlling interests		<u>2,171,728</u>	<u>2,279,491</u>
		<u>3,863,466</u>	<u>3,531,905</u>
Non-current liabilities			
Rental deposits received		28,502	18,888
Deferred tax liabilities		<u>433,198</u>	<u>380,187</u>
		<u>461,700</u>	<u>399,075</u>
		<u><u>4,325,166</u></u>	<u><u>3,930,980</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30TH JUNE, 2011

	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 (Note d)	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, 2010 (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 (expense) income 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
Profit for the period	-	-	-	-	-	66,948	-	-	66,948	160,816	227,764
Exchange differences arising on translation of foreign operations	-	-	-	-	1,266	-	-	-	1,266	2,978	4,244
Total comprehensive income for the period	-	-	-	-	1,266	66,948	-	-	68,214	163,794	232,008
At 31st December, 2010 (audited)	152,184	20,068	22,702	(12,252)	5,332	892,933	(12,834)	184,281	1,252,414	2,279,491	3,531,905
Profit for the period	-	-	-	-	-	121,227	-	-	121,227	216,548	337,775
Exchange differences arising on translation of foreign operations	-	-	-	-	493	-	-	-	493	1,052	1,545
Total comprehensive income for the period	-	-	-	-	493	121,227	-	-	121,720	217,600	339,320
Dividend payable to non-controlling interests	-	-	-	-	-	-	-	-	-	(7,759)	(7,759)
Acquisition of additional interests in a subsidiary	-	-	-	-	-	-	-	317,604	317,604	(317,604)	-
At 30th June, 2011 (unaudited)	<u>152,184</u>	<u>20,068</u>	<u>22,702</u>	<u>(12,252)</u>	<u>5,825</u>	<u>1,014,160</u>	<u>(12,834)</u>	<u>501,885</u>	<u>1,691,738</u>	<u>2,171,728</u>	<u>3,863,466</u>

Notes:

- (a) The property revaluation reserve arose 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) For the period ended 30th June, 2011, the other reserve of HK\$317,604,000 represents the difference between the attributable additional interest in the carrying amounts of assets and liabilities of the subsidiary through the deemed acquisition of additional interests in a subsidiary resulting from the conversion of mandatory convertible bonds and the deemed consideration attributable to the non-controlling interest.
- (d) Included in security revaluation reserve at 30th June, 2011 is the Group's share of a decrease in change in value of securities amounted to HK\$12,252,000 (2010: HK\$12,252,000) attributable to the securities held by an associate. The associate has become a subsidiary of the Company since 2001.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2011

	Six months ended 30th June,	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash from operating activities	<u>80,015</u>	<u>92,232</u>
Net cash used in investing activities:		
Expenditure on properties under development	(44,063)	(51,026)
Acquisition of property, plant and equipment	(14,326)	(14,419)
Proceeds from disposal of a subsidiary	<u>–</u>	<u>4,500</u>
	<u>(58,389)</u>	<u>(60,945)</u>
Net cash used in financing activities:		
Interest paid	(6,400)	(5,489)
Repayment of bank loans	(2,560)	(3,512)
New bank loan raised	553	–
Dividend paid to non-controlling interests	–	(2,582)
Repayment to ultimate holding company	<u>–</u>	<u>(424)</u>
	<u>(8,407)</u>	<u>(12,007)</u>
Net increase in cash and cash equivalents	13,219	19,280
Cash and cash equivalents at the beginning of the period	<u>41,915</u>	<u>36,737</u>
Cash and cash equivalents at the end of the period, represented by bank balances and cash	<u><u>55,134</u></u>	<u><u>56,017</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2011

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 for the six months ended 30th June, 2011 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2010.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (as revised in 2009)	Related Party Disclosure
HKAS 32 (Amendments)	Classification of Rights Issues
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the above new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early the applied the new and revised standards that have been issued but are not yet effective. The following new and revised standards have been issued after the date the consolidated financial statements for the year ended 31st December, 2010 were authorised for issuance and are not yet effective:

HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ¹
HKAS 19 (as revised in 2011)	Employee Benefits ²
HKAS 27 (as revised in 2011)	Separate Financial Statements ²
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ²

¹ Effective for annual periods beginning on or after 1st July, 2012.

² Effective for annual periods beginning on or after 1st January, 2013.

The directors of the Company anticipate that the application of the new and revised standards will not have material impact on the condensed consolidated financial statements 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,	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Income from operation of hotels	115,841	96,615
Property rental	46,538	45,148
	<u>162,379</u>	<u>141,763</u>

4. SEGMENT INFORMATION

The Group's operating and reportable 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. Hospitality services – Best Western Hotel Causeway Bay
6. Property investment – 633 King's Road
7. Property investment – Shun Ho Tower
8. Property investment – Shops
9. Securities investment and trading
10. Property development for hotel – 239-251 Queen's Road West
11. Property development for hotel – 19-23 Austin Avenue
12. Property development for hotel – 30-40 Bowrington Road
13. Property development for hotel – 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 and reportable segment for the periods under review:

	Segment revenue		Segment profit (loss)	
	Six months ended 30th June,		Six months ended 30th June,	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hospitality services	115,841	96,615	51,824	34,976
– Ramada Hotel Kowloon	34,346	27,920	12,450	5,819
– Ramada Hong Kong Hotel	43,512	35,455	25,237	16,577
– Best Western Hotel Taipa, Macau	27,214	22,174	13,659	9,277
– Magnificent International Hotel, Shanghai	8,361	11,066	833	3,303
– Best Western Hotel Causeway Bay	2,408	–	(355)	–
Property investment	46,538	45,148	370,202	196,963
– 633 King's Road	34,145	31,838	313,646	141,724
– Shun Ho Tower	7,988	8,849	20,151	29,677
– Shops	4,405	4,461	36,405	25,562
Securities investment and trading	–	–	2	32
Property development for hotel	–	–	–	–
– 239-251 Queen's Road West	–	–	–	–
– 19-23 Austin Avenue	–	–	–	–
– 30-40 Bowrington Road	–	–	–	–
– 338-346 Queen's Road West	–	–	–	–
	<u>162,379</u>	<u>141,763</u>	422,028	231,971
Other income			7,671	8,100
Other expenses			(10,578)	(5,931)
Loss on disposal of a subsidiary			–	(19)
Central administration costs and directors' salaries			(12,042)	(11,207)
Finance costs			(2,583)	(2,396)
Profit before taxation			<u>404,496</u>	<u>220,518</u>

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 and reportable segment:

	As at 30th June, 2011 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2010 <i>HK\$'000</i> (Audited)
Segment assets		
Hospitality services	1,289,495	881,878
– Ramada Hotel Kowloon	300,454	308,429
– Ramada Hong Kong Hotel	342,982	345,711
– Best Western Hotel Taipa, Macau	133,004	134,860
– Magnificent International Hotel, Shanghai	92,849	92,878
– Best Western Hotel Causeway Bay	420,206	–
Property investment	2,655,548	2,332,310
– 633 King's Road	1,822,144	1,543,182
– Shun Ho Tower	465,504	453,228
– Shops	367,900	335,900
Securities investment and trading	1,008	1,006
Property development for hotel	1,375,667	1,682,826
– 239-251 Queen's Road West	422,138	376,330
– 19-23 Austin Avenue	735,565	709,885
– 30-40 Bowrington Road	–	384,405
– 338-346 Queen's Road West	217,964	212,206
	5,321,718	4,898,020
Unallocated assets	210,745	188,422
	5,532,463	5,086,442

5. FINANCE COSTS

	Six months ended 30th June,	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Interests on:		
Bank loans wholly repayable within five years	6,400	5,489
Advance from ultimate holding company wholly repayable within five years (<i>note 18 (a)</i>)	360	332
Other	13	11
	<u>6,773</u>	<u>5,832</u>
Less: amounts capitalised in properties under development	<u>(4,190)</u>	<u>(3,436)</u>
	<u><u>2,583</u></u>	<u><u>2,396</u></u>

6. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Current tax		
Hong Kong	12,205	9,315
The People's Republic of China ("PRC")	139	985
Other jurisdiction	1,366	840
	<u>13,710</u>	<u>11,140</u>
Deferred tax		
Current period	<u>53,011</u>	<u>24,321</u>
	<u><u>66,721</u></u>	<u><u>35,461</u></u>

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 annual tax rate used is 16.5% for the six months ended 30th June, 2011 (six months ended 30th June, 2010: 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\$42,000 (six months ended 30th June, 2010: HK\$180,000) were charged to profit or loss for the six months ended 30th June, 2011.

7. PROFIT FOR THE PERIOD

	Six months ended 30th June,	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
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	14,043	15,001
Pre-operating expenses (included in other expenses)	4,146	–
Interest on bank deposits (included in other income)	<u>(4)</u>	<u>(4)</u>

8. DIVIDEND

No dividends were paid, declared or proposed during the reported period. The directors have resolved not to declare an interim dividend for the six months ended 30th June, 2011 (six months ended 30th June, 2010: 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,	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period and earnings for the purposes of basic and diluted earnings per share	<u>121,227</u>	<u>55,522</u>

Number of shares

	Six months ended 30th June,	
	2011	2010
	'000	'000
	(Unaudited)	(Unaudited)
Number of ordinary shares for the purposes of basic and diluted earnings per share	<u>241,766</u>	<u>241,766</u>

During the current period, the mandatory convertible bonds issued by a subsidiary were converted into ordinary shares by the Group. The computation of diluted earnings per share does not assume the conversion of the Group's outstanding mandatory convertible bonds prior to the conversion since the 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, 2011, the Group has acquired land and buildings of HK\$13,640,000 and furniture, fixtures and equipment of HK\$3,277,000 and spent HK\$105,186,000 on construction costs of new hotel premises. The Group did not dispose of any property, plant and equipment during the period. In addition, the Group has transferred a property under development of HK\$415,389,000 to 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 and spent HK\$51,025,000 on construction costs of new hotel premises. The Group did not dispose of any property, plant and equipment during the six months ended 30th June, 2010. In addition, the Group has transferred land and buildings of HK\$1,716,000 to assets classified as held for sale.

11. INVESTMENT PROPERTIES

The fair values of the Group's investment properties at 30th June, 2011 and 31st December, 2010 have been arrived at on the basis of valuations carried out as of these dates by Dudley Surveyors Limited, an independent qualified professional valuer not connected to the Group. The valuation was arrived by adopting the direct comparison approach making reference to recent transactions of similar properties in similar location and condition under the prevailing market conditions. The resulting gain on fair value changes of investment properties of HK\$324,280,000 has been recognised directly in profit or loss for the six months ended 30th June, 2011 (six months ended 30th June, 2010: HK\$152,030,000).

All of the Group's leasehold interests in land which are 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, 2011 HK\$'000 (Unaudited)	As at 31st December, 2010 HK\$'000 (Audited)
Unlisted equity investments	<u>780</u>	<u>780</u>

13. INVESTMENTS HELD FOR TRADING

	As at 30th June, 2011 HK\$'000 (Unaudited)	As at 31st December, 2010 HK\$'000 (Audited)
Listed equity securities in Hong Kong at fair value	<u>228</u>	<u>226</u>

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, 2011 HK\$'000 (Unaudited)	As at 31st December, 2010 HK\$'000 (Audited)
0 – 30 days	7,869	10,727
31 – 60 days	<u>–</u>	<u>87</u>
	<u>7,869</u>	<u>10,814</u>

Analysed for reporting as:

Trade receivables	7,869	10,814
Other receivables	<u>1,457</u>	<u>2,096</u>
	<u>9,326</u>	<u>12,910</u>

15. 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, 2011 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2010 <i>HK\$'000</i> (Audited)
0 – 30 days	1,725	1,780
31 – 60 days	34	620
Over 60 days	<u>852</u>	<u>1,191</u>
	<u>2,611</u>	<u>3,591</u>

Analysed for reporting as:

Trade payables	<u>2,611</u>	3,591
Other payables (<i>Note</i>)	<u>81,896</u>	<u>26,689</u>
	<u>84,507</u>	<u>30,280</u>

Note: Other payables include construction costs payable of HK\$60,870,000 (31st December, 2010: HK\$15,648,000).

16. BANK LOANS

	As at 30th June, 2011 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2010 <i>HK\$'000</i> (Audited)
Secured bank loans	<u>1,032,785</u>	<u>1,034,792</u>
Carrying amounts of bank loans that contain a repayment on demand clause:		
Repayable within one year from the end of the reporting period, shown under current liabilities	658,360	655,167
Not repayable within one year from the end of the reporting period shown under current liabilities	<u>374,425</u>	<u>379,625</u>
	<u>1,032,785</u>	1,034,792
Less: Amounts shown under current liabilities	<u>1,032,785</u>	<u>1,034,792</u>
Amounts shown under non-current liabilities	<u>–</u>	<u>–</u>

16. BANK LOANS (Continued)

During the current period, the Group has obtained new bank loan amounting to HK\$553,000 (six months ended 30th June, 2010: nil) and repaid bank loans of HK\$2,560,000 (six months ended 30th June, 2010: HK\$3,512,000). All the Group's bank loans are floating rate borrowings, which carry interests at Hong Kong Interbank Offered Rate ("HIBOR") plus a margin of approximately 1% per annum for the six months ended 30th June, 2011 (year ended 31st December, 2010: HIBOR plus a margin of approximately 1% 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 1.2% per annum (year ended 31st December, 2010: 1.2% per annum).

At the end of the reporting period, the undrawn bank loan facilities of the Group amounted to an aggregate of approximately HK\$504 million (31st December, 2010: HK\$491 million).

17. SHARE CAPITAL

	Number of shares '000	Nominal value HK\$ '000
Ordinary shares of HK\$0.5 each		
Authorised:		
At 30th June, 2011 (unaudited) and 31st December, 2010 (audited)	<u>400,000</u>	<u>200,000</u>
Issued and fully paid:		
At 30th June, 2011 (unaudited) and 31st December, 2010 (audited)	<u>304,369</u>	<u>152,184</u>

At 30th June, 2011, the Company had 62,603,000 (31st December, 2010: 62,603,000) issued shares with an aggregate nominal value of HK\$31,301,000 (31st December, 2010: HK\$31,301,000) that were 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.

18. 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,	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
THE GROUP		
Trillion Resources Limited		
(the Company's ultimate holding company)		
Interest expenses on advances to the Group (<i>note a</i>)	360	332
Compensation of key management personnel (<i>note b</i>)	<u>2,869</u>	<u>3,113</u>

Notes:

- (a) The advances from ultimate holding company are unsecured, carry interest at HIBOR plus 1% per annum and are repayable on demand.
- (b) The compensation of key management personnel comprised short-term and post employment benefits attributable to such personnel.

19. PROJECT COMMITMENTS

At 30th June, 2011, the Group had outstanding commitments contracted for but not provided in the condensed consolidated financial statements in respect of expenditure on properties under development and acquisition of property, plant and equipment amounting to HK\$262,727,000 (31st December, 2010: HK\$348,236,000) and nil (31st December, 2010: HK\$11,817,000) respectively.

20. PLEDGE OF ASSETS

At 30th June, 2011, 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\$2,044 million (31st December, 2010: HK\$1,739 million), HK\$1,375 million (31st December, 2010: HK\$1,681 million) and HK\$1,053 million (31st December, 2010: HK\$645 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, 2010: HK\$110,000).