



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

Interim Report 2014

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

Woo, Kwan, Lee & Lo

26th Floor, Jardine House

1 Connaught Place

Hong Kong

Winston & Strawn

42th Floor, Bank of China Tower

1 Garden Road

Central, 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

Level 22, Hopewell Centre

183 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 of the Company and its subsidiaries (together the “Group”) for the six months ended 30th June, 2014 attributable to owners of the Company amounted to HK\$282,603,000 (six months ended 30th June, 2013: HK\$124,334,000), increased by 127%.

The results of the Group for the six months ended 30th June, 2014 and its financial position as at that date are set out in the condensed consolidated financial statements on pages 11 to 32 of this report.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30th June, 2014 (six months ended 30th June, 2013: Nil).

The Company has enjoyed a substantial growth through its investment in Magnificent Estates Limited (“Magnificent Estates”) although its cash income from Magnificent Estates is limited. The Company is seeking other local property investments in order to increase additional incomes. Because the small existing income, the Board does not recommend the payment of an interim dividend for the six months ended 30th June, 2014.

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 of the Group for the six months ended 30th June, 2014 attributable to owners of the Company amounted to HK\$282,603,000 (six months ended 30th June, 2013: HK\$124,334,000), increased by 127%.

- For the six months ended 30th June, 2014, the Group’s income increased by 0.7% to HK\$335 million which was mostly derived from the operation of hotels and the properties rental income.

The income from operation of hotels, Ramada Hotel Kowloon, Ramada Hong Kong Hotel, Best Western Hotel Causeway Bay, Best Western Hotel Harbour View, Best Western Grand Hotel, Magnificent International Hotel, Shanghai and Best Western Hotel Taipa, Macau (up to 20th March, 2014) decreased by 3% to HK\$264 million (six months ended 30th June, 2013: HK\$271 million). The decrease was due to the disposal of Macau hotel since March 2014. Revenue of other hotels increased by 4% for the period.

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 (up to 20th March, 2014) amounted to HK\$58 million (six months ended 30th June, 2013: HK\$52 million). At the date of this report, 633 King's Road is providing an annual rental income of HK\$90 million (excluding rates and management fee incomes).

Other income amounted to HK\$12.7 million (six months ended 30th June, 2013: HK\$9.4 million) which was mostly property management fee income of HK\$7.7 million (six months ended 30th June, 2013: HK\$7.7 million) with related expenses of HK\$6.8 million (six months ended 30th June, 2013: HK\$6.9 million) and interest income HK\$5 million (six months ended 30th June, 2013: HK\$0.6 million) from cash deposits.

On 20th December, 2013, the Group entered into an agreement with an independent third party to dispose of subsidiaries holding interest in Best Western Hotel Taipa, Macau at the consideration of HK\$900 million, the disposal of which was completed on 20th March, 2014. The disposal incurred in a reportable earning of approximately HK\$620 million for the first half of 2014.

- As at 30th June, 2014, the overall debts of the Group were HK\$705 million (31st December, 2013: HK\$730 million). Most of the debts were borrowed by Magnificent Estates Group. The gearing ratio of the Group (including Magnificent Estates Group) was approximately 12% (31st December, 2013: 14%) in terms of bank borrowings of HK\$650 million (31st December, 2013: HK\$676 million) and HK\$55 million (31st December, 2013: HK\$54 million) was advance from shareholders against funds employed of HK\$6,112 million (31st December, 2013: HK\$5,398 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, the Group's staffing level was about 15% less than that of 31st December, 2013 due to the disposal of Best Western Hotel Taipa, Macau. Remuneration and benefit were set with reference to the market.

- **No. 338 Queen's Road West
Hotel Development**

The 214 rooms hotel development is named the Grand City Hotel and is expected to have occupation permit in December 2014. The connection of the Western MTR Line will improve future value and business of this property significantly.

LOOKING AHEAD

The Group has a magnificent portfolio of well performing recurring income portfolio of commercial and hotel properties.

The management is most excited with the connection of the MTR Western line near end of 2014 which will significantly benefit three of our group hotels with about 1,000 rooms in terms of occupancies, room rates and hotel values.

However, both commercial and hotel segments are showing strong signs of difficulties with more supplies and lesser demand. The disposed Macau hotel has the effect of reducing operating profit by HK\$37 million per year. Stable operating profit growth is therefore at risk from market conditions and Macau hotel disposal. The new Grand City Hotel may contribute about the same operating profit per year to replenish the profit reduced by the disposed Macau hotel. The management is most eager to further increase operating profit by the acquisition of commercial or hotel properties, if successfully acquired will be financed by internal cash resources, bank lending or additional capital.

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, 2014, 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 (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 shares 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 (“Shun Ho Technology”) <i>(Note 1)</i>	Interest of controlled corporations	Corporate	359,543,999	66.94
William Cheng Kai Man	Magnificent Estates Limited (“Magnificent Estates”) <i>(Note 2)</i>	Interest of controlled corporations	Corporate	6,360,585,437	71.09
William Cheng Kai Man	Trillion Resources Limited (“Trillion Resources”) <i>(Note 3)</i>	Beneficial owner	Personal	1	100

Notes:

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

An employees share option scheme of Magnificent Estates, an indirect subsidiary of the Company, was adopted at the extraordinary general meeting held on 14th November, 2013 (the “Employees Share Option Scheme”). Since the adoption of the Employees Share Option Scheme and up to the date of this report, no share option had been granted under the Employees Share Option Scheme.

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, 2014, 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, 2014, the following persons (not being directors or chief executive of the Company) had interests in the shares in the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Capacity	Number of shares	Approximate % of shareholding
Mercury Fast Limited ("Mercury")	Beneficial owner	62,602,700	20.60
Magnificent Estates (<i>Note 1</i>)	Interest of controlled corporation	62,602,700	20.60
Shun Ho Technology (<i>Note 1</i>)	Interest of controlled corporation	62,602,700	20.60
Trillion Resources (<i>Note 2</i>)	Beneficial owner and interest of controlled 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 Estates and Shun Ho Technology were taken to be interested in 62,602,700 shares of the Company (“Shares”) held by Mercury as Mercury was a wholly-owned subsidiary of Magnificent Estates which in turn owned as to 71.09% by Shun Ho Technology and its subsidiaries.
2. Shun Ho Technology was owned as to 52.49% by Omnico Company Inc., which was owned as to 100% by the Company, which was in turn owned as to 50.60% by Trillion Resources and 20.60% by Mercury respectively. 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, 2014 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 and the interim report 2014 have also been reviewed by the Group’s Audit Committee.

CORPORATE GOVERNANCE

(a) Compliance with the Corporate Governance Code

During the period ended 30th June, 2014, the Company has complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited with the exception of the following deviations:

Code Provision A.2.1: chairman and chief executive should not be performed by the same individual

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 also facilitates 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 should be appointed for a specific term

All directors of the Company (including executive or non-executive directors) are not appointed for a fixed term. The Articles of Association of the Company stipulate that every director (including executive or non-executive directors) shall retire and be re-elected at least once every three years. Therefore, the Company has adopted adequate measures to ensure the corporate governance of the Company complies with the same level to that required under the Corporate Governance Code.

Code Provision A.5.2: the nomination committee should perform the duties set out in paragraphs (a) to (d)

The terms of reference of the nomination committee adopted by the Company are in compliance with the code provision A.5.2 except that it is not the duty of the nomination committee to select individuals nominated for directorships. The nomination committee comprises a majority of independent non-executive directors who are not involved in the daily operation of the Company and may not have sufficient knowledge of industry practice. Such duty should be performed by the board.

Code Provision B.1.2: the remuneration committee's terms of reference should include, as a minimum, paragraphs (a) to (h)

The terms of reference of the remuneration committee adopted by the Company are in compliance with the code provision B.1.2 except that it is not the duties of the remuneration committee to approve the management's remuneration proposals, compensation payable to executive directors and senior management for any loss or termination of office or appointment and compensation arrangements relating to dismissal or removal of directors for misconduct. The remuneration committee comprises a majority of independent non-executive directors who are not involved in the daily operation of the Company and may not have sufficient knowledge of industry practice. Such duties should be performed by the board.

(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

William CHENG Kai Man
Chairman

Hong Kong, 14th August, 2014

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 condensed consolidated financial statements of Shun Ho Resources Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 11 to 32, which comprise the condensed consolidated statement of financial position as of 30th June, 2014 and the related condensed consolidated statement of profit or loss and other 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 these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 these condensed consolidated financial statements 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
14th August, 2014

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30TH JUNE, 2014

		Six months ended 30th June,	
		2014	2013
	NOTES	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	3	322,043	322,994
Cost of sales		(2,117)	(2,052)
Other service costs		(117,644)	(111,966)
Depreciation of property, plant and equipment and release of prepaid lease payments for land		<u>(33,868)</u>	<u>(35,379)</u>
Gross profit		168,414	173,597
Increase in fair value of investment properties	11	1,900	207,600
Other income and gains		12,708	9,379
Gain on disposal of subsidiaries	20	620,478	–
Administrative expenses			
– Depreciation		(1,917)	(1,965)
– Others		(15,624)	(14,558)
		(17,541)	(16,523)
Other expenses		(6,840)	(6,869)
Finance costs	5	<u>(5,382)</u>	<u>(10,147)</u>
Profit before taxation		773,737	357,037
Income tax expense	6	<u>(29,341)</u>	<u>(22,407)</u>
Profit for the period	7	<u>744,396</u>	<u>334,630</u>
Other comprehensive (expense) income			
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		(2,431)	1,055
Fair value loss on available-for-sale investments		<u>(102)</u>	<u>–</u>
Other comprehensive (expense) income for the period		<u>(2,533)</u>	<u>1,055</u>
Total comprehensive income for the period		<u>741,863</u>	<u>335,685</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (Continued)**

FOR THE SIX MONTHS ENDED 30TH JUNE, 2014

		Six months ended 30th June,	
	<i>NOTE</i>	2014	2013
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Profit for the period attributable to:			
Owners of the Company		282,603	124,334
Non-controlling interests		461,793	210,296
		<u>744,396</u>	<u>334,630</u>
Total comprehensive income attributable to:			
Owners of the Company		281,638	124,728
Non-controlling interests		460,225	210,957
		<u>741,863</u>	<u>335,685</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
Basic	9	<u>116.89</u>	<u>51.43</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2014

		As at 30th June, 2014	As at 31st December, 2013
	NOTES	HK\$'000 (Unaudited)	HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	2,528,096	2,562,374
Prepaid lease payments for land		33,775	35,014
Investment properties	11	3,066,000	3,064,000
Properties under development	10	327,495	263,276
Available-for-sale investments	12	6,307	780
		<u>5,961,673</u>	<u>5,925,444</u>
CURRENT ASSETS			
Inventories		859	826
Prepaid lease payments for land		898	922
Trade and other receivables	13	13,463	23,860
Other deposits and prepayments		8,480	12,532
Bank balances and cash		1,132,659	316,116
		<u>1,156,359</u>	354,256
Assets classified as held for sale	20	–	290,560
		<u>1,156,359</u>	<u>644,816</u>
CURRENT LIABILITIES			
Trade and other payables and accruals	14	74,160	32,518
Rental and other deposits received		8,625	18,804
Advance from ultimate holding company	17(a)	55,364	54,222
Tax liabilities		36,605	18,499
Bank loans	15	650,449	676,325
		<u>825,203</u>	800,368
Liabilities associated with assets classified as held for sale	20	–	202,030
		<u>825,203</u>	<u>1,002,398</u>
NET CURRENT ASSETS (LIABILITIES)		<u>331,156</u>	<u>(357,582)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,292,829</u>	<u>5,567,862</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AT 30TH JUNE, 2014

		As at 30th June, 2014 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2013 <i>HK\$'000</i> (Audited)
	<i>NOTE</i>		
CAPITAL AND RESERVES			
Share capital	16	172,252	152,184
Reserves		<u>2,459,406</u>	<u>2,137,624</u>
Equity attributable to owners of the Company		2,631,658	2,289,808
Non-controlling interests		<u>3,480,198</u>	<u>3,108,405</u>
		<u>6,111,856</u>	<u>5,398,213</u>
NON-CURRENT LIABILITIES			
Rental deposits received		30,575	25,762
Deferred tax liabilities		<u>150,398</u>	<u>143,887</u>
		<u>180,973</u>	<u>169,649</u>
		<u>6,292,829</u>	<u>5,567,862</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2014

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Property revaluation reserve HK\$'000 (Note a)	Securities revaluation reserve HK\$'000 (Note d)	Foreign currency translation reserve HK\$'000	Own shares held by a subsidiary HK\$'000 (Note b)	Other reserve HK\$'000 (note c)	Retained profits HK\$'000	Sub total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1st January, 2013 (audited)	152,184	20,068	22,702	(12,252)	7,232	(12,834)	538,090	1,344,173	2,059,363	2,737,736	4,797,099
Profit for the period	-	-	-	-	-	-	-	124,334	124,334	210,296	334,630
Exchange differences arising on translation of foreign operations	-	-	-	-	394	-	-	-	394	661	1,055
Total comprehensive income for the period	-	-	-	-	394	-	-	124,334	124,728	210,957	335,685
Dividend payable to non-controlling interests	-	-	-	-	-	-	-	-	-	(12,932)	(12,932)
At 30th June, 2013 (unaudited)	<u>152,184</u>	<u>20,068</u>	<u>22,702</u>	<u>(12,252)</u>	<u>7,626</u>	<u>(12,834)</u>	<u>538,090</u>	<u>1,468,507</u>	<u>2,184,091</u>	<u>2,935,761</u>	<u>5,119,852</u>
At 1st January, 2014 (audited)	152,184	20,068	22,702	(12,252)	7,994	(12,834)	538,090	1,573,856	2,289,808	3,108,405	5,398,213
Profit for the period	-	-	-	-	-	-	-	282,603	282,603	461,793	744,396
Exchange differences arising on translation of foreign operations	-	-	-	-	(925)	-	-	-	(925)	(1,506)	(2,431)
Fair value loss on available-for-sale investments	-	-	-	(40)	-	-	-	-	(40)	(62)	(102)
Total comprehensive (expense) income for the period	-	-	-	(40)	(925)	-	-	282,603	281,638	460,225	741,863
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	60,212	-	60,212	(73,559)	(13,347)
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance (Note e)	20,068	(20,068)	-	-	-	-	-	-	-	-	-
Dividend payable to non-controlling interests	-	-	-	-	-	-	-	-	-	(14,873)	(14,873)
At 30th June, 2014 (unaudited)	<u>172,252</u>	<u>-</u>	<u>22,702</u>	<u>(12,292)</u>	<u>7,069</u>	<u>(12,834)</u>	<u>598,302</u>	<u>1,856,459</u>	<u>2,631,658</u>	<u>3,480,198</u>	<u>6,111,856</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2014

Notes:

- (a) The property revaluation reserve is frozen upon the transfer 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 or disposal of partial interest in a subsidiary without losing control.
- (d) Included in securities revaluation reserve at 30th June, 2014 is the Group's share of a decrease in change in value of securities amounted to HK\$12,252,000 (31st December, 2013: HK\$12,252,000) attributable to the securities held by a former associate. The associate has become a subsidiary of the Company since 2001.
- (e) The Company has no authorised share capital and its shares have no par value from the commencement date of the new Hong Kong Companies Ordinance (i.e. 3rd March, 2014).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2014

		Six months ended 30th June,	
		2014	2013
	<i>NOTE</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Net cash from operating activities		<u>196,091</u>	<u>214,913</u>
Net cash from (used in) investing activities:			
Expenditure on properties under development		(44,436)	(29,161)
Acquisition of additional interest in a subsidiary		(13,347)	–
Purchase of available-for-sale investments		(5,629)	–
Acquisition of property, plant and equipment		(2,468)	(2,249)
Expenditure on investment properties		(100)	–
Proceed from disposal of subsidiaries, net of cash and cash equivalents	20	712,542	–
Proceeds from disposal of property, plant and equipment		<u>–</u>	<u>1,057</u>
		<u>646,562</u>	<u>(30,353)</u>
Net cash used in financing activities:			
Interest paid		(5,344)	(10,717)
Repayment of bank loans		(25,876)	(12,984)
Repayment to ultimate holding company		<u>–</u>	<u>(9,359)</u>
		<u>(31,220)</u>	<u>(33,060)</u>
Net increase in cash and cash equivalents		811,433	151,500
Cash and cash equivalents at the beginning of the period		<u>321,226</u>	<u>180,663</u>
Cash and cash equivalents at the end of the period, represented by bank balances and cash		<u>1,132,659</u>	<u>332,163</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2014

1. BASIS OF PREPARATION

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

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 and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2013.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

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

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,	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Income from operation of hotels	264,322	271,308
Income from property rental	<u>57,721</u>	<u>51,686</u>
	<u>322,043</u>	<u>322,994</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 as follows:

1. Hospitality services – Ramada Hotel Kowloon
2. Hospitality services – Ramada Hong Kong Hotel
3. Hospitality services – Best Western Hotel Taipa, Macau (*Note a*)
4. Hospitality services – Magnificent International Hotel, Shanghai
5. Hospitality services – Best Western Hotel Causeway Bay
6. Hospitality services – Best Western Hotel Harbour View
7. Hospitality services – Best Western Grand Hotel
8. Property investment – 633 King's Road
9. Property investment – Shun Ho Tower
10. Property investment – Shops
11. Securities investment and trading
12. Property development for hotel – 338 Queen's Road West

Note:

- (a) The Group has disposed of the holding companies that hold Best Western Hotel Taipa, Macau during the six months ended 30th June, 2014.

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,	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hospitality services	264,322	271,308	111,019	122,142
– Ramada Hotel Kowloon	37,658	36,764	14,805	13,865
– Ramada Hong Kong Hotel	45,906	45,337	22,072	23,333
– Best Western Hotel Taipa, Macau	14,258	29,731	7,038	14,925
– Magnificent International Hotel, Shanghai	9,715	8,429	879	178
– Best Western Hotel Causeway Bay	40,543	38,722	16,848	16,132
– Best Western Hotel Harbour View	52,888	52,635	25,482	28,971
– Best Western Grand Hotel	63,354	59,690	23,895	24,738
Property investment	57,721	51,686	59,295	259,055
– 633 King's Road	42,715	35,882	52,508	195,724
– Shun Ho Tower	10,032	9,701	9,813	9,629
– Shops	4,974	6,103	(3,026)	53,702
Securities investment and trading	–	–	–	–
Property development for hotel				
– 338 Queen's Road West	–	–	–	–
	<u>322,043</u>	<u>322,994</u>	<u>170,314</u>	<u>381,197</u>
Other income and gains			12,708	9,379
Gain on disposal of subsidiaries			620,478	–
Central administration costs and directors' emoluments			(17,541)	(16,523)
Other expenses			(6,840)	(6,869)
Finance costs			(5,382)	(10,147)
Profit before taxation			<u>773,737</u>	<u>357,037</u>

4. SEGMENT INFORMATION (Continued)

Segment profit/loss represents the profit earned/loss incurred by each segment without allocation of central administration costs, directors' emoluments, gain on disposal of subsidiaries, other income and gains, other expenses 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.

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales for both periods.

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

	As at 30th June, 2014 HK\$'000 (Unaudited)	As at 31st December, 2013 HK\$'000 (Audited)
Segment assets		
Hospitality services	2,451,147	2,625,509
– Ramada Hotel Kowloon	268,190	275,534
– Ramada Hong Kong Hotel	333,871	338,837
– Best Western Hotel Taipa, Macau	–	125,451
– Magnificent International Hotel, Shanghai	89,569	93,024
– Best Western Hotel Causeway Bay	376,552	384,516
– Best Western Hotel Harbour View	529,775	536,235
– Best Western Grand Hotel	853,190	871,912
Property investment	3,068,668	3,225,372
– 633 King's Road	2,172,459	2,160,974
– Shun Ho Tower	536,209	536,398
– Shops	360,000	528,000
Securities investment and trading	6,307	780
Property development for hotel		
– 338 Queen's Road West	327,882	263,348
	5,854,004	6,115,009
Unallocated assets	1,264,028	455,251
	7,118,032	6,570,260

4. SEGMENT INFORMATION (Continued)

	As at 30th June, 2014 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2013 <i>HK\$'000</i> (Audited)
Segment liabilities		
Hospitality services	28,625	35,092
– Ramada Hotel Kowloon	3,640	4,071
– Ramada Hong Kong Hotel	3,468	3,174
– Best Western Hotel Taipa, Macau	–	5,309
– Magnificent International Hotel, Shanghai	1,543	948
– Best Western Hotel Causeway Bay	2,463	2,135
– Best Western Hotel Harbour View	7,474	5,745
– Best Western Grand Hotel	10,037	13,710
Property investment	38,718	38,186
– 633 King's Road	28,886	27,632
– Shun Ho Tower	6,217	5,898
– Shops	3,615	4,656
Securities investment and trading	2	2
Property development for hotel		
– 338 Queen's Road West	22,934	739
	90,279	74,019
Unallocated liabilities	915,897	1,098,028
	1,006,176	1,172,047

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating and reportable segments other than the Group's head office corporate assets (including certain property, plant and equipment) and bank balances and cash; and
- all liabilities are allocated to operating and reportable segments other than the Group's head office corporate liabilities, deposit received from disposal of subsidiaries, bank loans and current and deferred tax liabilities.

5. FINANCE COSTS

	Six months ended 30th June,	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interests on:		
Bank loans wholly repayable within five years	5,344	10,717
Advance from ultimate holding company wholly repayable within five years (<i>note 17 (a)</i>)	<u>1,142</u>	<u>1,218</u>
	6,486	11,935
Less: amounts capitalised in properties under development	<u>(1,104)</u>	<u>(1,788)</u>
	<u><u>5,382</u></u>	<u><u>10,147</u></u>

6. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
The taxation charge comprises:		
Current tax		
Hong Kong	22,088	19,451
The People's Republic of China ("PRC")	126	–
Other jurisdiction	<u>715</u>	<u>1,519</u>
	22,929	20,970
Overprovision in prior years		
Hong Kong	(6)	(3,160)
Deferred tax		
Current period	<u>6,418</u>	<u>4,597</u>
	<u><u>29,341</u></u>	<u><u>22,407</u></u>

6. INCOME TAX EXPENSE (Continued)

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, 2014 (six months ended 30th June, 2013: 16.5%).

Taxation arising in the PRC and 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\$38,000 (six months ended 30th June, 2013: Nil) were charged to profit or loss for the six months ended 30th June, 2014.

7. PROFIT FOR THE PERIOD

	Six months ended 30th June,	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Release of prepaid lease payments for land	449	800
Depreciation of property, plant and equipment	35,336	36,544
Interest on bank deposits (included in other income and gains)	(5,153)	(619)
Loss (gain) on disposal of property, plant and equipment	<u>23</u>	<u>(1,050)</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, 2014 (six months ended 30th June, 2013: Nil).

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the period attributable to the owners of the Company of HK\$282,603,000 (six months ended 30th June, 2013: HK\$124,334,000) and on 241,766,000 shares (six months ended 30th June, 2013: 241,766,000 shares) in issue during the period. The number of shares adopted in the calculation of the earnings per share has been arrived at after eliminating the shares in the Company held by a subsidiary.

Diluted earnings per share for both periods are not presented as there are no potential ordinary shares exist during both of the periods presented.

10. PROPERTY, PLANT AND EQUIPMENT/PROPERTIES UNDER DEVELOPMENT

During the six months ended 30th June, 2014, the Group has acquired furniture, fixtures and equipment of HK\$2,468,000 (six months ended 30th June, 2013: HK\$2,249,000) and incurred HK\$63,115,000 (six months ended 30th June, 2013: HK\$6,720,000) on construction costs of new hotel premises. The Group has disposed of property, plant and equipment with carrying amount of HK\$23,000 (six months ended 30th June, 2013: HK\$7,000) during the period.

11. INVESTMENT PROPERTIES

The fair value of the Group's investment properties at 30th June, 2014 has been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited, an independent qualified professional valuer not connected with the Group. The valuation reports on these properties are signed by a director of DTZ Debenham Tie Leung Limited who is a member of The Hong Kong Institute of Surveyors, and were arrived at by adopting the income capitalisation method and/or by making reference to comparable sales transactions as available in the market to assess the market value of the investment properties.

The fair value of the Group's investment properties at 31st December, 2013 had been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited and Dudley Surveyors Limited, independent qualified professional valuers not connected with the Group. The valuation reports on these properties were signed by directors of DTZ Debenham Tie Leung Limited and Dudley Surveyors Limited who are members of The Hong Kong Institute of Surveyors, and were arrived at by adopting the income capitalisation method and/or by making reference to comparable sales transactions as available in the market to assess the market value of the investment properties.

The investment properties of the Group with an aggregate carrying amount of approximately HK\$3,066 million (2013: HK\$3,064 million) were rented out under operating leases at the end of the reporting period. The resulting gain on fair value changes of investment properties of HK\$1,900,000 has been recognised directly in profit or loss for the six months ended 30th June, 2014 (six months ended 30th June, 2013: HK\$207,600,000).

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

12. AVAILABLE-FOR-SALE INVESTMENTS

	As at 30th June, 2014 HK\$'000 (Unaudited)	As at 31st December, 2013 HK\$'000 (Audited)
Listed equity securities in Hong Kong at fair value	5,527	–
Unlisted equity investments, at cost	<u>780</u>	<u>780</u>
	<u>6,307</u>	<u>780</u>

13. TRADE AND OTHER RECEIVABLES

Except for a credit period of 30 to 60 days granted to travel agencies and certain customers of the hotels, the Group does not allow any credit period to its customers. The following is an aged analysis of the Group's trade receivables presented based on the invoice date at the end of the reporting period:

	As at 30th June, 2014 HK\$'000 (Unaudited)	As at 31st December, 2013 HK\$'000 (Audited)
Not yet due	8,695	20,210
Overdue:		
0 – 30 days	754	2,338
31 – 60 days	87	164
61 – 90 days	<u>–</u>	<u>13</u>
	<u>9,536</u>	<u>22,725</u>
Analysed for reporting as:		
Trade receivables	9,536	22,725
Other receivables	<u>3,927</u>	<u>1,135</u>
	<u>13,463</u>	<u>23,860</u>

14. TRADE AND OTHER PAYABLES AND ACCRUALS

The following is an aged analysis of the Group's trade payables presented based on the invoice date at the end of the reporting period:

	As at 30th June, 2014 HK\$'000 (Unaudited)	As at 31st December, 2013 HK\$'000 (Audited)
0 – 30 days	2,931	2,349
31 – 60 days	173	190
61 – 90 days	19	54
	<u>3,123</u>	<u>2,593</u>

Analysed for reporting as:

Trade payables	3,123	2,593
Other payables and accruals (<i>Note</i>)	<u>71,037</u>	<u>29,925</u>
	<u>74,160</u>	<u>32,518</u>

Note: Other payables and accruals include construction costs payable of HK\$25,872,000 (31st December, 2013: HK\$7,193,000).

15. BANK LOANS

	As at 30th June, 2014 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2013 <i>HK\$'000</i> (Audited)
Secured bank loans	<u>650,449</u>	<u>676,325</u>
Carrying amounts of bank loans that contain a repayment on demand clause:		
Repayable within one year from the end of the reporting period	287,432	284,592
Not repayable within one year from the end of the reporting period shown under current liabilities	<u>363,017</u>	<u>391,733</u>
Amounts shown under current liabilities	<u>650,449</u>	<u>676,325</u>

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 1.5% per annum for the six months ended 30th June, 2014 (year ended 31st December, 2013: HIBOR plus a margin of approximately 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 1.7% per annum (year ended 31st December, 2013: 2.1% per annum).

16. SHARE CAPITAL

	Number of shares '000	HK\$'000
Ordinary shares of HK\$0.5 each		
Authorised:		
At 1st January, 2013 (audited) and 31st December, 2013 (audited)	<u>400,000</u>	<u>200,000</u>
At 30th June, 2014	<u>N/A (Note)</u>	<u>N/A (Note)</u>
Issued and fully paid:		
At 1st January, 2013 (audited) and 31st December, 2013 (audited)	304,369	152,184
Transfer from share premium upon abolition of par value	<u>–</u>	<u>20,068</u>
At 30th June, 2014	<u>304,369</u>	<u>172,252</u>

Note: The Company has no authorised share capital and its shares have no par value from the commencement date of the new Hong Kong Companies Ordinance (i.e. 3rd March, 2014). There is no impact on the number of shares in issue or the relative entitlement of any of the shareholders as a result of this transition.

At 30th June, 2014, the Company's 62,603,000 (31st December, 2013: 62,603,000) issued shares were held by a subsidiary of the Group. In accordance with the Hong Kong Companies Ordinance, members of the Group who are shareholders of the Company have no right to vote at meetings of the Company.

17. RELATED PARTY TRANSACTIONS

Other than those disclosed in the condensed consolidated financial statements, the Group had the following transactions with related parties during the period:

	Six months ended 30th June,	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
THE GROUP		
Trillion Resources Limited (the Company's ultimate holding company)		
Interest expenses on advance to the Group (<i>Note a</i>)	1,142	1,218
Compensation of key management personnel (<i>Note b</i>)	<u>5,519</u>	<u>5,829</u>

Notes:

- (a) The advance from ultimate holding company is unsecured, carries interest at HIBOR plus 4% (31st December, 2013: HIBOR plus 4%) per annum and is repayable on demand.
- (b) The compensation of key management personnel comprised short-term and post employment benefits attributable to such personnel.

18. PROJECT COMMITMENTS

At 30th June, 2014, the Group had outstanding commitments contracted for but not provided in the condensed consolidated financial statements in respect of expenditure on properties under development amounting to HK\$67,072,000 (31st December, 2013: HK\$114,535,000).

19. PLEDGE OF ASSETS

At 30th June, 2014, 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\$2,280 million (31st December, 2013: HK\$2,272 million), HK\$327 million (31st December, 2013: HK\$263 million) and HK\$2,047 million (31st December, 2013: HK\$2,070 million), respectively;
- (b) pledge of shares in and subordination of loans due from certain subsidiaries with an aggregate carrying amount of approximately HK\$1,250 million (31st December, 2013: HK\$1,294 million); and
- (c) assignment of the Group's rentals and hotel revenue respectively.

20. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE/DISPOSAL OF SUBSIDIARIES

On 20th December, 2013, the Group entered into an agreement with an independent third party for the disposal of entire equity interest in Himson Enterprises Limited (“Himson”) and Longham Investment Limited (“Longham”), the wholly owned subsidiaries incorporated in the British Virgin Islands together with shareholder’s loans of Himson and Longham due to the Group for an aggregate consideration of HK\$900,000,000 (the “Disposal”). Himson and Longham hold 70% and 30% interests in Grand-Invest & Development Company Limited, a company incorporated in Macau respectively and its principal activities are property investment and operation of Best Western Hotel Taipa, Macau. The Group received HK\$180,000,000 as deposit and included in liabilities associated with assets classified as held for sale as at 31st December, 2013.

The financial information of Himson and Longham had been classified as held for sale as at 31st December, 2013.

The Disposal was completed on 20th March, 2014. The net assets of the subsidiaries at the date of disposal were as follows:

	<i>HK\$’000</i>
Property, plant and equipment	95,529
Prepaid lease payments for land	24,846
Investment properties	160,000
Trade and other receivables	296
Other deposits and prepayments	205
Bank balances and cash	748
Rental and other deposits received	(1,615)
Deferred tax liabilities	(12,197)
	<u>267,812</u>
Net assets disposed of	<u><u>267,812</u></u>

Gain on disposal of subsidiaries

	<i>HK\$’000</i>
Cash consideration	900,000
Net assets disposed of	(267,812)
Legal and professional fees directly attributable to the Disposal	(11,710)
	<u>620,478</u>
Gain on disposal	<u><u>620,478</u></u>

20. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE/DISPOSAL OF SUBSIDIARIES
(Continued)

Net cash inflow arising on disposal

	<i>HK\$'000</i>
Cash consideration	900,000
Deposits received during the year ended 31st December, 2013	(180,000)
Legal and professional fees paid during the six months ended 30th June, 2014	(6,710)
Bank balances and cash disposed of	(748)
	712,542

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair value as at 30th June, 2014	31st December, 2013	Fair value hierarchy	Valuation technique(s) and key input(s)
Listed equity securities classified as available-for-sale investments	HK\$5,527,000	–	Level 1	Quoted bid prices in an active market

Except for certain available-for-sale investments which are stated at cost, the directors of the Company consider that the carrying amounts of the other financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.