MAGNIFICENT ESTATES LIMITED

(incorporated in Hong Kong with limited liability)
(Stock Code: 201)

2009 INTERIM RESULTS

RESULTS

The board of directors (the "Board") of Magnificent Estates Limited (the "Company") announces that the unaudited consolidated profit attributable to shareholders of the Company and its subsidiaries (together the "Group") for the six months ended 30th June, 2009 amounted to approximately HK$52,993,000 (six months ended 30th June, 2008: HK209,159,000).

The unaudited consolidated results of the Group for the period, together with comparative figures for the previous period, are as follows:

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30th June, 2009

		Six months ended	
	NOTES	**30.6.2009**	30.6.2008
		HK$'000	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**121,483**	139,110
Cost of sales		**(1,948)**	(2,108)
Other service costs		**(46,947)**	(54,988)
Depreciation and release of prepaid lease payments for land		**(12,039)**	(11,893)
Gross profit		**60,549**	70,121
Increase in fair value of investment properties		**23,000**	184,927
Other income		**7,310**	7,378
Gain on fair value changes of investments held for trading		**6**	643
Administrative expenses		**(9,289)**	(8,956)
- Depreciation		**(2,249)**	(1,905)
- Others		**(7,040)**	(7,051)
Other expenses		**(5,209)**	(4,959)
Finance costs	*5*	**(12,868)**	(18,080)
Profit before taxation	*6*	**63,499**	231,074
Income tax expense	*7*	**(10,506)**	(21,915)
Profit for the period attributable to shareholders of the Company		**52,993**	209,159

	NOTE	Six months ended 30.6.2009	30.6.2008
		HK$'000	*HK$'000*
		(unaudited)	(unaudited)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**35**	2,666
Fair value loss on available-for-sale investments		**(15,359)**	(24,438)
Other comprehensive income for the period		**(15,324)**	(21,772)
Total comprehensive income for the period attributable to shareholders of the Company		**37,669**	187,387
		HK cents	HK cents
Earnings per share			
Basic	*9*	**0.67**	3.51

Condensed Consolidated Statement of Financial Position

At 30th June, 2009

	NOTES	**30.6.2009**	31.12.2008
		HK$'000	*HK$'000*
		(unaudited)	(audited)
Non-current assets			
Property, plant and equipment		**391,841**	407,376
Prepaid lease payments for land		**1,094,780**	1,101,064
Investment properties		**1,940,580**	1,917,580
Properties under development		**776,543**	741,914
Available-for-sale investments		**109,012**	124,371
Deposits for acquisition of property, plant and equipment		**235**	167
		4,312,991	4,292,472
Current assets			
Inventories		**629**	814
Properties for sale		**21,895**	21,650
Investments held for trading		**7**	1
Prepaid lease payments for land		**12,568**	12,568
Trade and other receivables	*10*	**13,307**	18,888
Other deposits and prepayments		**4,792**	5,165
Amount due from immediate holding company		**-**	23
Amount due from intermediate holding company		**29**	28
Pledged bank deposits		**110**	110
Time deposits		**-**	2,500
Bank balances and cash		**40,942**	18,644
		94,279	80,391
Assets classified as held for sale		**4,851**	-
		99,130	80,391
Current liabilities	`		
Trade and other payables	*11*	**25,631**	40,374
Rental and other deposits received		**31,389**	30,108
Amount due to immediate holding company		**156**	-
Advance from immediate holding company		**54,793**	45,408
Advance from ultimate holding company		**60,799**	60,427
Advance from a fellow subsidiary		**4,745**	4,746
Tax liabilities		**8,916**	4,963
Bank loans		**292,112**	181,914
Mandatory convertible bonds liability		**13,785**	11,280
		492,326	379,220
Liabilities associated with assets classified as held for sale		**351**	-
		492,677	379,220
Net current liabilities		**(393,547)**	(298,829)
Total assets less current liabilities		**3,919,444**	3,993,643

	30.6.2009	31.12.2008
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Capital and reserves		
Share capital	**59,647**	59,647
Share premium and reserves	**2,806,596**	2,768,927
	2,866,243	2,828,574
Non-current liabilities		
Mandatory convertible bonds liability	**20,417**	27,995
Bank loans	**752,425**	862,425
Deferred tax liabilities	**280,359**	274,649
	1,053,201	1,165,069
	3,919,444	3,993,643

Notes:

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 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

In the current interim period, the Group has applied, for the first time, a number of new or revised standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1st January, 2009. The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

3. REVENUE

	Six months ended	
	30.6.2009	30.6.2008
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Income from operation of hotels	**78,744**	102,421
Property rental	**42,739**	36,033
Interest from debt securities	**-**	616
Dividend	**-**	40
	121,483	139,110

4. SEGMENT INFORMATION

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

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

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

	Segment revenue Six months ended		**Segment profit Six months ended**	
	30.6.2009	30.6.2008	**30.6.2009**	30.6.2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Hospitality services	**78,744**	102,421	**18,923**	38,979
- Ramada Hotel Kowloon	**23,961**	30,013	**4,198**	9,250
- Ramada Hong Kong Hotel	**29,572**	39,745	**9,815**	18,720
- Best Western Hotel Taipa, Macau	**18,450**	22,256	**5,690**	9,023
- Magnificent International Hotel, Shanghai	**6,761**	10,407	**(780)**	1,986
Property investment	**42,739**	36,033	**64,626**	215,413
- 633 King's Road	**30,323**	18,970	**29,423**	138,886
- Shun Ho Tower	**7,902**	6,633	**23,919**	53,826
- 19-23 Austin Avenue (Note)	**-**	5,635	**-**	14,533
- Shops	**4,514**	4,795	**11,284**	8,168
Securities investment and trading	**-**	656	**6**	1,299
Property development	**-**	-	**-**	-
	121,483	139,110	**83,555**	255,691
Other income			**7,310**	7,378
Other expenses			**(5,209)**	(4,959)
Unallocated administration costs and directors' salaries			**(9,289)**	(8,956)
Finance costs			**(12,868)**	(18,080)
Profit before taxation			**63,499**	231,074

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

	30.6.2009	31.12.2008
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Segment assets		
Hospitality services	**2,236,039**	2,220,545
- Ramada Hotel Kowloon	**177,249**	183,235
- Ramada Hong Kong Hotel	**351,127**	355,841
- Best Western Hotel Taipa, Macau	**138,873**	141,695
- Magnificent International Hotel, Shanghai	**86,997**	89,354
- 239 - 251 Queen's Road West	**344,531**	336,059
- 19 - 23 Austin Avenue (Note)	**651,459**	646,437
- 30 - 40 Bowrington Road	**280,544**	265,357
- 338 -346 Queen's Road West	**205,259**	202,567
Property investment	**1,951,333**	1,929,400
- 633 King's Road	**1,300,241**	1,301,095
- Shun Ho Tower	**377,421**	361,404
- Shops	**273,671**	266,901
Securities investment and trading	**109,057**	124,410
Property development	**21,916**	21,670
	4,318,345	4,296,025
Unallocated corporate assets	**93,776**	76,838
	4,412,121	4,372,863

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

5. FINANCE COSTS

	Six months ended	
	30.6.2009	30.6.2008
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interests on :		
Bank loans wholly repayable within five years	**13,038**	13,016
Effective interest expense on mandatory convertible bonds	**6,759**	-
Advance from immediate holding company wholly repayable within five years	**309**	8,212
Advance from ultimate holding company wholly repayable within five years	**371**	470
	20,477	21,698
Less: amount capitalised in property under development	**(7,609)**	(3,618)
	12,868	18,080

6. PROFIT BEFORE TAXATION

	Six months ended	
	30.6.2009	30.6.2008
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Release of prepaid lease payments for land	**6,283**	6,130
Less: amount capitalised in property under development	**(3,144)**	(2,991)
	3,139	3,139
Depreciation of property, plant and equipment	**11,149**	10,659
Interest on bank deposits, included in other income	**(43)**	(120)
Gain on disposal of property, plant and equipment, included in other income	**(255)**	(371)

7. INCOME TAX EXPENSE

	Six months ended	
	30.6.2009	30.6.2008
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
The taxation charge comprises:		
Current tax		
Hong Kong	**4,050**	4,195
The People's Republic of China ("PRC")	**-**	520
Other jurisdiction	**409**	-
	4,459	4,715
Deferred tax		
Current period	**6,047**	32,379
Attributable to a change in tax rate	**-**	(15,179)
	6,047	17,200
	10,506	21,915

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.

8. DIVIDEND

During the period ended 30th June, 2009, no final dividend in respect of the year ended 31st December, 2008 was declared to shareholders (six months ended 30th June, 2008: final dividend in respect of the year ended 31st December, 2007 of 0.24 HK cent per share).

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

9. EARNINGS PER SHARE

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

Earnings	Six months ended	
	30.6.2009	30.6.2008
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit for the period attributable to equity holders of the Company	**52,993**	209,159
Effective interest expense on mandatory convertible bonds	**6,759**	-
Earnings for the purpose of calculating basic earnings per share	**59,752**	209,159

	Number of shares	
	' 000	*' 000*
Weighed average number of ordinary shares in issue	**5,964,701**	5,964,701
Effect of ordinary shares to be issued upon the conversion of mandatory convertible bonds	**2,982,350**	-
Weighed average number of ordinary shares for the purpose of calculating basic earnings per share	**8,947,051**	5,964,701

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

10. 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 customers. The following is an aged analysis of the Group's trade receivables at the end of the reporting period:

	30.6.2009	31.12.2008
	HK'000	*HK$'000*
	(unaudited)	(audited)
Not yet due	**6,718**	9,494
0-30 days	**2,879**	6,772
31-60 days	**749**	634
Over 60 days	**42**	96
	10,388	16,996

Analysed for reporting as:

Trade receivables	**10,388**	16,996
Other receivables	**2,919**	1,892
	13,307	18,888

11. TRADE AND OTHER PAYABLES

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

	30.6.2009	31.12.2008
	HK'000	*HK$'000*
	(unaudited)	(audited)
0-30 days	11,980	8,522
31-60 days	48	633
Over 60 days	1,728	6,488
	13,756	15,643

Analysed for reporting as:

	30.6.2009	31.12.2008
Trade payables	13,756	15,643
Other payables	11,875	24,731
	25,631	40,374

INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, the Group continued with its operations of properties investment, development and operation of hotels.

The unaudited consolidated profit attributable to shareholders of the Company for the six months ended 30th June, 2009 amounted to HK$52,993,000.

As at 30th June, 2009, the net assets after valuation on all asset properties but before deferred tax of the Group amounted to **HK$4,865 million** (2008: HK$4,976 million)**, HK$0.82 per share** (2008: HK$0.83 per share)**.**

- For the six months ended 30th June, 2009, the Group's revenue was mostly derived from the aggregate of income from operation of hotels and properties rental income, which was analysed as follows:-

	Six months ended	
Revenue	**30.6.2009**	30.6.2008
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Income from operation of hotels	**78,744**	102,421
Properties rental	**42,739**	36,033
Interest from debt securities	-	616
Dividend	-	40
Other income	**7,310**	7,378
Total	**128,793**	146,488

The income for the Group decreased by 12% from HK$146 million to HK$129 million for the same period compared with last year. The decrease of revenue for the period was due to 23% drop in hotel revenue but there was19% increase in rental income.

2009	Ramada Hotel Kowloon		Ramada Hong Kong Hotel		Best Western Hotel Taipa, Macau		Magnificent International Hotel, Shanghai	
	Avg Room Occupancy	Avg Room Rate	Avg Room Occupancy	Avg Room Rate	Avg Room Occupancy	Avg Room Rate	Avg Room Occupancy	Avg Room Rate
	%	*HK$*	*%*	*HK$*	*%*	*HK$*	*%*	*HK$*
Jan	96	775	90	643	87	508	52	277
Feb	96	570	92	518	97	359	64	272
Mar	98	621	95	557	99	359	68	286
Apr	96	658	92	560	98	396	78	281
May	95	538	80	440	93	350	67	277
Jun	95	481	80	431	91	297	58	305
Total Revenue(HK$)	**23,961,000**		**29,572,000**		**18,450,000**		**6,761,000**	
Operating Expenses (HK$)	**12,600,000**		**15,000,000**		**10,200,000**		**4,800,000**	
Gross Profit (HK$)	**11,361,000**		**14,572,000**		**8,250,000**		**1,961,000**	

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

Properties rental income was analysed as follows:-

	2009 Jan to Jun *HK$'000*	2008 Jan to Jun *HK$'000*	Change %
633 King's Road	**30,323**	18,970	+60
Shun Ho Tower	**7,902**	6,633	+19
19-23 Austin Avenue	**-**	5,635	-
Shops	**4,514**	4,795	-6
Total	**42,739**	36,033	+19

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

- Overall service costs for the Group for the period was HK$47 million, which HK$46 million was for the hotel operations and HK$1 million was mainly for rates and leasing commission paid for investment properties. The overall service costs decreased by 15% compared with last period.

The approximate operating cost and improvement cost for each operating hotel was as follows:-

Name of Hotel	**2009** *HK$ million per month*	2008 *HK$ million per month*	**Change** *%*
Centralized sales office	**0.6**	0.6	-
Ramada Hotel Kowloon	**2.1**	2.3	-9
Ramada Hong Kong Hotel	**2.5**	2.7	-7
Best Western Hotel Taipa, Macau	**1.7**	1.7	-
Magnificent International Hotel, Shanghai	**0.8**	0.9	-11
Total amount per month	**7.7**	8.2	-6
Total amount for the period	**46.2**	49.2	-6

Administrative expenses for the period represented corporate management office including directors' fees, salaries for executive staff and employees, rental, marketing and office expenses was HK$7 million which was the same as last period.

The accounting standards require hotel properties to provide depreciation which amounted to HK$12,039,000 (30.6.2008: HK$11,893,000) for the period which affected the hotel operating profit. Other plants and machinery depreciations amounted to HK$2 million.

- As at 30th June, 2009, the overall debts of the Group was HK$1,160 million (31.12.2008: HK$1,150 million), of which HK$1,044 million (31.12.2008: HK$1,044 million) was bank borrowings and HK$116 million (31.12.2008: HK$106 million) was advance from shareholders.

  The debt ratio was 19% (31.12.2008: 18%) in term of overall debt of HK$1,160 million (31.12.2008: HK$1,150 million) against the total fully valued assets of the Group amounted to HK$6,136 million (31.12.2008: HK$6,246 million).

  The gearing ratio was approximately 41% (31.12.2008: 41%) against funds employed of HK$2,860 million (before revaluation of all property assets).

  The overall debts was analysed as follows:-

	Interest Paid 30.06.2009 *HK$ million*	**30.06.2009** *HK$ million*	**31.12.2008** *HK$ million*	**Change** *HK$ million*
Overall debt	**20**	**1,160**	1,150	+10
- bank loans	**13**	**1,044**	1,044	-
- shareholders' loans	**1**	**116**	106	+10
Debt ratio		**19%**	18%	+1
Mandatorily convertible bonds (the bonds will be mandatorily converted to capital on 13 April 2011)	**6**	**477**	477	-

- Of these loans, the total interest expenses amounted to HK$20 million (30.6.2008: HK$22 million), of which HK$13 million (30.6.2008: HK$13 million) was paid to bank borrowings, HK$1 million (30.6.2008: HK$9 million) was paid to shareholders loans and HK$6 million (30.6.2008: Nil) was paid to bonds holders.

  Out of these interests totally paid, HK$7 million (30.6.2008: HK$4 million) was capitalized and HK$13 million (30.6.2008: HK$18 million) reflected in the expenses account.

  Regarding the cash flow of the Group for the period, the gross income of the Group was HK$128,793,000 with operating expenses of HK$61,444,000 and interests paid of HK$20,000,000, the positive cash flow was therefore HK$48 million which was spent on various construction expenses.

  The Group's bank borrowings carry interest at floating rates and are mainly denominated in Hong Kong dollar. Accordingly, the exchange risk of the Group is minimal. During the period under review, there was no significant change in the Group's staffing level, remuneration and benefit. Remuneration and benefit were set with reference to the market.

FUTURE PROSPECTS

- For the period under review, the investment properties such as Shun Ho Tower, various shops in Ramada Hong Kong Hotel, Ramada Hotel Kowloon and Best Western Hotel Taipa, Macau were fully letted. It is expected that the rental revenue from these properties will continue to increase.

  During the period under review, the leasing of the grade A office building at 633 King's Road achieved HK$65 million per annum from 2009 with one and a half floors remaining vacant. The management envisages the office building will be fully leased in the nearest future.

  For the period under review, there was no property disposal. However, the houses at Gold Coast Marina, Tuen Mun are already available for leasing and rental income.

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

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

  In the coming half year, it is envisaged that the hotel business should improve due to traditional travel Autumn peak season. The management of the hotels will endeavour to maintain the high occupancy but will focus on obtaining higher room rates.

	Ramada Hotel Kowloon		**Ramada Hong Kong Hotel**		**Best Western Hotel Taipa, Macau**		**Magnificent International Hotel, Shanghai**	
2009	**Avg Room Occupancy**	**Avg Room Rate**	**Avg Room Occupancy**	**Avg Room Rate**	**Avg Room Occupancy**	**Avg Room Rate**	**Avg Room Occupancy**	**Avg Room Rate**
	%	*HK$*	*%*	*HK$*	*%*	*HK$*	*%*	*HK$*
Jul	96	475	90	400	95	296	71	270
Aug	97	520	94	429	97	377	67	303

- With the positive cash flow surplus of HK$48 million for the six months ended 30th June, 2009, the forecasted increase of rental incomes and steady hotel operations will ensure stronger future annual cash flow surplus which will help to ease the construction costs required to build the new hotels that will increase the incomes and value of the Group.

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

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

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

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

A 230 serviced apartments hotel development is approved to be built. Application is in process to increase the Plot Ratio from 12 to 15. Foundation contract was already awarded. The recent commencement of the Western MTR Line will improve future value of this property significantly.

Nos.19-23 Austin Avenue, Tsimshatsui

A 300 rooms hotel development has been approved by the relevant authorities. Application is being made to increase room number to 397. Foundation piling is underway. Commencement of hotel business expects in 2011.

Nos.30-40 Bowrington Road, Causeway Bay

A 265 rooms hotel development has been approved by the relevant authorities. Superstructure construction is in progress. Commencement of hotel business expects in Spring 2010.

The Board continues to study carefully various options to lower existing level of the Group's debts.

During the financial period under review, efforts have already made by the Group to lower the Group's staffing level. Administrative and operating expenses have successfully been lowered by 14%.

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

The adverse effect of the temporary hotel business slowdown is partially compensated by significant reduction of the Group's interests expenses.

The rental incomes of the commercial buildings and shops are expected to remain stable since the average rental leases are of 3 years.

The slowdown of economic demands and low inflation have helped to control operating costs and most importantly the lowering of construction costs for the four hotels developments.

The low interest rate environment and tight land supply government policy back the demand in the local property market that benefit the Group's property portfolio especially the office buildings in Central and North Point. The conservative 19% debt ratio ensures the Group's stability over any further unforeseeable global financial turmoils.

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

In view of the substantial construction costs outlay for 2009 to 2011 and the present difficult hotel business, the management is trying best endeavour to streamline cashflow in order to ensure the Group's future obligations are met. As soon as there is hotel business recovery and the office rental incomes continue to be stable, the management will resume annual dividend payments.

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.

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.

REVIEW BY THE AUDIT COMMITTEE

The audit committee has reviewed the unaudited financial results of the Group for the six months ended 30th June, 2009.

By Order of the Board

William CHENG Kai Man
Chairman

Hong Kong, 17th September, 2009

As at the date hereof, the Board comprises six Directors, of which two are Executive Directors, namely Mr. William Cheng Kai Man and, Mr. Albert Hui Wing Ho; one Non-executive Director, Madam Mabel Lui Fung Mei Yee; and three are Independent Non-executive Directors, namely Mr. Vincent Kwok Chi Sun, Mr. Chan Kim Fai and Mr. Hui Kin Hing.