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MAGNIFICENT ESTATES LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 201)

2010 INTERIM RESULTS

RESULTS

The board of directors (the “Board”) of Magnificent Estates 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, 2010 amounted to approximately HK\$185,032,000 (six months ended 30th June, 2009: HK\$52,993,000).

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, 2010

		Six months ended	
	Notes	30.6.2010 HK\$'000 (unaudited)	30.6.2009 HK\$'000 (unaudited)
Revenue	3	141,763	121,483
Cost of sales		(1,772)	(1,948)
Other service costs		(46,742)	(46,947)
Depreciation and release of prepaid lease payments for land		<u>(10,710)</u>	<u>(12,039)</u>
Gross profit		82,539	60,549
Gain on fair value changes of investment properties		152,030	23,000
Other income		8,100	7,310
(Loss) gain on fair value changes of investments held for trading		(1)	6
Loss on disposal of a subsidiary		(19)	-
Administrative expenses		(9,252)	(9,289)
- Depreciation		(1,983)	(2,249)
- Others		(7,269)	(7,040)
Other expenses		(5,931)	(5,209)
Finance costs	5	<u>(7,023)</u>	<u>(12,868)</u>
Profit before taxation		220,443	63,499
Income tax expense	6	<u>(35,411)</u>	<u>(10,506)</u>
Profit for the period attributable to owners of the Company	7	<u>185,032</u>	<u>52,993</u>

Condensed Consolidated Statement of Comprehensive Income (Continued)
For the six months ended 30th June, 2010

		Six months ended	
		30.6.2010	30.6.2009
	<i>Note</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Other comprehensive income (expense)			
Exchange differences arising on translation of foreign operations		(353)	35
Gain (loss) on fair value changes of available-for-sales investments		<u>22,282</u>	<u>(15,359)</u>
Other comprehensive income (expense) for the period		<u>21,929</u>	<u>(15,324)</u>
Total comprehensive income for the period attributable to owners of the Company		<u><u>206,961</u></u>	<u><u>37,669</u></u>
		HK cents	HK cents
Earnings per share			
Basic	9	<u><u>2.12</u></u>	<u><u>0.67</u></u>

Condensed Consolidated Statement of Financial Position

At 30th June, 2010

	Notes	As at 30.6.2010 HK\$'000 (unaudited)	As at 31.12.2009 HK\$'000 (restated)
Non-current assets			
Property, plant and equipment		727,864	727,051
Prepaid lease payments for land		59,608	60,182
Investment properties		2,139,820	1,987,790
Properties under development		1,599,664	1,545,202
Available-for-sale investments		<u>130,841</u>	<u>108,559</u>
		<u>4,657,797</u>	<u>4,428,784</u>
Current assets			
Inventories		517	647
Properties held for sale		21,650	21,650
Investments held for trading		6	7
Prepaid lease payments for land		1,502	1,502
Trade and other receivables	10	7,856	11,262
Other deposits and prepayments		5,101	4,323
Amount due from immediate holding company		-	26
Amount due from an intermediate holding company		28	29
Pledged bank deposits		110	110
Bank balances and cash		<u>54,656</u>	<u>35,377</u>
		91,426	74,933
Assets classified as held for sale		<u>1,716</u>	<u>4,853</u>
		<u>93,142</u>	<u>79,786</u>
Current liabilities			
Trade and other payables	11	25,508	23,382
Rental and other deposits received		20,942	12,709
Advance from immediate holding company		68,800	55,141
Advance from ultimate holding company		60,825	60,917
Advance from a fellow subsidiary		4,745	4,745
Tax liabilities		19,263	7,958
Bank loans		563,933	567,425
Mandatory convertible bonds liability		<u>20,417</u>	<u>16,802</u>
		784,433	749,079
Liabilities associated with assets classified as held for sale		<u>-</u>	<u>353</u>
		<u>784,433</u>	<u>749,432</u>
Net current liabilities		<u>(691,291)</u>	<u>(669,646)</u>
Total assets less current liabilities		<u>3,966,506</u>	<u>3,759,138</u>

Condensed Consolidated Statement of Financial Position (Continued)

At 30th June, 2010

	As at 30.6.2010 HK\$'000 (unaudited)	As at 31.12.2009 HK\$'000 (restated)
Capital and reserves		
Share capital	59,647	59,647
Share premium and reserves	<u>3,109,375</u>	<u>2,908,379</u>
	<u>3,169,022</u>	<u>2,968,026</u>
 Non-current liabilities		
Rental deposits received	11,281	18,102
Mandatory convertible bonds liability	-	11,193
Bank loans	476,000	476,000
Deferred tax liabilities	<u>310,203</u>	<u>285,817</u>
	<u>797,484</u>	<u>791,112</u>
	<u>3,966,506</u>	<u>3,759,138</u>

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2009, except as described below.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners

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

Amendment to HKAS 17 "Leases"

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

In accordance with the transitional provisions set out in the amendment to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1st January, 2010 based on information that existed at the inception of the leases. Leasehold lands that qualify for finance lease classification have been reclassified from prepaid lease payments for land to property, plant and equipment and properties under development retrospectively. This resulted in a reclassification from prepaid lease payments for land with a previous carrying amount of HK\$1,055,755,000 at 1st January, 2009 to property, plant and equipment and properties under development that are measured at cost model. No profit or loss items are affected as a result of the reclassification.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

	As at 31.12.2009 (originally stated) HK\$'000	Adjustments HK\$'000	As at 31.12.2009 (restated) HK\$'000
Property, plant and equipment	384,239	342,812	727,051
Properties under development	843,299	701,903	1,545,202
Prepaid lease payments for land	<u>1,106,399</u>	<u>(1,044,715)</u>	<u>61,684</u>
Total effects on net assets	<u>2,333,937</u>	<u>-</u>	<u>2,333,937</u>

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

	As at 1.1.2009 (originally stated) HK\$'000	Adjustments HK\$'000	As at 1.1.2009 (restated) HK\$'000
Property, plant and equipment	407,376	347,563	754,939
Properties under development	741,914	708,192	1,450,106
Prepaid lease payments for land	<u>1,113,632</u>	<u>(1,055,755)</u>	<u>57,877</u>
Total effects on net assets	<u>2,262,922</u>	<u>-</u>	<u>2,262,922</u>

3. REVENUE

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

	Six months ended 30.6.2010 HK\$'000 (unaudited)	30.6.2009 HK\$'000 (unaudited)
Income from operation of hotels	96,615	78,744
Property rental	<u>45,148</u>	<u>42,739</u>
	<u>141,763</u>	<u>121,483</u>

4. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the chief operating decision maker, Chairman of the Company, for the purpose of resources allocation and performance assessment are as follows:

1. Hospitality services - Ramada Hotel Kowloon
2. Hospitality services - Ramada Hong Kong Hotel
3. Hospitality services - Best Western Hotel Taipa, Macau
4. Hospitality services - Magnificent International Hotel, Shanghai
5. Property investment - 633 King's Road
6. Property investment - Shun Ho Tower
7. Property investment - Shops
8. Securities investment and trading
9. Property development - 239-251 Queen's Road West
10. Property development - 19-23 Austin Avenue
11. Property development - 30-40 Bowrington Road
12. Property development - 338-346 Queen's Road West

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

	Segment revenue		Segment profit (loss)	
	Six months ended		Six months ended	
	30.6.2010	30.6.2009	30.6.2010	30.6.2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Hospitality services	96,615	78,744	37,606	18,923
- Ramada Hotel Kowloon	27,920	23,961	8,449	4,198
- Ramada Hong Kong Hotel	35,455	29,572	16,577	9,815
- Best Western Hotel Taipa, Macau	22,174	18,450	9,277	5,690
- Magnificent International Hotel, Shanghai	11,066	6,761	3,303	(780)
Property investment	45,148	42,739	196,963	64,626
- 633 King's Road	31,838	30,323	141,724	29,423
- Shun Ho Tower	8,849	7,902	29,677	23,919
- Shops	4,461	4,514	25,562	11,284
Securities investment and trading	-	-	(1)	6
Property development	-	-	-	-
- 239-251 Queen's Road West	-	-	-	-
- 19-23 Austin Avenue	-	-	-	-
- 30-40 Bowrington Road	-	-	-	-
- 338-346 Queen's Road West	-	-	-	-
	<u>141,763</u>	<u>121,483</u>	<u>234,568</u>	<u>83,555</u>
Other income			8,100	7,310
Other expenses			(5,931)	(5,209)
Loss on disposal of a subsidiary			(19)	-
Central administration costs and directors' salaries			(9,252)	(9,289)
Finance costs			<u>(7,023)</u>	<u>(12,868)</u>
Profit before taxation			<u>220,443</u>	<u>63,499</u>

4. SEGMENT INFORMATION (Continued)

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

	As at 30.6.2010 HK\$'000 (unaudited)	As at 31.12.2009 HK\$'000 (audited)
Segment assets		
Hospitality services	740,734	751,833
- Ramada Hotel Kowloon	170,167	174,414
- Ramada Hong Kong Hotel	344,834	348,849
- Best Western Hotel Taipa, Macau	136,236	137,656
- Magnificent International Hotel, Shanghai	89,497	90,914
Property investment	2,143,102	1,993,190
- 633 King's Road	1,422,786	1,315,099
- Shun Ho Tower	417,016	395,890
- Shops	303,300	282,201
Securities investment and trading	130,885	108,605
Property development	1,600,668	1,545,438
- 239 - 251 Queen's Road West	357,353	351,528
- 19 - 23 Austin Avenue	700,590	690,113
- 30 - 40 Bowrington Road	334,700	297,771
- 338 -346 Queen's Road West	208,025	206,026
	4,615,389	4,399,066
Unallocated assets	135,550	109,504
	4,750,939	4,508,570

5. FINANCE COSTS

	Six months ended 30.6.2010 HK\$'000 (unaudited)	30.6.2009 HK\$'000 (unaudited)
Interests on:		
Bank loans wholly repayable within five years	5,489	13,038
Effective interest expense on mandatory convertible bonds liability	4,319	6,759
Advance from immediate holding company	319	309
Advance from ultimate holding company	332	371
	10,459	20,477
Less: amount capitalised in properties under development	(3,436)	(7,609)
	7,023	12,868

6. INCOME TAX EXPENSE

	Six months ended	
	30.6.2010	30.6.2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax		
Hong Kong	9,265	4,050
The People's Republic of China ("PRC")	985	-
Other jurisdiction	<u>840</u>	<u>409</u>
	<u>11,090</u>	<u>4,459</u>
Deferred tax		
Current period	<u>24,321</u>	<u>6,047</u>
	<u><u>35,411</u></u>	<u><u>10,506</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 estimated weighted average annual tax rate used is 16.5% for the six months ended 30th June, 2010 (six months ended 30th June, 2009: 16.5%).

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

7. PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2010	30.6.2009
	HK\$'000	HK\$'000
	(unaudited)	(restated)
Profit for the period has been arrived at after charging (crediting):		
Release of prepaid lease payments for land	751	751
Depreciation of property, plant and equipment	11,942	13,537
Interest on bank deposits, included in other income	(4)	(43)
Gain on disposal of property, plant and equipment, included in other income	<u>-</u>	<u>(255)</u>

8. DIVIDEND

During the six months ended 30th June, 2010, a dividend of HK0.1 cent per share amounting to HK\$5,965,000 was paid to shareholders as the final dividend for the year ended 31st December, 2009 (six months ended 30th June, 2009: no final dividend for the year ended 31st December, 2008 was paid to shareholders).

The directors have resolved not to declare an interim dividend for the current period (six months ended 30th June, 2009: nil).

9. EARNINGS PER SHARE

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

Earnings

	Six months ended	
	30.6.2010	30.6.2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period attributable to owners of the Company	185,032	52,993
Effective interest expense on mandatory convertible bonds	<u>4,319</u>	<u>6,759</u>
Earnings for the purpose of basic earnings per share	<u><u>189,351</u></u>	<u><u>59,752</u></u>

Number of shares

	' 000	' 000
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	<u>2,982,350</u>	<u>2,982,350</u>
Weighed average number of ordinary shares for the purpose of basic earnings per share	<u><u>8,947,051</u></u>	<u><u>8,947,051</u></u>

Diluted earnings per share for both periods are not presented as there are no dilutive ordinary shares exist 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 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	As at
	30.6.2010	31.12.2009
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Not yet due	1,316	3,729
0-30 days	4,885	5,556
31-60 days	653	960
Over 60 days	<u>-</u>	<u>6</u>
	<u><u>6,854</u></u>	<u><u>10,251</u></u>
Analysed for reporting as:		
Trade receivables	6,854	10,251
Other receivables	<u>1,002</u>	<u>1,011</u>
	<u><u>7,856</u></u>	<u><u>11,262</u></u>

11. TRADE AND OTHER PAYABLES

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

	As at 30.6.2010 HK'000 (unaudited)	As at 31.12.2009 HK'000 (audited)
0-30 days	12,375	7,826
31-60 days	11	1,237
Over 60 days	<u>1,229</u>	<u>369</u>
	<u>13,615</u>	<u>9,432</u>
Analysed for reporting as:		
Trade payables	13,615	9,432
Other payables	<u>11,893</u>	<u>13,950</u>
	<u>25,508</u>	<u>23,382</u>

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30th June, 2010 (six months ended 30th June, 2009: nil). The management envisage that there will be final dividend for the year ended 31st December 2010

MANAGEMENT DISCUSSION AND ANALYSIS

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

The unaudited consolidated profit attributable to owners of the Company for the six months ended 30th June, 2010 amounted to HK\$185,032,000 (30.6.2009: HK\$52,993,000), increased by 249%.

Before revaluation profit of all investment properties and its related deferred taxation, depreciation and release of prepaid lease payments for land, the operating profit attributable to owners of the Company for the six months ended 30th June, 2010 is HK\$71 million (30.6.2009: HK\$48 million), increased by 47%.

The net assets before deferred tax and **before** revaluation on all asset properties of the Group amounted to HK\$3,479 million (HK\$0.58 per ordinary share) as at 30th June, 2010.

The net assets before deferred tax and **after** revaluation on all asset properties of the Group amounted to **HK\$5,527 million (HK\$0.93 per ordinary share)** as at 30th June, 2010.

The corporate strategy of the Group is to build hotels on grade B commercial locations which are most suitable for hotel business in terms of low acquisition costs and high yields. The Group benefits from the development of these hotels from good operating incomes, but most importantly is their capital value gain. The Group presently owns and operates the Ramada Hotel Kowloon, Ramada Hong Kong Hotel, Best Western Hotel Taipa, Macau and Magnificent International Hotel, Shanghai with 1,000 rooms together with four new hotels under development, the Group will have about 2,300 hotel rooms which will be one of the largest hotel groups in Hong Kong. Such strategy has successfully helped to increase the value of the Group substantially:-

	31.12.2007 HK\$ million	31.12.2008 HK\$ million	31.12.2009 HK\$ million	30.06.2010 HK\$ million
Adjusted Shareholders' Fund	4,729	4,976	5,187	5,527
Adjusted Net Asset Value Per Ordinary Share	HK\$0.80	HK\$0.83	HK\$0.87	HK\$0.93

- For the six months ended 30th June, 2010, the Group's income was mostly derived from the aggregate of income from operation of hotels and properties rental income, which was analysed as follows:-

	Six months ended		
	30.6.2009 HK\$'000 (unaudited)	30.6.2010 HK\$'000 (unaudited)	Change %
Income from operation of hotels	78,744	96,615	+23
Properties rental	42,739	45,148	+6
Other income	7,310	8,100	+11
Total	128,793	149,863	

The total income for the Group increased by 16% from HK\$129 million to HK\$150 million for the same period compared with last year. The increase of revenue for the period was due to substantial hotel improvement in hotel revenue and reduction of operating costs.

	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	Improvement Compared with 2009
2010	%	HK\$	%	HK\$	%	HK\$	%	HK\$	
Jan	98	731	94	621	97	423	64	276	0%
Feb	95	684	90	593	95	600	52	277	+19%
Mar	98	759	97	654	97	399	76	308	+17%
Apr	95	864	93	752	98	459	85	325	+24%
May	97	654	89	570	97	448	87	528	+42%
Jun	97	622	92	510	97	415	95	566	+50%
Jan to Jun									+23%
2010 Total	HK\$27,920,000	=====	HK\$35,455,000	=====	HK\$22,174,000	=====	HK\$11,066,000	=====	
2009 Total	HK\$23,961,000	=====	HK\$29,572,000	=====	HK\$18,450,000	=====	HK\$6,761,000	=====	

The hotel monthly improvement trend from negligible in January to 50% increased in May and June is most encouraging.

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

The properties rental income was analysed as follows:-

	Six months ended		Change
	30.6.2009 <i>HK\$'000</i> (unaudited)	30.6.2010 <i>HK\$'000</i> (unaudited)	
633 King's Road	30,323	31,838	+5
Shun Ho Tower	7,902	8,849	+12
Shops	<u>4,514</u>	<u>4,461</u>	-1
Total	42,739	45,148	+6

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

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

The approximate operating cost, food and beverage and improvement costs for each operating hotel were as follows:-

Name of Hotel	2009 <i>HK\$ million</i> <i>per month</i>	2010 <i>HK\$ million</i> <i>per month</i>	Change %
Centralized sales office	0.6	0.6	-
Ramada Hotel Kowloon	2.1	2.15	+2
Ramada Hong Kong Hotel	2.5	2.5	-
Best Western Hotel Taipa, Macau	1.7	1.7	-
Magnificent International Hotel, Shanghai	0.8	0.8	-
Total amount per month	7.7	7.75	-
Total amount for the period	46.2	46.5	+1

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

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

The accounting standards require hotel properties of the Group to provide depreciation which amounted to HK\$10,710,000 (30.6.2009: HK\$12,039,000) for the period which affected the hotel operating profit. Other plants and machinery depreciations amounted to HK\$2 million.

- As at 30th June, 2010, the overall debts of the Group was HK\$1,170 million (31.12.2009: HK\$1,159 million), of which HK\$1,040 million (31.12.2009: HK\$1,043 million) was bank borrowings and HK\$130 million (31.12.2009: HK\$116 million) was advance from shareholders.

The debt ratio was 17% (31.12.2009: 18%) in term of overall debt of HK\$1,170 million (31.12.2009: HK\$1,160 million) against the fully revalued assets of the Group amounted to HK\$6,799 million (31.12.2009: HK\$6,442 million).

The gearing ratio was approximately 37% (31.12.2009: 39%) against funds employed of HK\$3,169 million (31.12.2009: HK\$2,968 million).

The overall debts was analysed as follows:-

	31.12.2009	30.06.2010	Change	Interest Paid
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	30.06.2010
				<i>HK\$ million</i>
Overall debt	1,159	1,170	+11	10
- bank loans	1,043	1,040	-3	5.5
- shareholders' loans	116	130	+14	0.5
Debt ratio (based on Fully Revalued Assets)	18%	17%		
Mandatorily convertible bonds (the bonds will be mandatorily converted to share capital on 13th April, 2011)	477	477	-	4

- Of these loans, the total interest expenses amounted to HK\$10 million (30.6.2009: HK\$20.5 million), of which HK\$5.5 million (30.6.2009: HK\$13 million) was paid to bank borrowings, HK\$0.5 million (30.6.2009: HK\$0.5 million) was paid to shareholders loans and HK\$4 million (30.6.2009: HK\$7 million) was paid to bonds holders.

Out of these interests totally paid, HK\$3 million (30.6.2009: HK\$7.5 million) was capitalized and HK\$7 million (30.6.2009: HK\$13 million) reflected in the expenses account.

Regarding the cash flow of the Group for the period, the gross income together with the proceed from disposal of a subsidiary of the Group was HK\$154 million with operating expenses of HK\$62 million, interests paid of HK\$17 million, repayment of bank loan of HK\$3 million and dividend paid to shareholders of HK\$6 million, the positive cash flow was therefore HK\$66 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 have modest increase in 2010.

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

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

For the year under review, the turnover for the four hotels was amounted to HK\$97 million, increased by 23%.

Name of Hotel	Avg Room Rates		Change %
	2009 HK\$	2010 HK\$	
Ramada Hotel Kowloon	565	719	+27
Ramada Hong Kong Hotel	535	618	+16
Best Western Hotel Taipa, Macau	388	455	+17
Magnificent International Hotel, Shanghai	286	399	+40

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

The hotel turnover for July and August of 2010 of the four hotels amounted to HK\$35 million, representing 52% improvement compared with 2009.

	Ramada Hotel Kowloon		Ramada Hong Kong Hotel		Best Western Hotel Taipa, Macau		Magnificent International Hotel, Shanghai		Improvement Compared with 2009
	Avg Room Occupancy %	Avg Room Rate HK\$	Avg Room Occupancy %	Avg Room Rate HK\$	Avg Room Occupancy %	Avg Room Rate HK\$	Avg Room Occupancy %	Avg Room Rate HK\$	
2010									
Jul	98	679	97	560	96	442	97	576	+60%
Aug	95	731	93	618	97	492	93	559	+43%

With the positive cash flow surplus of HK\$66 million for the period ended 30th June, 2010, 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 offer about 1,000 rooms and the newly acquired hotel development sites in Sheung Wan, Causeway Bay and Tsimshatsui will add an additional 1,300 rooms. The number of hotel rooms will soon be about 2,300 rooms to become a leading hotel rooms supplier in Hong Kong. Such Strategy has and will continue to increase the value and recurring income of the Group substantially.

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

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

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

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

Nos. 19-23 Austin Avenue, Tsimshatsui Hotel Development

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

Nos. 30-40 Bowrington Road, Causeway Bay

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

Looking ahead, the management expects 2010 will be a much improved year for hotel operation. The hotels occupancy remain high because of the increasing leisure travelling from the PRC and their further visa relaxation. The hotels room rates will increase due to the return of higher yield commercial travellers because of the global economic recovery. With the signs of many global economic recovery, the world's economic activities should resume normal at later part of this year. Thus, the management expects higher yield commercial travellers will return in trade fair seasons that will compliment the already busy leisure travelling market which will result in room rates and revenue recovery.

The improving hotel business will help to increase the Group's overall turnover.

The rental incomes of the commercial buildings and shops are expected to enjoy modest increase since most leases are due for renewal in 2010/2012.

The low interest rate environment and tight land supply government policy 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 17% debt ratio ensures the Group's stability over any further unforeseeable global financial turmoils.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the period.

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, 2010.

By Order of the Board

William CHENG Kai Man
Chairman

Hong Kong, 30th August, 2010

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.