MAGNIFICENT ESTATES LIMITED

（華大地產投資有限公司）

(Stock Code 股份代號: 201)

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Magnificent Estates shifts focus to hotels

Yvonne Liu

A sharp rise in land prices has pushed small developer Magnificent Estates to focus on hotel development, which can provide higher returns.

Chairman William Cheng Kai-man said the company found it difficult to make a profit in residential development after land costs surged.

Office and hotel sites were more attractive because they offered higher developable area than residential sites.

"However, office development could only provide a rental yield of 4 per cent, which may not be attractive enough for investors," Mr Cheng said, adding that this was why hotel development was preferred.

The company, which has invested in office buildings and residential properties, changed its investment focus from commercial properties to hotel developments in 2004.

It has four hotels in Hong Kong, Macau and Shanghai with 999 rooms, providing a yield of 11 per cent.

Turnover at the four hotels rose 12 per cent to HK$42.84 million in the first quarter from a year earlier.

Mr Cheng expects turnover of the hotel business to jump 20 per cent this year due to higher room rates.

Magnificent Estates paid HK$930 million for three hotel development sites in Tsim Sha Tsui, Sai Ying Pun and Causeway Bay in the first half. With the extension of the Ramada Hotel Kowloon in Tsim Sha Tsui, the new projects will provide 1,004 hotel rooms in 2009.

Magnificent Estates' Ramada Hotel Kowloon in Tsim Sha Tsui. Photo: Company

Mr Cheng said the company aimed to increase its hotel rooms from 999 rooms to 3,000 rooms in 2009. It also planned to spend HK$1 billion on acquiring three hotel development sites in the second half.

Apart from the rental income, hotel development is attractive because of the potential appreciation of capital values, he said.

"Once we have 3,000 hotel rooms, we will have the flexibility to have cash through a separate listing, by spinning off the hotel properties or launching a real estate investment trust," Mr Cheng said. He expected the company's hotel assets to grow from the current value of HK$2.75 billion to HK$5.5 billion by 2009.

While foreign investors and developers are chasing hotel or serviced apartment developments in the mainland or Macau, Magnificent Estates will focus on hotel development in Hong Kong.

"Hotel development in the mainland can't attain substantial asset value growth as there is plenty of supply there," Mr Cheng said.

"Macau, on the other hand, is an exciting market, but it is difficult to find people to manage the hotels."

In Hong Kong, future supply would consist mainly of high-end or six-star hotels such as New World Development's redevelopment project at Mody Road and Sun Hung Kai Properties' two hotel developments at Kowloon Station, he said.

Mr Cheng is optimistic about the business prospects of three-star and four-star hotels because their average room rate of HK$500 to HK$600 per night meets the typical tourist budget.

William Cheng

"The demand for three-star or four-star hotels in urban areas is strong, but the supply is limited. That's why the occupancy rate of our hotels in Tsim Sha Tsui and Western reached more than 90 per cent last year and in the first quarter of this year," he said.

Mr Cheng also said hotels benefited from the exhibition business and the increase in corporate guests from the Pearl River Delta last year.

About 70 per cent of the guests at the company's hotels in Hong Kong used to be tourists, but since last year, they have been corporate types.

Mr Cheng believes corporate guests will continue to increase as long as the mainland economy sustains its strong growth.

Contents

Corporate Information

Executive Directors
Mr. William Cheng Kai Man *(Chairman)*
Mr. Albert Hui Wing Ho

Non-Executive Directors
Mr. David Cheng Kai Ho
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. Peter Lee Yip Wah

Auditor
Deloitte Touche Tohmatsu
35th Floor, One Pacific Place
88 Queensway
Hong Kong

Solicitors
Dibb Lupton Alsop
40th Floor, Bank of China Tower
1 Garden Road
Central, Hong Kong

Woo, Kwan, Lee & Lo
26th Floor, Jardine House
1 Connaught Place
Hong Kong

Principal Bankers
The Hongkong and Shanghai Banking Corporation Limited
Chong Hing Bank Limited

Registered Office
3rd Floor, Shun Ho Tower
24-30 Ice House Street
Central, Hong Kong

Share Registrars
Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong
Tel: 2980 1333

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Magnificent Estates Limited (the "Company") will be held at 5th Floor, Ramada Hong Kong Hotel, 308 Des Voeux Road West, Hong Kong on Friday, the 30th day of May, 2008 at 8:30 a.m. for the following purposes:

1. To receive and consider the audited Financial Statements, the Report of the Directors and the Independent Auditor's Report for the year ended 31st December 2007.

2. To declare a final dividend.

3. (1) To re-elect retiring Directors; and

   (2) to authorise the Board to fix the remuneration of the Directors.

4. To re-appoint Auditor and to authorise the Board to fix their remuneration.

5. As special business to consider and, if thought fit, pass with or without modifications, the following resolution as an Ordinary Resolution:

   "**THAT**:

   (a) a general mandate be and is hereby generally and unconditionally given to the Directors to exercise during the Relevant Period (as hereinafter defined) all the powers of the Company to allot, issue and deal with additional shares of the Company, and to make or grant offers, agreements or options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into shares of the Company) which would or might require the exercise of such powers either during or after the expiry of the Relevant Period, provided that the aggregate nominal amount of the share capital allotted or agreed conditionally or unconditionally to be allotted and issued by the Directors pursuant to this Resolution (otherwise than as scrip dividends pursuant to the articles of association of the Company from time to time or pursuant to a rights issue or pursuant to the exercise of any rights of subscription or conversion under any existing warrants, bonds, debentures, notes and other securities issued by the Company or pursuant to any share option scheme), shall not exceed twenty per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this Resolution; and

   (b) for the purpose of this Resolution:

   "Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

   (i) the conclusion of the next annual general meeting of the Company;

   (ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; or

   (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting."

By Order of the Board
Peter LEE Yip Wah
Secretary

Hong Kong, 30th April, 2008

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him and a proxy so appointed shall also have the same rights as the member to speak at the meeting. A proxy need not be a member of the Company.

2. To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited at the registered office of the Company at 3rd Floor, Shun Ho Tower, 24-30 Ice House Street, Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting.

3. The Register of Members of the Company will be closed from Monday, 26th May, 2008 to Friday, 30th May, 2008, both dates inclusive, during which period no share transfers will be effected. In order to qualify for the proposed final dividend and determine the identity of members who are entitled to attend and vote at the meeting, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 23rd May, 2008.

4. With regard to item no.3(1) of this notice, details of retiring Directors proposed for re-election are set out below:

(a) Mr. William CHENG Kai Man, Executive Director, aged 46, was appointed to the Board in 1987. He is also an executive director of Shun Ho Resources Holdings Limited, the intermediate holding company of the Company and Shun Ho Technology Holdings Limited, the immediate holding company of the Company. Shares of both companies are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He has over twenty years' experience in construction, property investment and development and has over ten years' experience in hotel management. He graduated in the U.K. and holds a bachelor's degree in civil engineering and a master's degree in structural engineering. He is also a director of a number of subsidiaries of the Company. He is Mr. David CHENG Kai Ho's brother. Save as disclosed above, Mr. William CHENG Kai Man did not hold any directorship in other listed public companies in the last three years or any position with the Company or other members of the Company's group.

There is no service contract between Mr. William CHENG Kai Man and the Company. He has no fixed term of service with the Company and will be subject to the rotational retirement and re-election requirements at annual general meetings pursuant to the Articles of Association of the Company. The Director's fee payable to Mr. William CHENG Kai Man as executive Director is determined by shareholders in general meeting. At the annual general meeting of the Company held on 25th May 2007, it was approved that the Director's fee for the year ended 31st December 2007 be determined by the Board. Mr. William CHENG Kai Man did not receive Director's fee and other emoluments paid to Mr. William CHENG Kai Man for the year ended 31st December 2007 was determined at HK$3,195,000 with reference to his duties and responsibility with the Company, the Company's performance and current market situation. Save as disclosed above, Mr. William CHENG Kai Man is and was not connected with any Directors, senior management or substantial or controlling shareholders of the Company. As at the date of this notice, Mr. William CHENG Kai Man was deemed to have interest in 2,986,809,406 shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

(b) Mr. David CHENG Kai Ho, Non-executive Director, aged 44, Solicitor, was appointed to the Board in 1999. He is also a non-executive director of Shun Ho Resources Holdings Limited, the intermediate holding company of the Company and Shun Ho Technology Holdings Limited, the immediate holding company of the Company. Shares of both companies are listed on the Stock Exchange. He is a qualified lawyer with many years of experience. He graduated from Warwick University and holds a bachelor's degree in law. He is Mr. William CHENG Kai Man's brother. He has a directorship and a corporate interest in the Imperial Hotel in Hong Kong. Save as disclosed above, Mr. David CHENG Kai Ho did not hold any directorship in other listed public companies in the last three years or any position with the Company or other members of the Company's group.

There is no service contract between Mr. David CHENG Kai Ho and the Company. He has no fixed term of service with the Company and will be subject to the rotational retirement and re-election requirements at annual general meetings pursuant to the Articles of Association of the Company. The Director's fee payable to Mr. David CHENG Kai Ho as non-executive Director is determined by shareholders in general meeting. Mr. David CHENG Kai Ho did not receive any Director's fee and other emoluments for the year ended 31st December 2007. Save as disclosed above, Mr. David CHENG Kai Ho is and was not connected with any Directors, senior management or substantial or controlling shareholders of the Company. As at the date of this notice, Mr. David CHENG Kai Ho did not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

(c) Mr. HUI Kin Hing, Independent Non-executive Director, aged 40, ACCA, CPA (Practising), was appointed to the Board in 2005. He is also an independent non-executive director of Shun Ho Resources Holdings Limited, the intermediate holding company of the Company and Shun Ho Technology Holdings Limited, the immediate holding company of the Company. Shares of both companies are listed on the Stock Exchange. He holds a master's degree in business administration. He runs a firm of Titus K.H. Hui. He has extensive experience in accounting, corporate finance and financial management. Save as disclosed above, Mr. HUI Kin Hing did not hold any directorship in other listed public companies in the last three years or any position with the Company or other members of the Company's group.

There is no service contract between Mr. HUI Kin Hing and the Company. He has no fixed term of service with the Company and will be subject to the rotational retirement and re-election requirements at annual general meetings pursuant to the Articles of Association of the Company. The Director's fee payable to Mr. HUI Kin Hing as independent non-executive Director is determined by shareholders in general meeting. At the annual general meeting of the Company held on 25th May 2007, it was approved that the Director's fee for the year ended 31st December 2007 be determined by the Board. The Director's fee paid to Mr. HUI Kin Hing for the year ended 31st December 2007 was determined at HK$33,000 with reference to his duties and responsibility with the Company, the Company's performance and current market situation. Mr. HUI Kin Hing is and was not connected with any Directors, senior management or substantial or controlling shareholders of the Company. As at the date of this notice, Mr. HUI Kin Hing did not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Save as disclose above, Mr. William CHENG Kai Man, Mr. David CHENG Kai Ho and Mr. HUI Kin Hing have confirmed that there are no other matters relating to their re-election that need to be brought to the attention of the shareholders and there is no other information which is required to be disclosed pursuant to rule 13.51(2) of the Listing Rules.

5. As at the date of this notice, the executive Directors of the Company are Mr. William CHENG Kai Man and Mr. Albert HUI Wing Ho; the non-executive Directors of the Company are Mr. David CHENG Kai Ho and Madam Mabel LUI FUNG Mei Yee; and the independent non-executive Directors of the Company are Mr. Vincent KWOK Chi Sun, Mr. CHAN Kim Fai and Mr. HUI Kin Hing.

I present to the shareholders my report on the results and operations of Magnificent Estates Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31st December, 2007.

RESULTS

The Group's audited consolidated profit attributable to shareholders of the Company for the year ended 31st December, 2007 amounted to HK$806,838,000 (2006: HK$110,456,000), an increase of 630% in compared to the year before.

The net assets before deferred tax (not including revaluation on all asset properties) of the Group increased during the financial year to HK$2,642 million (HK$0.44 per share) and the net assets before deferred tax after valuation on all asset properties ("Fully Revalued Net Assets") increased to **HK$4,729 million (HK$0.8 per share)**.

DIVIDEND

The Board recommends a final dividend of HK0.24 cents per share for the year ended 31st December, 2007 (2006: HK0.22 cents per share) to shareholders whose names appear on the register of members of the Company on 30th May, 2008.

BOOK CLOSURE

The register of members will be closed from Monday, 26th May, 2008 to Friday, 30th May, 2008, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend and determine the identity of members who are entitled to attend and vote at the Annual General Meeting to be held on Friday, 30th May, 2008, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 23rd May, 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

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

- For the year ended 31st December, 2007, the Group's income was mostly derived from the aggregate of income from operation of hotels, properties rental income, interest, dividend income and proceeds from sale of insignificant assets, which is analysed as follows:

	2007	2006	**Change**
	HK$'000	*HK$'000*	
Turnover Income			
Income from operation of hotels	**197,658**	170,228	+16%
Properties rental income	**32,341**	17,235	+88%
Interest income from debt securities	**1,348**	1,268	+6%
Dividend income	**80**	40	+100%
	231,427	188,771	
Other income	**10,464**	5,253	+99%
Total	**241,891**	194,024	

The income from operation of hotels increased by 16% to HK$198 million (2006: HK$170 million). The increase of turnover for the whole year was due to better tourism visit environment and smooth running of the operations of Ramada Hotel Kowloon, Ramada Hong Kong Hotel, Best Western Hotel Taipa, Macau and Magnificent International Hotel, Shanghai.

	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$*	*%*	*HK$*
2007								
Jan	97	685	93	564	90	287	53	352
Feb	94	594	89	544	92	460	55	341
Mar	97	770	96	697	90	301	76	425
Apr	96	945	90	802	97	335	88	413
May	96	606	88	538	94	336	83	384
Jun	96	557	94	538	87	298	82	378
Jul	98	628	96	552	98	335	78	352
Aug	98	680	98	611	98	406	82	348
Sep	95	741	91	640	96	390	72	402
Oct	95	1,020	93	910	96	601	85	408
Nov	98	848	97	745	98	513	83	401
Dec	97	835	96	751	98	532	83	313
Avg/yr	96	743	93	659	95	401	77	378
2007 Total		**58,932,000**		**78,683,000**		**39,693,000**		**20,350,000**
2006 Total		53,667,000		68,939,000		30,295,000		17,327,000
Change		**+10%**		**+14%**		**+31%**		**+17%**

The properties rental income was derived from office building of Shun Ho Tower, 633 King's Road, 19-23 Austin Avenue and shops from Ramada Hotel Kowloon, Ramada Hong Kong Hotel and Best Western Hotel Taipa, Macau amounted to HK$32,341,000. Although the commercial building at 633 King's Road has been completed, the significant effect of its successful leasing would contribute to 2008 income.

- Overall operating expenses for the Group was HK$92 million (2006: HK$89 million) for the hotel operations and HK$16 million (2006: HK$13 million) for the corporate management office. Hotel overall expenses in 2007 represented 48% (2006: 53%) on income from operation of hotels, representing more efficient cost to profit margin.

  The approximate operating costs and improvement costs for each operating hotel were as follows:

Name of Hotel	*HK$*
Centralized sales office	0.3 million per month
Ramada Hotel Kowloon	2.2 million per month
Ramada Hong Kong Hotel	2.7 million per month
Best Western Hotel Taipa, Macau	1.6 million per month
Magnificent International Hotel, Shanghai	0.9 million per month
Total	**HK$7.7 million per month (HK$92 million per annum)**

  Administrative expenses of HK$16 million per annum or HK$1.3 million per month was for corporate office representing directors' fees, salaries for executive staff and employees, rental, marketing expenses and office expenses.

- As at 31st December, 2007, the overall debt was HK$1,404 million, of which HK$873 million was bank borrowings and HK$531 million was shareholder loan.

  Of these loans, the total interest expenses amounted to HK$52 million, of which HK$29 million was paid to bank borrowings and HK$23 million was paid to shareholder loan.

  Out of these interests totally paid, HK$8 million was capitalized and HK$44 million reflected in the expenses account.

- The accounting standards continue to have adverse impact on the results from hotel businesses, these hotels are now stated at cost less depreciation resulting in a significant impact of the following:

  (a) The properties of the Group as valued by the independent professional valuer at market value as at 31st December, 2007 and the valuation surplus (before accounting for any deferred taxes) not included in accounts are as follows:

Name of properties	**Independent professional valuation report from Dudley Surveyors Limited At 31.12.2007**	**Carrying amounts in the accounts under accounting standard At 31.12.2007**	**Valuation surplus (before accounting for any deferred taxes) not included in accounts At 31.12.2007**
	HK$'000	*HK$'000*	*HK$'000*
Ramada Hotel Kowloon	849,200	298,572	550,628
Ramada Hong Kong Hotel	1,140,000	385,810	754,190
Best Western Hotel Taipa, Macau	456,000	272,560	183,440
Magnificent International Hotel, Shanghai	268,000	85,169	182,831
633 King's Road	1,260,000	1,260,000	–
239-247 Queen's Road West	466,000	217,791	248,209
19-23 Austin Avenue	785,000 *(Note)*	636,000	149,000
30-40 Bowrington Road	522,000	244,335	277,665
Shun Ho Tower	369,800	367,685	2,115
Properties at Gold Coast	41,000	21,534	19,466
Others	22,300	22,094	206
Total	**6,179,300**	**3,811,550**	**2,367,750**

Note:

This value is based on the independent professional valuation carried out by Dudley Surveyors Limited, the independent professional valuer, taking into account the assumption that the subject property is planned for redevelopment into an 18-storey hotel with a total gross floor area of approximately 8,344 square meters. According to the building plans as approved by the Building Authority dated 17th September, 2007, the proposed hotel comprises a total of 290 guest rooms plus car park, coffee shop and retail shop facilities.

The aforesaid independent professional valuation is different from the carrying value of the same property as recognised in the Group's consolidated financial statements, as such carrying value was based on the fact that the property was held as an investment property as of 31st December, 2007, and therefore did not take into account the assumption of the hotel development potential.

If the valuation of the Group's properties by the independent professional valuer was accounted for in the financial statements, the net asset value of the Group will be increased as follows:

	HK$'000
Total net assets (before deferred tax) of the Group	2,360,792
Add: Valuation surplus (before accounting for any deferred taxes) not recognized in the Account	2,367,750
Adjusted equity attributable to shareholders of the Company	4,728,542
Adjusted net asset value per share	HK$0.8

(b) Reduction of hotel operating profits due to depreciation of the hotel properties amounting to HK$22 million for the year under review.

(c) The Group's audited consolidated profit attributable to shareholders of the Company for the year ended 31st December, 2007 amounted to HK$806,838,000. If excluding deprecation and release of prepaid lease payments for land (HK$25,382,000), increase in fair value of investment properties (HK$922,619,000) and its consequent deferred tax (HK$161,049,000), after tax operating profit attributable to shareholders of the Company for the year ended 31st December, 2007 would be HK$70,650,000.

FUTURE PROSPECTS

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

  The construction of the grade A office building at 633 King's Road was completed in June 2007. Leasing of the commercial space is well underway. As of the date of this announcement, only 5 floors of the 33 floors in the 300,000 sq.ft. office building is still yet to be leased. It is expected that the rental income of the Group will be significantly increase by the building in the second half of 2008. The effect of full occupancy of the building will be reflected in the year of 2009.

  For the year under review, there was no significant property disposal. However, the houses at Gold Coast, New Territories are already available for rental income or disposal.

- For the year under review, the turnover income for the 4 hotels was amounted to HK$198 million.

	Avg Room Rates		
Name of Hotel	**2007**	2006	**Change**
	HK$	*HK$*	
Ramada Hotel Kowloon	**743**	675	+10%
Ramada Hong Kong Hotel	**659**	595	+11%
Best Western Hotel Taipa, Macau	**401**	322	+25%
Magnificent International Hotel, Shanghai	**378**	366	+3%

In the coming year, it is envisaged that the hotel business should further 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 and the Olympic effects. The management of the hotels will endeavour to maintain the high occupancy but will focus on obtaining higher room rates.

The hotel turnover for the first three months of 2008 of the four hotels amounted to HK$51,587,000, which represented 17% increase compared to the same period last year.

	Ramada Hotel Kowloon Avg Room Occupancy %	Ramada Hotel Kowloon Avg Room Rate HK$	Ramada Hong Kong Hotel Avg Room Occupancy %	Ramada Hong Kong Hotel Avg Room Rate HK$	Best Western Hotel Taipa, Macau Avg Room Occupancy %	Best Western Hotel Taipa, Macau Avg Room Rate HK$	Magnificent International Hotel, Shanghai Avg Room Occupancy %	Magnificent International Hotel, Shanghai Avg Room Rate HK$
2008								
Jan	97	786	95	674	96	432	75	297
Feb	95	677	92	616	96	556	64	286
Mar	97	862	93	756	97	446	84	387
2008 Total (Jan to Mar)		**15,097,000**		**20,404,000**		**11,403,000**		**4,683,000**
2007 Total (Jan to Mar)		13,395,000		18,104,000		8,570,000		4,141,000
Change		**+13%**		**+13%**		**+33%**		**+13%**

- Subsequent to 31st December, 2006, the Group completed the following acquisitions*:

Name of Properties	Acquisition cost *HK$'000*	Independent revaluation *HK$'000*	Change
239-243 Queen's Road West	99,404*	466,000	+128%
245-247 Queen's Road West	104,593*		
19-23 Austin Avenue	520,093*	785,000	+51%
30-40 Bowrington Road	238,855*	522,000	+119%
249-251 Queen's Road West	97,401	–	–
Total:	**1,060,346**		

The overall acquisition costs of the development sites subsequent to 31st December, 2006 amounted to HK$1,060 million.

The above acquisitions provided a valuable opportunity for the Group to develop more than 1,000 hotel rooms in the busiest city locations with significant capital gain and income potentials.

Queen's Road Hotel Development

A 435 rooms hotel development has been approved by the relevant authorities, foundation works is in progress.

Austin Avenue, Tsimshatsui

A 300 rooms hotel development has been approved by the relevant authorities. Demolition of the old building is expected to commence in June 2008.

Bowrington Road, Causeway Bay

A 265 rooms hotel development has been approved by the relevant authorities, foundation works is in progress.

The corporate strategy is to build hotels on grade B commercial locations which are usually not ideal for office development, too expensive for residential development but 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. Such strategy has successfully helped to increase the value of the Group substantially:

	2007 ***HK$ million***	2006 *HK$ million*	2005 *HK$ million*	2004 *HK$ million*
Adjusted Shareholders' Fund	**4,729**	3,226	2,590	1,915
Adjusted Net Asset Value Per Share	**HK$0.80 per share**	HK$0.62 per share	HK$0.47 per share	HK$0.35 per share

At 31st December, 2007, the overall debt was HK$1,404 million (2006: HK$557 million) of which HK$873 million (2006: HK$316 million) was external bank loans and HK$531 million (2006: HK$241 million) was advance from a shareholder. Gearing ratio was approximately 59% (2006: 43%) or 29.6% against funds employed of HK$2,361 million (2006: HK$1,299 million) or Fully Revalued Net Assets of HK$4,729 million respectively. The increase of borrowings of HK$847 was due to acquisition costs of the development sites of HK$1,060 million subsequent to 31st December, 2006 and the subsequent construction costs. It is estimated that a further of HK$500 million will be required for the construction costs of the acquired development sites in the next two or three years.

The increase of above borrowings and increase of banks lending rate has caused the financing expenses during 2007 to increase by 137% (HK$44 million) which has significantly affected the operating results for the year of 2007.

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

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.

Looking ahead, the financing situation will be improved by, more interest expenses will be capitalized due to properties under development, substantial increase of income rental derived from 633 King's Road and significant lowering at bank lending rate.

During the financial year under review, there were no significant changes in the Group's staffing level and remuneration and benefit were set with reference to the market.

Looking ahead, the Board considers that the global low interest rate economy will continue to uphold a strong expanding economy and continue to fuel international travels. The implementation by the PRC Government of CEPA and the furtherance of relaxation of mainland travelers to visit Hong Kong and the Olympic effect help stimulate further regional tourism. It is envisaged that the hotel business should further improve in the coming year confirming the Group's correct strategy to build up a portfolio of prime 4-star hotels in Hong Kong and major cities of China. The continuous increase of inbound tourists justified the Group's intention to expand the Group's hotel assets. The Board look forward to the completion of the hotel developments of which an additional 1,000 rooms will be added on to the existing 1,000 rooms which shall make the Group to be one of the largest hotelier in Hong Kong which will benefit from the current tourism boom and contributing potential operating income and capital gain. The recent inflationary environment in Hong Kong will accelerate rising property prices and also add momentum to the Hong Kong business environment. The Group will continue to acquire quality hotels and investment/development properties should the opportunity arises.

By Order of the Board

William CHENG Kai Man
Chairman

Hong Kong, 18th April, 2008

Directors' Profiles

Mr. William CHENG Kai Man, *Executive Director*
Aged 46. Appointed to the Board in 1987. He is also a director of Shun Ho Resources Holdings Limited ("Shun Ho Resources") and Shun Ho Technology Holdings Limited ("Shun Ho Technology") which are the Company's intermediate holding company and immediate holding company respectively. He has over twenty years' experience in construction, property investment and development and has over ten years' experience in hotel management. He graduated in the U.K. and holds a bachelor's degree in civil engineering and a master's degree in structural engineering. He is Mr. David CHENG Kai Ho's brother.

Mr. Albert HUI Wing Ho, *Executive Director*
Aged 45. Appointed to the Board in 1990. He is also a director of Shun Ho Resources and Shun Ho Technology. He has over twenty years' experience in construction, property investment and property development and has over ten years' experience in hotel management. He graduated in the U.K. and holds a bachelor's degree in civil engineering.

Mr. David CHENG Kai Ho, *Non-Executive Director*
Aged 44. Solicitor. Appointed to the Board in 1999. He is also a non-executive director of Shun Ho Resources and Shun Ho Technology. He is a qualified lawyer with many years of experience. He graduated from Warwick University and holds a bachelor's degree in law. He is Mr. William CHENG's brother. He has a directorship and a corporate interest in the Imperial Hotel in Hong Kong.

Madam Mabel LUI FUNG Mei Yee, *Non-Executive Director*
Aged 56. Solicitor and Notary Public. Appointed to the Board in 1999. She is also a non-executive director of Shun Ho Resources and Shun Ho Technology. She is a partner of Dibb Lupton Alsop.

Mr. Vincent KWOK Chi Sun, *Independent Non-Executive Director*
Aged 45. ACA (Aust), CPA (Practising). Appointed to the Board in 1999. He is also an independent non-executive director of Shun Ho Resources and Shun Ho Technology. He is a partner of Vincent Kwok & Co.

Mr. CHAN Kim Fai, *Independent Non-Executive Director*
Aged 48. ACCA, CPA (Practising). Appointed to the Board in 2004. He is also an independent non-executive director of Shun Ho Resources and Shun Ho Technology. He holds a bachelor degree in science from The Chinese University of Hong Kong. He has extensive experience in accounting, corporate finance and financial management. He is a partner of Ivan Chan & Co, CPA.

Mr. HUI Kin Hing, *Independent Non-Executive Director*
Aged 40. ACCA, CPA (Practising). Appointed to the Board in 2005. He is also an independent non-executive director of Shun Ho Resources and Shun Ho Technology. He holds a master degree in business administration. He runs a accounting firm of Titus K. H. Hui. He has extensive experience in accounting, corporate finance and financial management.

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasise a quality board, sound internal control and transparency and accountability to all shareholders.

CODE OF BEST PRACTICE AND CODE ON CORPORATE GOVERNANCE PRACTICES

The Company's Articles of Association have been amended on 27th May, 2005 to provide that all Directors shall retire on such manner of rotation as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), i.e. once every three years. Prior to such amendment, the Company's Articles of Association provided that one-third of the Directors (including Non-executive Directors) should retire by rotation at the annual general meeting of the Company.

The Code of Best Practice set out in Appendix 14 to the Listing Rules was replaced by the Code on Corporate Governance Practices ("Code on CG Practices") which has become effective for accounting periods commencing on or after 1st January, 2005. During the year, the Company has applied the principles and complied with all code provisions and to certain extent of the recommended best practices of the Code on CG Practices 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. Amendment to the articles of association of the Company was proposed and approved by the shareholders at the annual general meeting of the Company held on 27th May, 2005 whereby 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 on CG Practices.

Board Composition and Board Practices

The Board of Directors ("Board") of the Company is collectively responsible for the oversight of the management of the business and affairs of the Group with the objective of enhancing shareholders value.

The Listing Rules require every listed issuer to have at least three independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Board of the Company comprises a total of seven Directors, with two Executive Directors, two Non-executive Directors and three Independent Non-executive Directors. All the Independent Non-Executive Directors have appropriate professional qualifications, or accounting or related financial management expertise.

Mr. William CHENG Kai Man is Mr. David CHENG Kai Ho's brother. Save as aforesaid, none of the Directors has or maintained any financial, business, family or other material/ relevant relationship with any of the other Directors.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

All Directors (including Non-executive Directors) are subject to retirement by rotation once every three years in accordance with the Company's Articles of Association and the Code on CG Practices. Review will be made regularly of the Board composition to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The Directors' biographical information is set out on page 10.

The positions of the Chairman of the Board ("Chairman") and the Chief Executive Officer are not held by separate individuals pursuant to the reasons given above.

The Board is responsible for establishing the strategic direction of the Group; setting objectives and business development plans; monitoring the performance of the senior management and assuming responsibility for corporate governance.

The management, under the leadership of the Chief Executive Officer, is responsible for implementing the strategies and plans established by the Board; and submitting reports on the Company's operations to the Board on a regular basis to ensure effective discharge of the Board's responsibilities.

All Directors have made full and active contribution to the affairs of the Board and the Board always acts in the best interests of the Group.

The Board meets regularly and held four meetings in 2007 and the attendance of each director is set out below:

	Number of board meetings attended in 2007	Attendance rate
Executive Directors		
William Cheng Kai Man *(Chairman)*	4/4	100%
Albert Hui Wing Ho	4/4	100%
Non-executive Directors		
David Cheng Kai Ho	0/4	0%
Mabel Lui Fung Mei Yee	2/4	50%
Independent Non-executive Directors		
Vincent Kwok Chi Sun	2/4	50%
Chan Kim Fai	1/4	25%
Hui Kin Hing	2/4	50%

According to the Articles of Association of the Company, the Board has the power to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. The Board will consider and assess the qualification, ability and potential contribution of candidates for directorships on the Board.

Regular Board meetings of the year are scheduled in advance to give all Directors an opportunity to attend. The Directors can attend meetings in persons or through other means of electronic communication in accordance with the Company's Articles of Association.

Board papers are circulated not less than three days before the Board meetings to enable the Directors to make informed decisions on matters to be raised at the Board meetings. The Company Secretary or his assistant and the Qualified Accountant shall attend all regular Board meetings to advise on corporate governance, statutory compliance, accounting and financial matters when necessary. Directors shall have full access to information on the Group and are able to obtain independent professional advice whenever deemed necessary by the Directors. The Company Secretary or his assistant shall prepare minutes and keep records of matters discussed and decisions resolved at all Board meetings.

Each newly appointed Director is provided with a package of orientation materials setting out the duties and responsibilities of Directors under the Listing Rules, related ordinances and relevant regulatory requirements of Hong Kong. Orientation meeting with newly appointed Director will be held for briefing on business and operations of the Company. Updates are provided to Directors when necessary to ensure that Directors are aware of the latest changes in the commercial and regulatory environment in which the Group conducts its businesses.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made with all Directors and the Directors have complied with the required standard set out in the Model Code for the year ended 31st December, 2007.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group.

With the assistance of the Accounts Department which is under the supervision of the Qualified Accountant of the Company, the Directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the publication of the financial statements of the Group is in a timely manner.

The statement of the Auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 19.

AUDITOR'S REMUNERATION

For the year ended 31st December, 2007, the Auditor of the Company received approximately HK$1.2 million for audit service and HK$0.1 million for tax and consultancy services.

AUDIT COMMITTEE

The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Company established an audit committee ("Audit Committee") in 1995 with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants). In accordance with the requirements of the Code on CG Practices, the terms of reference of the Audit Committee were revised on 20th April, 2005 in terms substantially the same as the provisions set out in the Code on CG Practices.

The principal duties of the Audit Committee include the review of the Group's financial controls and internal control and risk management, review of the Group's financial information (half-yearly and annual results) and review of the relationship with the Auditor of the Company. Regular meetings have been held by the Audit Committee since its establishment. The Audit Committee held two meetings in 2007, the attendance of each member is set out below:

	Number of Audit Committee meetings attended in 2007	**Attendance rate**
Vincent Kwok Chi Sun	2/2	100%
Chan Kim Fai	1/2	50%
Hui Kin Hing	2/2	100%

The scope of work done by the Audit Committee during the year under review includes the following:

- reviewed and recommended the Board to approve the audit fee proposal for year 2007;
- reviewed the interim report and the interim results announcement for the six months ended 30th June, 2007;
- reviewed the audit plan for year 2007 to assess the general scope of audit work; and
- reviewed the audited accounts and final results announcement for year 2006.

The existing Audit Committee of the Company comprises three Independent Non-executive Directors, namely, Mr. Vincent Kwok Chi Sun (Chairman of the Audit Committee), Mr. Chan Kim Fai and Mr. Hui Kin Hing.

The Group's annual report for the year ended 31st December, 2007 has been reviewed by the Audit Committee.

INTERNAL CONTROL

The Board has overall responsibilities for maintaining sound and effective internal control system of the Group. The Group's system of internal control includes a defined management structure with limits of authority, is designed to safeguard assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant legislation and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

Proper controls are in place for the recording of complete, accurate and timely accounting and management information. Regular reviews and audits are carried out to ensure that the preparation of financial statements is carried out in accordance with generally accepted accounting principles, the Group's accounting policies and applicable laws and regulations.

Internal Audit adopts a risk and control based audit approach. The annual work plan is directed to monitor compliance with internal control procedures focusing on those areas of the Group's activities with the greatest perceived risk.

The Board has conducted a review of the effectiveness of the system of internal control of the Group. The Board is of the view that the system of internal control in place for the year under review and up to the date of issuance of the annual report and financial statements is sound and is sufficient to safeguard the interests of shareholders, customers and employees, and the Group's assets.

REMUNERATION COMMITTEE

According to the Code on CG Practices, the Company established its remuneration committee ("Remuneration Committee") on 20th April, 2005. The existing Remuneration Committee comprises the Chairman of the Company Mr. William Cheng Kai Man (Chairman of the Remuneration Committee) and two Independent Non-executive Directors, namely, Mr. Vincent Kwok Chi Sun and Mr. Chan Kim Fai. No meeting was held by the Remuneration Committee in 2007.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and reviewing the specific remuneration packages of all executive Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time.

The Remuneration Committee shall consult the Chairman and/or the chief executive officer of the Company about their proposals relating to remuneration of executive directors and have access to professional advice if considered necessary.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company establishes different communication channels with shareholders and investors: (i) printed copies of corporate communication, (ii) the annual general meeting provides a forum for shareholders to raise comments and exchange views with the Board, (iii) briefing meetings with analysts from investment sectors are set up from time to time on updated performance information of the Group, and (iv) the Company's Registrars serve the shareholders respecting all share registration matters.

The directors present their annual report and the audited consolidated financial statements for the year ended 31st December, 2007.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides management services to its subsidiaries. The principal activities of the Company's principal subsidiaries and associate are set out in notes 18 and 33 to the consolidated financial statements respectively.

RESULTS

The results of the Group for the year ended 31st December, 2007 are set out in the consolidated income statement on page 20.

DIVIDEND

The Board recommends a final dividend of HK0.24 cents per share in respect of the year ended 31st December, 2007 (2006: HK0.22 cents per share) to shareholders whose names appear on the register of members of the Company on 30th May, 2008.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 25 to the consolidated financial statements.

RESERVES

Movements during the year in the reserves of the Group are set out on page 23 and those of the Company are set out in note 26 to the consolidated financial statements.

The Company's reserves available for distribution to shareholders as at 31st December, 2007 represent its retained profits of HK$346,473,000 (2006: HK$316,293,000).

PROPERTY, PLANT AND EQUIPMENT

Details of these and other movements during the year in the property, plant and equipment of the Group and the Company are set out in note 13 to the consolidated financial statements.

INVESTMENT PROPERTIES

All the investment properties of the Group were revalued at 31st December, 2007. The revaluation gave rise to an increase of approximately HK$923 million which has been dealt with in the consolidated income statement.

Details of these and other movements during the year in the investment properties of the Group are set out in note 15 to the consolidated financial statements.

PROPERTIES UNDER DEVELOPMENT

During the year, development expenditure of approximately HK$94 million was incurred on the property under development.

Details of these and other movements during the year in the property under development of the Group are set out in note 16 to the consolidated financial statements.

MAJOR PROPERTIES

Details of the major properties of the Group at 31st December, 2007 are set out on pages 71 to 72 of the Annual Report.

BORROWINGS

Bank loans repayable within one year are classified as current liabilities. An analysis of the repayment schedule of bank loans is set out in note 24 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors
Mr. William Cheng Kai Man
Mr. Albert Hui Wing Ho
Mr. Fung Chi Keung (resigned on 19th March, 2007)

Non-executive directors
Mr. David Cheng Kai Ho
Ms. Mabel Lui Fung Mei Yee
Mr. Vincent Kwok Chi Sun*
Mr. Chan Kim Fai*
Mr. Hui Kin Hing*

* *independent non-executive directors*

In accordance with the provisions of the Company's Articles of Association, Mr. William Cheng Kai Man, Mr. David Cheng Kai Ho and Mr. Hui Kin Hing shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

The term of office for each of the non-executive directors is the period up to his or her retirement by rotation in accordance with the Company's Articles of Association.

The Company has received annual confirmations from each of the independent non-executive directors as regards their independence to the Company and considers that each of the independent non-executive directors is independent to the Company.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate amount of purchases and sales attributable to the five largest suppliers and customers of the Group accounted for less than 30% in aggregate of the Group's total purchases and sales respectively.

None of the Directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's share capital) has any interest in any of the Group's five largest customers or suppliers.

DIRECTORS' INTERESTS IN LISTED SECURITIES

As at 31st December, 2007, 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 (the "SFO")) which were required (a) to be entered in the register required to be kept by the Company under section 352 of the SFO; or (b) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

The Company

Name of director	Capacity	Nature of interests	Number of shares held	Approximate % of shareholding
William Cheng Kai Man	Interest of controlled corporations	Corporate	2,986,809,406 *(Note)*	50.07

Note: Shun Ho Technology Holdings Limited, South Point Investments Limited and Shun Ho Technology Developments Limited beneficially owned 2,709,729,423 shares, 273,579,983 shares and 3,500,000 shares of the Company respectively, representing approximately 45.43%, 4.59% and 0.06% respectively of the issued share capital of the Company. Mr. William Cheng Kai Man has controlling interests in each of these companies.

Associated corporations

Name of director	Name of associated corporation	Capacity	Nature of interests	Number of shares held	Approximate % of shareholding
William Cheng Kai Man	Shun Ho Technology Holdings Limited *(Note 1)*	Interest of controlled corporations	Corporate	350,742,682	65.31
William Cheng Kai Man	Shun Ho Resources Holdings Limited *(Note 2)*	Interest of controlled corporations	Corporate	216,608,825	71.17
William Cheng Kai Man	Trillion Resources Limited *(Note 3)*	Beneficial owner	Personal	1	100

Notes:

1. Shun Ho Technology Holdings Limited, the Company's immediate holding company, is a public limited company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange.

2. Shun Ho Resources Holdings Limited, the Company's intermediate holding company, is a public limited company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange.

3. Trillion Resources Limited, the Company's ultimate holding company, is a company incorporated in the British Virgin Islands.

Share options

The Company or any of its associated corporations do not have any share option scheme during the year.

Save as disclosed above and save for shares in subsidiaries held by a director in trust for their immediate holding companies, as at 31st December, 2007, 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 under section 352 of the SFO; or (b) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies and none of the directors or their associates or their spouse or children under the age of 18, had any right to subscribe for the securities of the Company or associated corporations, or had exercised any such right during the year.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed above, at no time during the year was the Company or any of its holding companies, fellow subsidiaries or subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND RELATED PARTY TRANSACTIONS

During the year, the Group had transactions with certain related parties, details of which are set out in note 32 to the consolidated financial statements. Save as disclosed therein:

(i) no contracts of significance subsisted at any time during the year to which the Company or any of its holding companies, fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly; and

(ii) there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Amongst the directors who held office during the year, Mr. William Cheng Kai Man was indirectly interested in the share capital of Shun Ho Resources, Shun Ho Technology and the Company.

In the opinion of the directors not having an interest in those transactions, the transactions were carried out in the ordinary course of the Group's business on normal commercial terms.

MANAGEMENT CONTRACTS

No contracts of significance concerning the management and administration of the whole or any substantial part of the business of the Company or any of its subsidiaries were entered into during the year or subsisted at the end of the year.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2007, the following persons (not being directors or chief executive of the Company) had interests in the shares of 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
Shun Ho Technology Holdings Limited ("Shun Ho Technology") *(Note 1)*	Beneficial owner and interest of controlled corporations	2,986,809,406	50.07
Omnico Company Inc. ("Omnico") *(Note 2)*	Interest of controlled corporations	2,986,809,406	50.07
Shun Ho Resources Holdings Limited ("Shun Ho Resources") *(Note 2)*	Interest of controlled corporations	2,986,809,406	50.07
Trillion Resources Limited ("Trillion") *(Note 2)*	Interest of controlled corporations	2,986,809,406	50.07
Liza Lee Pui Ling *(Note 3)*	Interest of spouse	2,986,809,406	50.07
Credit Suisse Securities (Europe) Limited *(Note 4)*	Beneficial owner	404,586,000	6.78
Credit Suisse Investment Holdings (UK) *(Note 4)*	Interest of controlled corporation	404,586,000	6.78
Credit Suisse Investments (UK) *(Note 4)*	Interest of controlled corporation	404,586,000	6.78
Credit Suisse (International) Holding AG *(Note 4)*	Interest of controlled corporation	404,758,000	6.79
Credit Suisse *(Note 4)*	Interest of controlled corporation	404,758,000	6.79
Credit Suisse Group *(Note 4)*	Interest of controlled corporation	404,758,000	6.79
Mackenzie Cundill Recovery Fund *(Note 5)*	Beneficial owner	500,000,000	8.38
Power Financial Corporation *(Note 5)*	Interest of controlled corporation	597,040,000	10.01
Power Corporation of Canada *(Note 5)*	Interest of controlled corporation	597,040,000	10.01
Nordex Inc. *(Note 5)*	Interest of controlled corporation	597,040,000	10.01
IGM Financial Inc. *(Note 5)*	Interest of controlled corporation	597,040,000	10.01
Gelco Enterprises Ltd *(Note 5)*	Interest of controlled corporation	597,040,000	10.01
Desmarais Paul G. *(Note 5)*	Interest of controlled corporation	597,040,000	10.01

Notes:

1. Shun Ho Technology beneficially owned 2,709,729,423 shares of the Company (the "Shares") and was taken to be interested in 273,579,983 Shares held by South Point and 3,500,000 Shares held by Shun Ho Technology Developments Limited, all of which are wholly-owned subsidiaries of Shun Ho Technology.

2. Shun Ho Technology is directly and indirectly owned as to 65.3% by Omnico, which was in turn owned as to 100% by Shun Ho Resources, which was in turn directly and indirectly owned as to 71.17% by Trillion, which was in turn wholly-owned by Mr. William Cheng Kai Man. So, Omnico, Shun Ho Resources and Trilllion were taken to be interested in 2,986,809,406 Shares by virtue of their direct and indirect interests in Shun Ho Technology.

3. Madam Liza Lee Pui Ling was deemed to be interested in 2,986,809,406 Shares by virtue of the interest in such Shares of her spouse, Mr. William Cheng Kai Man, a director of the Company.

4. Credit Suisse Securities (Europe) Limited and Credit Suisse (Hong Kong) Limited beneficially owned 404,586,000 Shares and 172,000 Shares respectively. Credit Suisse Securities (Europe) Limited was wholly owned by Credit Suisse Investment Holdings (UK), which was in turn owned as to 98.07% by Credit Suisse Investments (UK) and as to 1.93% by Credit Suisse First Boston Management AG. Credit Suisse (Hong Kong) Limited was owned as to 94.75% by Credit Suisse (International) Holding AG and as to 5.25% by Credit Suisse First Boston International (Guernsey) Limited. Credit Suisse Investments (UK), Credit Suisse First Boston Management AG and Credit Suisse First Boston International (Guernsey) Limited are wholly owned by Credit Suisse (International) Holding AG, which was in turn wholly owned by Credit Suisse. Credit Suisse was wholly owned by Credit Suisse Group.

5. Mackenzie Cundill Recovery Fund was an investment fund managed by Mackenzie Financial Corporation ("MFC"). MFC was, through its subsidiaries, interested in the total number of 597,040,000 Shares. MFC was an indirect wholly owned subsidiary of IGM Financial Inc. (held as to 100%). IGM Financial Inc. was a non-wholly owned subsidiary of Power Financial Corporation (held as to 56.0%) which was in turn an indirect non-wholly owned subsidiary of Power Corporation of Canada (held as to 66.4%). Power Corporation of Canada was 54.2% owned by Gelco Enterprises Ltd, a 95.0% subsidiary of Nordex Inc. Desmarais Paul G. was holder of 68.0% of the interest in Nordex Inc.

Save as disclosed above, there was no person, other than a director and chief executive of the Company, who has an interest or short position in the shares and underlying shares of the Company or any of its associated corporations as recorded in the register required to be kept by the Company under section 336 of the SFO.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and with the knowledge of the directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

AUDITOR

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

William CHENG Kai Man
Chairman

Hong Kong, 18th April, 2008

Deloitte.
德勤

TO THE SHAREHOLDERS OF
MAGNIFICENT ESTATES LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Magnificent Estates Limited (the "Company") and its subsidiaries (collectively referred as the "Group") set out on pages 20 to 69 which comprise the consolidated and Company balance sheets as at 31st December, 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
18th April, 2008

Consolidated Income Statement

For the Year Ended 31st December, 2007

	Notes	2007 HK$'000	2006 HK$'000
Revenue	4	**231,427**	188,771
Cost of sales		**(4,081)**	(4,111)
Other service costs		**(94,374)**	(89,419)
Depreciation and release of prepaid lease payments for land		**(22,201)**	(22,144)
Gross profit		**110,771**	73,097
Revaluation surplus/increase in fair value of investment properties		**922,619**	81,170
Gain on change in value of leasehold interest in land upon transfer to investment properties	13(b)	**–**	4,980
Other income	6	**10,464**	5,253
(Loss) gain on fair value changes of investments held for trading		**(2,218)**	1,125
Administrative expenses		**(18,949)**	(13,864)
– Depreciation		**(3,181)**	(566)
– Others		**(15,768)**	(13,298)
Impairment loss recognised in respect of interest in an associate		**(123)**	–
Share of loss of an associate	18	**(4)**	(195)
Finance costs	7	**(44,335)**	(18,733)
Profit before taxation	8	**978,225**	132,833
Income tax expense	10	**(171,387)**	(22,377)
Profit attributable to shareholders of the Company		**806,838**	110,456
Dividend	11	**12,022**	10,930
		HK cents	*HK cents*
Earnings per share	12		
Basic		**14.08**	2.02

Consolidated Balance Sheet

At 31st December, 2007

	Notes	**2007**	2006
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	**413,847**	394,780
Prepaid lease payments for land	*14*	**821,904**	596,487
Investment properties	*15*	**2,536,250**	634,330
Property under development	*16*	**39,718**	234,897
Interest in an associate	*18*	**–**	554
Available-for-sale investments	*19*	**208,771**	80,290
Deposit for acquisition of land		**4,694**	–
		4,025,184	1,941,338
CURRENT ASSETS			
Inventories		**689**	615
Properties for sale		**21,534**	15,505
Investments held for trading	*19*	**20,698**	22,916
Prepaid lease payments for land	*14*	**12,223**	8,050
Trade and other receivables	*20*	**16,882**	12,343
Other deposits and prepayments		**4,506**	3,966
Deposit for acquisition of land		**–**	19,500
Trade balances due from intermediate holding companies	*20 & 32(b)*	**32**	33
Pledged bank deposits	*22*	**110**	110
Bank balances and cash	*22*	**10,965**	6,493
		87,639	89,531
CURRENT LIABILITIES			
Trade and other payables	*23*	**40,513**	41,026
Rental and other deposits received		**21,489**	7,026
Advance from immediate holding company	*32(a)*	**530,871**	240,853
Amount due to an associate	*32(c)*	**–**	2,269
Tax liabilities		**4,553**	4,547
Bank loans	*24*	**873,550**	315,743
		1,470,976	611,464
NET CURRENT LIABILITIES		**(1,383,337)**	(521,933)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,641,847**	1,419,405
CAPITAL AND RESERVES			
Share capital	*25*	**59,647**	54,647
Share premium and reserves		**2,301,145**	1,244,752
		2,360,792	1,299,399
NON-CURRENT LIABILITY			
Deferred tax liabilities	*27*	**281,055**	120,006
		2,641,847	1,419,405

The consolidated financial statements on pages 20 to 69 were approved and authorised for issue by the Board of Directors on 18th April, 2008 and are signed on its behalf by:

Albert HUI Wing Ho
Director

William CHENG Kai Man
Director

Company Balance Sheet

At 31st December, 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	**1,066**	1,104
Investments in subsidiaries	*17*	**233,434**	191,151
Amounts due from subsidiaries	*17*	**1,515,755**	1,254,705
Available-for-sale investments	*19*	**780**	780
		1,751,035	1,447,740
CURRENT ASSETS			
Other receivables		**849**	800
Other deposits and prepayments		**589**	592
Trade balances due from intermediate holding companies	*20 & 32(b)*	**32**	33
Bank balances and cash	*22*	**90**	579
		1,560	2,004
CURRENT LIABILITIES			
Other payables		**12,755**	11,134
Advance from immediate holding company	*32(a)*	**376,642**	240,853
Amounts due to subsidiaries	*21*	**2,729**	3,071
Tax liabilities		**469**	469
		392,595	255,527
NET CURRENT LIABILITIES		**(391,035)**	(253,523)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,360,000**	1,194,217
CAPITAL AND RESERVES			
Share capital	*25*	**59,647**	54,647
Share premium and reserves	*26*	**1,300,193**	1,139,410
		1,359,840	1,194,057
NON-CURRENT LIABILITY			
Deferred tax liabilities	*27*	**160**	160
		1,360,000	1,194,217

Albert HUI Wing Ho
Director

William CHENG Kai Man
Director

Consolidated Statement of Changes in Equity

For the Year Ended 31st December, 2007

	Attributable to shareholders of the Company							
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Special capital reserve** *HK$'000* *(Note a)*	**Property revaluation reserve** *HK$'000* *(Note b)*	**Securities revaluation reserve** *HK$'000*	**Translation reserve** *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*
At 1st January, 2006	54,647	210,640	612,477	–	(4,141)	–	317,211	1,190,834
Exchange differences arising on translation of foreign operations	–	–	–	–	–	2,308	–	2,308
Increase in fair value of available -for-sale investments	–	–	–	–	6,552	–	–	6,552
Surplus on revaluation of properties upon reclassification to investment properties *(note 13b)*	–	–	–	217	–	–	–	217
Deferred tax on revaluation of properties	–	–	–	(38)	–	–	–	(38)
Net income recognised directly in equity	–	–	–	179	6,552	2,308	–	9,039
Profit attributable to shareholders of the Company	–	–	–	–	–	–	110,456	110,456
Total recognised income for the year	–	–	–	179	6,552	2,308	110,456	119,495
Final dividend for the year ended 31st December, 2005 paid	–	–	–	–	–	–	(10,930)	(10,930)
At 31st December, 2006	54,647	210,640	612,477	179	2,411	2,308	416,737	1,299,399
Exchange differences arising on translation of foreign operations	–	–	–	–	–	2,493	–	2,493
Increase in fair value of available-for-sale investments	–	–	–	–	128,481	–	–	128,481
Net income recognised directly in equity	–	–	–	–	128,481	2,493	–	130,974
Profit attributable to shareholders of the Company	–	–	–	–	–	–	806,838	806,838
Total recognised income for the year	–	–	–	–	128,481	2,493	806,838	937,812
Final dividend for the year ended 31st December, 2006 paid	–	–	–	–	–	–	(12,022)	(12,022)
Placement of new shares	5,000	134,000	–	–	–	–	–	139,000
Expenses incurred in relation to the placement of new shares	–	(3,397)	–	–	–	–	–	(3,397)
At 31st December, 2007	59,647	341,243	612,477	179	130,892	4,801	1,211,553	2,360,792

Notes:

(a) The special capital reserve represents the difference arising from the reduction of the nominal value of the Company's share in 1999. Details are set out in note 26.

(b) The property revaluation reserve is frozen upon the transfer and will be transferred to retained profits when the relevant properties are disposed of.

Consolidated Cash Flow Statement

For the Year Ended 31st December, 2007

	2007 *HK$'000*	2006 *HK$'000*
OPERATING ACTIVITIES		
Profit before taxation	**978,225**	132,833
Adjustments for:		
Interest income from bank deposits	**(572)**	(222)
Finance costs	**44,335**	18,733
Share of loss of an associate	**4**	195
Impairment loss recognised in respect of interest in an associate	**123**	–
Decrease (increase) in fair value of investments held for trading	**2,218**	(1,125)
Revaluation surplus/increase in fair value of investment properties	**(922,619)**	(81,170)
Gain on change in value of leasehold interest in land upon transfer to investment properties	**–**	(4,980)
Gain on disposal of property, plant and equipment	**(9,318)**	(170)
Depreciation of property, plant and equipment	**19,103**	16,395
Release of prepaid lease payments for land	**6,279**	6,315
Operating cash flows before movements in working capital	**117,778**	86,804
(Increase) decrease in inventories	**(74)**	127
Increase in properties for sale	**(6,029)**	(332)
(Increase) decrease in trade and other receivables	**(4,539)**	1,768
Deposits paid on acquisition of land	**–**	(19,500)
Increase in other deposits and prepayments	**(540)**	(502)
Decrease in trade balances due from intermediate holding companies	**1**	1,780
Decrease in trade balances due from an associate	**–**	405
Decrease in trade and other payables	**(513)**	(2,246)
Increase in rental and other deposits received	**14,463**	2,919
Cash generated from operations	**120,547**	71,223
Hong Kong Profits Tax paid	**(10,030)**	(3,376)
Income tax elsewhere paid	**(302)**	(1,324)
Interest from bank deposits received	**572**	222
NET CASH FROM OPERATING ACTIVITIES	**110,787**	66,745
INVESTING ACTIVITIES		
Purchase of investment properties	**(526,339)**	–
Prepaid lease payment made	**(405,501)**	–
Expenditure on property under development	**(82,427)**	(119,167)
Acquisition of property, plant and equipment	**(12,934)**	(4,870)
Deposits paid on acquisition of land	**(4,694)**	–
Proceeds from disposal of property, plant and equipment	**9,389**	457
Dividends received from an associate	**427**	–
Decrease in pledged bank deposits	**–**	13
NET CASH USED IN INVESTING ACTIVITIES	**(1,022,079)**	(123,567)

Consolidated Cash Flow Statement *(Continued)*

For the Year Ended 31st December, 2007

	2007	2006
	HK$'000	*HK$'000*
FINANCING ACTIVITIES		
New bank loans raised	**835,300**	96,000
Repayment of bank loans	**(278,571)**	(26,666)
Advances from immediate holding company	**290,018**	13,384
Repayment to an associate	**(2,269)**	–
Proceeds from placement of new shares	**139,000**	–
Interest paid	**(52,229)**	(25,191)
Dividend paid	**(12,022)**	(10,930)
Expenses incurred in relation to the placement of new shares	**(3,397)**	–
NET CASH FROM FINANCING ACTIVITIES	**915,830**	46,597
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**4,538**	(10,225)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**6,493**	16,687
Effect of foreign exchange rate changes	**(66)**	31
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	**10,965**	6,493

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The principal activities of the Group are the investment and operation of hotels, property investment, property development and trading, securities investment and trading, and treasury investment.

The Company's immediate and intermediate holding company are Shun Ho Technology Holdings Limited ("Shun Ho Technology") and Shun Ho Resources Holdings Limited ("Shun Ho Resources"), respectively, both are public limited companies incorporated in Hong Kong whose shares are listed on the Hong Kong Stock Exchange. The directors consider the Company's ultimate holding company to be Trillion Resources Limited, an international business company incorporated in the British Virgin Islands ("the BVI").

The address of the registered office and principal place of business of the Company is 3rd Floor, Shun Ho Tower, 24-30 Ice House Street, Central, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group and the Company have applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's and the Company's financial year beginning on 1st January, 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

The adoption of the new HKFRSs has resulted in the following areas:

– The impact of application of HKFRS 7 "Financial Instruments: Disclosures" has been to expand the disclosures provided in the consolidated financial statements regarding the Group's and the Company's financial instruments, especially on the sensitivity analysis to market risk.

– The impact of application of HKAS 1 (Amendment) "Capital Disclosures" has been to disclose information regarding its objectives, policies and processes for managing capital.

The application of the remaining new HKFRSs has had no material effect on how the results and financial position of the Group and the Company for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

The Group and the Company have not early adopted the following new and revised standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company are in the process of assessing the potential impact and so far concluded that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group and the Company.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[5]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions[3]
HK(IFRIC)-Int 12	Service Concession Arrangements[4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[5]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

1 Effective for annual periods beginning on or after 1st January, 2009
2 Effective for annual periods beginning on or after 1st July, 2009
3 Effective for annual periods beginning on or after 1st March, 2007
4 Effective for annual periods beginning on or after 1st January, 2008
5 Effective for annual periods beginning on or after 1st July, 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of the other new or revised standards, amendment and interpretations will have no material impact on the results and the financial position of the Group and the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The 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, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses have been eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and service provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the operation of hotels is recognised when services are rendered.

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised in the consolidated income statement on a straight-line basis over the terms of the relevant leases.

Revenue from sale of properties in the ordinary course of business is recognised when all of the following criteria are met:

- the significant risks and rewards of ownership of the properties are transferred to buyers, which is upon execution of a binding sales agreement;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dividend income from investments is recognised when the shareholders' right to receive payment is established.

Interest from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Transfer from investment property to property, plant and equipment will be made when there is a change in use, evidenced by commencement of owner occupation. For a transfer from investment property carried at fair value to owner-occupied property, the property's deemed cost for subsequent accounting are determined by reference to its fair value at the date of change in use. Property interests held under operating lease previously classified as an investment property and accounted for as if it were a finance lease shall continue to account for the lease as a finance lease, even if subsequent event changes the nature of the property interest so that it is no longer classified as investment property.

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the supply of services or for administrative purposes are stated at cost or deemed cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

When the leasehold land and buildings are in the course of development for production, leasing or administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of buildings under construction. Property under development, which represents buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Property being constructed or developed for future use as an investment property carried at fair value

Property that is being constructed or developed for future use as an investment property is classified as property under development and carried at cost less recognised impairment loss until construction or development is complete, at which time it is reclassified to and subsequently accounted for as investment property. Any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate, (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Properties held for sale

Completed properties held for sale are carried at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, borrowing costs capitalised and other direct attributable expenses. Net realisable value, representing the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale, is determined by management based on prevailing market conditions.

Inventories

Inventories, representing inventories of food and beverages, are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in the profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in the profit or loss immediately.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheets when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL"), available-for-sale investments and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL comprise financial assets held for trading. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale investments are measured at fair value. Changes in fair value are recognised in equity, until the investment is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition.

Loans and receivables

Loans and receivables (including trade and other receivables, other deposits, trade balances due from intermediate holding companies, amounts due from subsidiaries, pledged bank deposits and bank balances and cash) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past a credit period of 30 to 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and amounts due from subsidiaries, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When such receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including trade and other payables, rental and other deposits received, advance from immediate holding company, amount due to an associate, amounts due to subsidiaries and bank loans) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating lease, included rentals invoiced in advance from properties let under operating leases, is recognised in the consolidated income statement on a straight-line basis over the terms of the relevant leases.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases except for leasehold land included in investment properties held to earn rentals and/or for capital appreciation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to the Group's Mandatory Provident Fund Scheme (the "MPF") and other defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions.

4. REVENUE

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

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Income from operation of hotels	**197,658**	170,228
Property rental income	**32,341**	17,235
Interest income from debt securities	**1,348**	1,268
Dividend income	**80**	40
	231,427	188,771

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is mainly organised into four operations. These operations based on which the Group reports its primary segment information are as follows:

Hospitality services	–	investment in and operation of hotels
Property investment	–	property letting
Property development and trading	–	development and trading of properties
Securities investment and trading	–	investment in and trading of securities

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

Segment information about these businesses is presented below:

REVENUE AND RESULTS
Year ended 31st December, 2007

	Hospitality services *HK$'000*	Property investment *HK$'000*	Property development of trading *HK$'000*	Securities investment and trading *HK$'000*	Consolidated *HK$'000*
REVENUE					
External	197,658	32,341	–	1,428	231,427
SEGMENT RESULTS					
Operations	79,299	30,044	–	(790)	108,553
Revaluation surplus/increase in fair value of investment properties	–	922,619	–	–	922,619
	79,299	952,663	–	(790)	1,031,172
Other income					10,464
Unallocated corporate expenses					(18,949)
Impairment loss recognised in respect of interest in an associate					(123)
Share of loss of an associate					(4)
Finance costs					(44,335)
Profit before taxation					978,225
Income tax expense					(171,387)
Profit for the year					806,838

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

CONSOLIDATED ASSETS AND LIABILITIES
At 31st December, 2007

	Hospitality services *HK$'000*	Property investment *HK$'000*	Property development and trading *HK$'000*	Securities investment and trading *HK$'000*	Consolidated *HK$'000*
ASSETS					
Segment assets	**790,597**	**3,005,206**	**26,249**	**230,255**	**4,052,307**
Unallocated corporate assets					**60,516**
Consolidated total assets					**4,112,823**
LIABILITIES					
Segment liabilities	**14,485**	**37,660**	**4,694**	**56**	**56,895**
Unallocated corporate liabilities					**1,695,136**
Consolidated total liabilities					**1,752,031**

OTHER INFORMATION
Year ended 31st December, 2007

	Hospitality services *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
Capital additions			
– property, plant and equipment	**1,031**	**185**	**1,216**
– investment properties	**–**	**526,339**	**526,339**
– property under development	**–**	**93,651**	**93,651**
Depreciation of properties, plant and equipment and release of prepaid lease payments for land	**22,200**	**120**	**22,320**

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

REVENUE AND RESULTS
Year ended 31st December, 2006

	Hospitality services *HK$'000*	Property investment *HK$'000*	Property development and trading *HK$'000*	Securities investment and trading *HK$'000*	Consolidated *HK$'000*
REVENUE					
External	170,228	17,235	–	1,308	188,771
SEGMENT RESULTS					
Operations	54,986	16,803	2,500	2,433	76,722
Increase in fair value of investment properties	–	81,170	–	–	81,170
	54,986	97,973	2,500	2,433	157,892
Other income					2,753
Gain on change in value of leasehold interest in land upon transfer to investment properties					4,980
Unallocated corporate expenses					(13,864)
Share of loss of an associate					(195)
Finance costs					(18,733)
Profit before taxation					132,833
Income tax expense					(22,377)
Profit for the year					110,456

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

CONSOLIDATED ASSETS AND LIABILITIES
At 31st December, 2006

	Hospitality services *HK$'000*	Property investment *HK$'000*	Property development and trading *HK$'000*	Securities investment and trading *HK$'000*	Consolidated *HK$'000*
ASSETS					
Segment assets	806,067	1,057,652	36,823	103,983	2,004,525
Interests in associates					554
Unallocated corporate assets					25,790
Consolidated total assets					2,030,869
LIABILITIES					
Segment liabilities	12,441	30,500	118	81	43,140
Unallocated corporate liabilities					688,330
Consolidated total liabilities					731,470

OTHER INFORMATION
Year ended 31st December, 2006

	Hospitality services *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
Capital additions			
– property, plant and equipment	3,896	–	3,896
– property under development	–	148,970	148,970
Depreciation of properties, plant and equipment and release of prepaid lease payments for land	22,144	116	22,260

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Geographical segments

The following is an analysis of the Group's turnover by geographical markets:

	2007	2006
	HK$'000	*HK$'000*
Hong Kong	**169,109**	138,936
Macau	**41,968**	32,509
Other regions in the People's Republic of China (the "PRC")	**20,350**	17,326
	231,427	188,771

The following is an analysis of the carrying amounts of assets and additions to property, plant and equipment, investment properties and property under development during the year, analysed by the geographical areas in which the assets are located:

	Carrying amounts of segment assets		Additions to property, plant and equipment, investment properties and property under development	
	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets				
Hong Kong	**3,682,047**	1,638,712	**620,950**	151,379
Macau	**280,902**	276,844	**94**	747
Other regions in the PRC	**89,358**	88,969	**162**	740
	4,052,307	2,004,525	**621,206**	152,866

6. OTHER INCOME

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Gain on disposal of property, plant and equipment	**9,318**	170
Interest on bank deposits	**572**	222
Deposit from sale of properties forfeited	**–**	2,500
Others	**574**	2,361
	10,464	**5,253**

7. FINANCE COSTS

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Interests on:		
Bank loans wholly repayable within five years	**29,531**	12,871
Advance from immediate holding company wholly repayable within five years	**22,698**	12,320
	52,229	25,191
Less: amount capitalised in property under development	**(7,894)**	(6,458)
	44,335	18,733

8. PROFIT BEFORE TAXATION

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Auditors' remuneration	**1,462**	1,680
Staff costs including directors' emoluments	**52,410**	56,874
Depreciation of property, plant and equipment	**19,103**	16,395
Release of prepaid lease payments for land	**9,609**	8,086
Less: amount capitalised and included in property under development	**(3,330)**	(1,771)
	6,279	6,315
Operating lease rental in respect of rented premises and equipment	**1,371**	1,242
Rental income in respect of investment properties under operating leases, less outgoings of HK$2,297,000 (2006: HK$432,000)	**(30,044)**	(16,803)

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to the Company's directors are as follows:

	Year ended 31st December, 2007				
	Directors' fees	**Basic salaries, allowances and benefits-in-kind**	**Performance related bonus**	**Contributions to provident fund schemes**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Mr. William Cheng Kai Man	**–**	**2,592**	**591**	**12**	**3,195**
Mr. Albert Hui Wing Ho	**–**	**875**	**271**	**12**	**1,158**
Mr. Fung Chi Keung (resigned on 19th March, 2007)	**–**	**123**	**43**	**3**	**169**
Mr. David Cheng Kai Ho	**–**	**–**	**–**	**–**	**–**
Madam Mabel Lui Fung Mei Yee	**17**	**–**	**–**	**–**	**17**
Mr. Vincent Kwok Chi Sun	**38**	**–**	**–**	**–**	**38**
Mr. Chan Kim Fai	**33**	**–**	**–**	**–**	**33**
Mr. Hui Kin Hing	**33**	**–**	**–**	**–**	**33**
	121	**3,590**	**905**	**27**	**4,643**

	Year ended 31st December, 2006				
	Directors' fees	Basic salaries, allowances and benefits-in-kind	Performance related bonus	Contributions to provident fund schemes	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. William Cheng Kai Man	–	2,736	493	12	3,241
Mr. Albert Hui Wing Ho	–	796	70	12	878
Mr. Fung Chi Keung	–	476	43	12	531
Mr. David Cheng Kai Ho	–	–	–	–	–
Madam Mabel Lui Fung Mei Yee	17	–	–	–	17
Mr. Vincent Kwok Chi Sun	33	–	–	–	33
Mr. Chan Kim Fai	33	–	–	–	33
Mr. Hui Kin Hing	33	–	–	–	33
	116	4,008	606	36	4,766

No directors waived any emoluments in the year ended 31st December, 2007 and 2006.

The performance related bonus payable to the executive directors is determined based on the performance of the individual directors.

During the year ended 31st December, 2007 and 2006, no emolument was paid to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Employees' emoluments

Of the five individuals in the Group with the highest emoluments, two (2006: three) were directors of the Company whose emoluments are included above. The emoluments of the remaining three individuals (2006: two individuals), whose emoluments are individually below HK$1,000,000, are as follows:

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Salaries and other benefits	**1,835**	841
Contributions to provident fund scheme	**36**	24
Performance related incentive payments	**418**	209
	2,289	1,074

10. INCOME TAX EXPENSE

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
The taxation charge comprises:		
Current tax		
Hong Kong	**8,211**	6,269
PRC	**61**	–
Other jurisdiction	**1,457**	–
	9,729	6,269
Under(over)provision in prior years		
Hong Kong	**609**	(46)
Other jurisdiction	**–**	1,324
	609	1,278
Deferred tax *(note 27)*		
Current year	**161,576**	14,830
Attributable to a change in tax rate	**(527)**	–
	161,049	14,830
	171,387	22,377

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profit for the year. Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

10. INCOME TAX EXPENSE *(Continued)*

On 16th March, 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6th December, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 33% to 25% for certain subsidiary from 1st January, 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

The taxation charge for the year can be reconciled to the profit before taxation as follows:

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Profit before taxation	**978,225**	132,833
Tax at the domestic income tax rate of 17.5% (2006: 17.5%)	**171,189**	23,246
Tax effect of share of results of an associate	**1**	34
Tax effect of expenses not deductible for tax purpose	**388**	84
Tax effect of income not taxable for tax purpose	**(1,831)**	(437)
Underprovision in prior years	**609**	1,278
Tax effect of tax losses not recognised	**3,754**	354
Utilisation of tax losses previously not recognised	**(1,067)**	(3,970)
Effect of different tax rates of subsidiaries operating in other jurisdiction	**(258)**	–
Reversal of tax effect on tax losses previously recognised	**–**	1,727
Decrease in opening deferred tax liability resulting from a decrease in applicable tax rate	**(527)**	–
Others	**(871)**	61
Taxation charge	**171,387**	22,377

11. DIVIDEND

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Dividend recognised as distribution during the year:		
Final dividend in respect of the year ended 31st December, 2006 of HK0.22 cents (2006: Final dividend in respect of the year ended 31st December, 2005 of HK0.2 cents) per share	**12,022**	10,930

The final dividend in respect of the year ended 31st December, 2007 of HK0.24 cents per share has been proposed by the directors and is subject to approval by the shareholders in the forth coming annual general meeting.

12. EARNINGS PER SHARE

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

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Results for the year and results for the purpose of calculating basic earnings per share	**806,838**	110,456
	Number of shares	
	'000	*'000*
Weighted average of ordinary shares for the purpose of calculating basic earnings per share	**5,729,084**	5,464,701

Diluted earnings per share for the years are not shown as there were no potential dilutive ordinary shares subsist during both of the years presented.

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Hotel buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles and vessels HK$'000	Total HK$'000
THE GROUP					
COST					
At 1st January, 2006	–	392,541	42,061	18,691	453,293
Exchange adjustments	–	3,698	275	7	3,980
Additions	–	–	3,498	1,372	4,870
Transferred from investment properties *(note a)*	17,040	–	–	–	17,040
Transferred to investment properties *(note b)*	–	(1,660)	–	–	(1,660)
Disposals	–	–	–	(712)	(712)
At 31st December, 2006	17,040	394,579	45,834	19,358	476,811
Exchange adjustments	–	3,802	93	–	3,895
Additions	–	–	1,648	11,286	12,934
Transferred from investment properties *(note a)*	21,670	–	–	–	21,670
Disposals	–	–	(51)	(13,307)	(13,358)
At 31st December, 2007	**38,710**	**398,381**	**47,524**	**17,337**	**501,952**
DEPRECIATION					
At 1st January, 2006	–	34,115	15,689	16,300	66,104
Exchange adjustments	–	429	30	5	464
Provided for the year	235	8,456	7,073	631	16,395
Eliminated on transfer	–	(507)	–	–	(507)
Eliminated on disposals	–	–	–	(425)	(425)
At 31st December, 2006	235	42,493	22,792	16,511	82,031
Exchange adjustments	–	211	46	1	258
Provided for the year	732	8,445	7,258	2,668	19,103
Eliminated on disposals	–	–	(48)	(13,239)	(13,287)
At 31st December, 2007	**967**	**51,149**	**30,048**	**5,941**	**88,105**
CARRYING AMOUNTS					
At 31st December, 2007	**37,743**	**347,232**	**17,476**	**11,396**	**413,847**
At 31st December, 2006	16,805	352,086	23,042	2,847	394,780

Notes:

(a) Following the change in use of certain investment properties of the Group during the year and in prior year, such properties with a carrying amount of HK$21,670,000 (2006: HK$17,040,000), being the fair value of the properties at the date of reclassification, have been reclassified to property, plant and equipment.

(b) In prior year, certain shopping area of hotel property, comprising building and leasehold interest in land with an aggregate fair value of HK$10,200,000 was reclassified from property, plant and equipment and prepaid lease payments for land, respectively, to investment properties. The fair value of such building and prepaid lease payments for land respectively at the date of reclassification was determined by reference to a valuation carried out by Dudley Surveyors Limited, independent qualified professional valuers not connected with the Group. The difference between the aggregate fair value of such building and prepaid lease payments for land and their aggregate carrying value amounted to HK$5,197,000. Of which, an amount of HK$4,980,000 attributable to the prepaid lease payments for land was credited to the consolidated income statement and the remaining balance of HK$217,000 attributable to the building was dealt with in property revaluation reserve.

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Notes: (Continued)

(c) Land and buildings are situated on land in Hong Kong on long lease.

(d) An analysis of the carrying amounts of the Group's hotel buildings, which are situated on leasehold land, is set out below:

	2007	2006
	HK$'000	*HK$'000*
In Hong Kong		
On long lease	**135,713**	138,652
Under medium-term lease	**45,553**	47,093
In Macau under medium-term lease	**111,273**	113,922
In the PRC under medium-term lease	**54,693**	52,419
	347,232	352,086

	Furniture, fixtures and equipment	**Motor vehicles and vessels**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
THE COMPANY			
COST			
At 1st January, 2006	120	2,918	3,038
Additions	259	715	974
Disposals	–	(345)	(345)
At 31st December, 2006	379	3,288	3,667
Additions	255	–	255
At 31st December, 2007	**634**	**3,288**	**3,922**
DEPRECIATION			
At 1st January, 2006	98	2,625	2,723
Provided for the year	60	125	185
Eliminated on disposals	–	(345)	(345)
At 31st December, 2006	158	2,405	2,563
Provided for the year	97	196	293
At 31st December, 2007	**255**	**2,601**	**2,856**
CARRYING AMOUNTS			
At 31st December, 2007	**379**	**687**	**1,066**
At 31st December, 2006	221	883	1,104

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Hotel buildings and Land and buildings	50 years or over the remaining term of land lease, whichever is the shorter
Furniture, fixtures and equipment	20%-33%
Motor vehicles and vessels	20%

14. PREPAID LEASE PAYMENTS FOR LAND

The prepaid lease payments comprise:

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Land in Hong Kong on		
Long lease	**409,886**	401,888
Medium-term lease	**364,837**	141,718
	774,723	543,606
Land in Macau on medium-term lease	**28,987**	29,677
Land in the PRC on medium-term lease	**30,417**	31,254
	834,127	604,537
Analysed for reporting purposes as:		
Non-current asset	**821,904**	596,487
Current asset	**12,223**	8,050
	834,127	604,537

15. INVESTMENT PROPERTIES

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
FAIR VALUE		
At the beginning of the year	**634,330**	560,000
Additions	**526,339**	–
Reclassified to property, plant and equipment *(note 13(a))*	**(21,670)**	(17,040)
Reclassified from hotel buildings and prepaid lease payments *(note 13(b))*	**–**	10,200
Reclassified from properties under development *(note 16)*	**288,830**	–
Reclassified from prepaid lease payments	**185,802**	–
Revaluation surplus upon completion of the development	**784,842**	–
Increase in fair value recognised in consolidated income statement	**137,777**	81,170
At the end of the year	**2,536,250**	634,330

An analysis of the Group's investment properties is as follows:

	2007	2006
	HK$'000	*HK$'000*
Land and buildings in Hong Kong on land held:		
On long leases	**1,646,350**	381,330
Under medium-term leases	**757,600**	127,000
Land and buildings in Macau held under medium-term leases	**132,300**	126,000
	2,536,250	634,330

15. INVESTMENT PROPERTIES *(Continued)*

During the year, development cost totalling HK$288,830,000 and prepaid lease payments for land of HK$185,802,000 were transferred from the balances of property under development and prepaid lease payments for land, respectively, to investment properties upon the completion of the development of certain investment properties. The fair value of such investment properties at the date of transfer was determined by reference to a valuation carried out by Century 21 Surveyors Limited. The valuation, which conforms to The Hong Kong Institute of Valuers ("HKIS") Valuation Standards on Properties (First Edition 2005), published by the Hong Kong Institute of Surveyors, was arrived at by reference to market evidence of transaction prices for similar properties. The difference (revaluation surplus) between the fair value of such investment properties and its aggregate costs upon completion of the development amounted to HK$784,842,000 has been recognised in the consolidated income statement.

The fair value of the Group's investment properties at 31st December, 2007 has been arrived at on the basis of a valuation carried out on that date by Dudley Surveyors Limited, an independent qualified professional valuers not connected with the Group, who have appropriate qualifications and recent experience in the valuation of similar properties in the relevant location. The valuation report on these properties is signed by a director of Dudley Surveyors Limited who is a member of HKIS, and the valuation, which is prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by HKIS, was arrived at by adopting the direct comparison approach making reference to the recent transactions of similar properties under the prevailing property market conditions.

All of the Group's leasehold interests in land held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The investment properties of the Group with an aggregate carrying amount of approximately HK$2,530 million (2006: HK$613 million) were rented out under operating leases at the balance sheet date.

16. PROPERTY UNDER DEVELOPMENT

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
At cost		
At the beginning of the year	**234,897**	85,927
Additions	**93,651**	148,970
Transferred to investment properties *(note 15)*	**(288,830)**	–
At the end of the year	**39,718**	234,897

The Group's property under development is situated in Hong Kong on long leases.

Included in the carrying amount of the property under development at the end of the year are interest expenses of HK$4,828,000 (2006: HK$12,083,000) capitalised.

17. INVESTMENTS IN/AMOUNTS DUE FROM SUBSIDIARIES

	THE COMPANY	
	2007	2006
	HK$'000	*HK$'000*
INVESTMENTS IN SUBSIDIARIES		
Unlisted shares, at cost, including deemed capital contribution in subsidiaries, less impairment losses recognised	**233,434**	191,151
AMOUNTS DUE FROM SUBSIDIARIES LESS ALLOWANCE RECOGNISED		
Amounts due from subsidiaries	**1,541,430**	1,280,380
Less: Impairment loss recognised	**(25,675)**	(25,675)
	1,515,755	1,254,705

The amounts due from subsidiaries are unsecured with no fixed repayment terms. In the opinion of the directors, the amounts will not be repayable within next twelve months from the balance sheet date, accordingly classified as non-current. Such amounts to the extent of HK$476 million (2006: HK$663 million) carry interests chargeable at Hong Kong Interbank Offered Rate ("HIBOR") plus 1% with the remaining balance interest free. The interest-free amount is measured at amortised cost using the effective interest method, less any identified impairment losses. The carrying amounts of these amounts due from subsidiaries at 31st December 2007 are reduced by HK$42.3 million (2006: HK$29.5 million), with a corresponding increase in investments in subsidiaries as deemed contribution by the Company to these subsidiaries. The effective interest rate on the amounts due from subsidiaries in respect of the year is 5.3% (2006: 5.2%) per annum.

Particulars regarding the principal subsidiaries at 31st December, 2007 and 2006 are set out in note 33.

18. INTEREST IN AN ASSOCIATE

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Cost of investment, unlisted	**123**	123
Impairment loss recognised	**(123)**	–
Share of post-acquisition profits/losses, net of dividend received	**–**	431
	–	554

The unlisted investment at 31st December, 2007 represents the Group's 50% equity interest in Lucky Country Development Limited, a company incorporated and operating in Hong Kong which was inactive during the year.

The Group has recognised an impairment loss of HK$123,000 in the current year as the directors expect that the associate will be liquidated within 12 months from the balance sheet date and the cost of investment in the associate will not be recoverable in the future.

19. AVAILABLE-FOR-SALE INVESTMENTS/INVESTMENTS HELD FOR TRADING

	THE GROUP			
	Available-for-sale investments Non-current		**Investments held for trading Current**	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Listed securities at fair value *(note a)*				
Equity securities listed in Hong Kong	**207,991**	79,510	**7**	9
Debt securities listed outside Hong Kong	**–**	–	**20,691**	22,907
Unlisted equity investments *(note b)*	**780**	780	**–**	–
	208,771	80,290	**20,698**	22,916

	THE COMPANY Available-for-sale investments	
	2007	2006
	HK$'000	*HK$'000*
Non-current		
Unlisted equity investments *(note b)*	**780**	780

Notes:

(a) The fair value of listed securities is determined by reference to quoted market bid price.

The Group's non-current equity securities listed in Hong Kong include approximately 15.07% (2006: 15.07%) interest in Shun Ho Technology (amounted to approximately HK$103 million) and approximately 20.57% (2006: 20.57%) interest in Shun Ho Resources (amounted to approximately HK$105 million), both are public companies incorporated and listed in Hong Kong. The principal activities of Shun Ho Technology and Shun Ho Resources and their respective subsidiaries are investment and operation of hotels, property investment, property development and trading, securities investment and trading, and treasury investment.

The Company is a subsidiary of Shun Ho Technology and Shun Ho Resources. Under the Hong Kong Companies Ordinance, members of the Group who are shareholders of Shun Ho Technology and Shun Ho Resources have no right to vote at meetings of these companies. The directors are of the opinion that the Group is not in a position to exercise significant influence over Shun Ho Resources, accordingly, the results of Shun Ho Resources have not been accounted for on an equity basis.

(b) The unlisted equity investments are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably.

20. TRADE AND OTHER RECEIVABLES/TRADE BALANCES DUE FROM INTERMEDIATE HOLDING COMPANIES

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 other customers. The following is an aged analysis of the Group's trade receivables at the balance sheet date:

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
0-30 days	**11,670**	9,132
31-60 days	**2,304**	1,676
Over 60 days	**1,300**	436
	15,274	11,244
Analysed for reporting as:		
Trade receivables	**15,242**	11,211
Trade balances due from intermediate holding companies *(note 32(b))*	**32**	33
	15,274	11,244
Other receivables	**1,640**	1,132
	16,914	12,376

Before accepting any new customer, the Group has assessed its credit quality and defined credit limits. The limits attributed to customers are reviewed every year. 76% (2006: 81%) of the trade receivables that are neither past due nor impaired, and no impairment has been made to trade receivable, as the directors believe the amounts are with good credit quality.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$3,604,000 (2006: HK$2,112,000) which are past due at the reporting date for which the Group has not provided for impairment loss, taking into account the past default experience. The Group does not hold any collateral over these balances.

<u>Aging of trade receivables which are past due but not impaired</u>

	2007	2006
	HK$'000	*HK$'000*
31-60 days	**2,304**	1,676
Over 60 days	**1,300**	436
Total	**3,604**	2,112

21. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries are unsecured, interest free and repayable on demand.

22. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The pledged bank deposits carry at the prevailing market interest rate at the rate of 1% to 2.2% (2006: 3%) per annum and represent deposits pledged to a bank to secure short-term banking facilities granted to the Group.

Bank balances carry interest at prevailing market interest rates ranging from 1.5% to 3% (2006: 2% to 3%) per annum.

23. TRADE AND OTHER PAYABLES

The following is an aged analysis of the Group's trade payables at the balance sheet date:

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
0-30 days	**9,307**	4,150
31-60 days	**986**	745
Over 60 days	**3,536**	1,704
	13,829	6,599

	2007	2006
	HK$'000	*HK$'000*
Trade payables	**13,829**	6,599
Other payables	**26,684**	34,427
	40,513	41,026

The average credit period on purchase of goods is 30 days. The Group has financial risk management policies in place to ensure that all payables within credit timeframe.

24. BANK LOANS

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Secured		
Bank loans due within one year shown under current liabilities	**873,550**	315,743

All the Group's bank loans are variable-rate borrowings which carry interests at HIBOR plus 0.65% to 1.5% in respect of both of the years presented. The bank loans are secured over certain of the Group's properties and are repayable within one year from the balance sheet date. Interest rates on the Group's bank loans are adjusted according to the HIBOR monthly. Effective interest rate is 5.0% (2006: 4.58%).

At the balance sheet date, the undrawn bank loan facilities of the Group amounted to an aggregate of approximately HK$1,386 million (2006: HK$636 million).

25. SHARE CAPITAL

	2007		2006	
	Number of shares	**Nominal value**	Number of shares	Nominal value
	'000	***HK$'000***	*'000*	*HK$'000*
Ordinary shares of HK$0.01 each				
Authorised:				
At the beginning and the end of the year	**80,000,000**	**800,000**	80,000,000	800,000
Issued and fully paid:				
At the beginning of the year	**5,464,701**	**54,647**	5,464,701	54,647
Issue of new shares pursuant to a subscription agreement *(note)*	**500,000**	**5,000**	–	–
At the end of the year	**5,964,701**	**59,647**	5,464,701	54,647

Note: Pursuant to a subscription agreement dated 30th April, 2007 entered into between the Company and the subscriber, 500,000,000 new ordinary shares of HK$0.01 each of the Company were issued at a price of HK$0.278 per new ordinary share. The transactions were completed on 21st June, 2007. The new ordinary shares rank pari passu with the existing shares in all aspect.

26. SHARE PREMIUM AND RESERVES

	Share premium	**Special capital reserve**	**Retained profits**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
THE COMPANY				
At 1st January, 2006	210,640	612,477	119,402	942,519
Profit for the year	–	–	207,821	207,821
Final dividend for the year ended 31st December, 2005 paid	–	–	(10,930)	(10,930)
At 31st December, 2006	210,640	612,477	316,293	1,139,410
Profit for the year	–	–	42,202	42,202
Final dividend for the year ended 31st December, 2006 paid	–	–	(12,022)	(12,022)
Placement of new shares	134,000	–	–	134,000
Expenses incurred in relation to the placement of new shares	(3,397)	–	–	(3,397)
At 31st December, 2007	**341,243**	**612,477**	**346,473**	**1,300,193**

When sanctioning the reduction in the nominal value of the Company's shares in 1999, the High Court of the Hong Kong Special Administrative Region stipulated that the credit arising on the reduction be transferred to a special capital reserve, and that the reserve, which may be reduced by any increase in the issued share capital and share premium of the Company resulting from an issue of shares for cash or other new consideration or upon a capitalisation of distributable reserves, is not regarded as realised profit and distributable until all of the liabilities of the Company as at 22nd September, 1999, the date on which the reduction of share capital took effect, are settled. The liabilities of the Company at that date have not yet been fully settled at 31st December, 2007, accordingly the special capital reserve was not considered distributable.

27. DEFERRED TAX LIABILITIES

The following are the deferred tax liabilities recognised and movements thereon during the current and prior reporting periods.

THE GROUP

	Business combination	Revaluation of properties	Accelerated tax depreciation	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2006	93,667	6,693	7,431	(2,653)	105,138
(Credit) charge to consolidated income statement	(952)	15,430	(1,537)	1,889	14,830
Charge to equity for the year	–	38	–	–	38
At 31st December, 2006	92,715	22,161	5,894	(764)	120,006
(Credit) charge to consolidated income statement	(952)	161,458	7,817	(6,747)	161,576
Effect of change in tax rate	–	–	(527)	–	(527)
At 31st December, 2007	**91,763**	**183,619**	**13,184**	**(7,511)**	**281,055**

At the balance sheet date, the Group had unused tax losses of HK$62,048,000 (2006: HK$38,025,000) available to offset against future profits. A deferred tax asset has been recognised in respect of such losses to the extent of HK$42,920,000 (2006: HK$3,542,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK$19,128,000 (2006: HK$34,483,000) due to the unpredictability of future profit streams. All the unrecognised tax losses may be carried forward indefinitely.

In prior year, the unused tax losses brought forward of the Group of HK$21,736,000, which represented the depreciation allowances and deducible expenses claimed, was not agreed by the tax authorities as available for off-setting future assessable profits. Out of such losses, an amount of HK$13,144,000 had been recognised as deferred tax asset in prior years. Accordingly, a deferred tax asset previously recognised on such losses amounted to HK$1,727,000 was reversed during prior year.

THE COMPANY

At the balance sheet date, the Company has recognised deferred tax liabilities amounting to HK$160,000 (2006: HK$160,000) in respect of the temporary differences arising from the accelerated tax depreciation.

28. PROJECT COMMITMENTS

At the balance sheet date, the Group had outstanding commitments contracted for but not provided in the consolidated financial statements in respect of the following:

		2007	2006
		HK\$'000	*HK\$'000*
(a)	Property development expenditure	**16,537**	50,761
(b)	Acquisition of land for development	**89,186**	175,500
(c)	Expenditures for hotel improvements	**–**	132

The Company had no material commitments at the balance sheet date.

29. OPERATING LEASE COMMITMENTS

The Group as lessor

Rental income from investment properties earned during the year amounted to HK\$32,341,000 (2006: HK\$17,235,000). The properties under leases have committed tenants for one to nine years from the balance sheet date without termination options granted to tenants.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases:

	2007	2006
	HK\$'000	*HK\$'000*
Within one year	**43,280**	16,791
More than one year but not more than five years	**52,740**	20,429
Over five years	**3,116**	12,597
	99,136	49,817

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2007	2006
	HK\$'000	*HK\$'000*
Within one year	**102**	1,117
More than one year but not more than five years	**7**	–
	109	1,117

Other than as disclosed above, the Group and the Company had no material lease commitments outstanding at the balance sheet date.

30. CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

At the balance sheet date, the bank loan facilities of subsidiaries were secured by the following:

(a) Pledge of assets

(i) leasehold interests in land, investment properties, property under development and property, plant and equipment of the Group with carrying amount of HK$775 million (2006: HK$563 million), HK$2,047 million (2006: 141 million) and HK$40 million (2006: HK$235 million), and HK$185 million (2006: HK$191 million) respectively;

(ii) pledge of shares in and subordination of loans due from subsidiaries with an aggregate carrying amount of approximately HK$345 million (2006: HK$271 million);

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

(iv) pledge of the listed securities held by the Group with an aggregate market value of approximately HK$21 million (2006: HK$23 million) and the bank deposit with a carrying amount of HK$110,000 (2006: HK$110,000) held by subsidiaries. The pledged listed security represents the debt securities listed outside Hong Kong held by a subsidiary of the Company. Details are set out in note 19.

(b) Contingent liabilities

Guarantees issued by the Company amounted to approximately HK$1,260 million (2006: HK$952 million); which were utilised to the extent of approximately HK874 million (2006: HK$316 million), of which HK$1,953,000 (2006: HK$4,575,000) was recognised in the Company's balance sheet as financial guarantee contracts included in other payables.

31. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in funds under the control of trustees. The Group contributes 5% of relevant payroll costs (limited to HK$12,000 per annum of each individual employee) to the scheme, which contribution is matched by employees.

The employees of the Company's subsidiary in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiary is required to contribute certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefit scheme is to make the specified contributions.

The contributions paid and payable to the schemes by the Group in respect of the year which were charged to the consolidated income statement amounted to HK$1,747,000 (2006: HK$1,589,000). The forfeited contributions under the Group's defined contribution retirement scheme which is immaterial.

32. RELATED PARTY TRANSACTIONS

Other than those disclosed in respective notes to the consolidated financial statements, the Group and the Company had the following transactions and balances with related parties during the year:

	2007	2006
	HK$'000	*HK$'000*
THE GROUP		
Shun Ho Technology Holdings Limited and its subsidiaries *(note i)*		
Rental expenses	**1,040**	1,040
Interest expenses on advance from immediate holding company *(note a)*	**22,698**	12,320
Corporate management fees for administrative facilities received	**1,608**	1,337
Advance from immediate holding company *(note a)*	**530,871**	240,853
Trade balance due from the immediate holding company at the end of the year *(note b)*	**3**	–
Shun Ho Resources Holdings Limited and its subsidiaries *(note ii)*		
Corporate management fees for administrative facilities provided received	**125**	150
Trade balance due from an intermediate holding company at the end of the year *(note b)*	**29**	33
Amount due to an associate at the end of the year *(note c)*	**–**	2,269
Compensation of key management personnel *(note d)*	**4,643**	4,766
THE COMPANY		
Advance from immediate holding company at the end of the year *(note a)*	**376,642**	240,853
Trade balance due from the immediate holding company at the end of the year *(note b)*	**3**	–
Trade balance due from an intermediate holding company at the end of the year *(note b)*	**29**	33

Note i: excluding Magnificent Estates Limited and its subsidiaries.

Note ii: excluding Shun Ho Technology Holdings Limited and its subsidiaries.

Notes:

(a) The advance from immediate holding company is unsecured, carries interest at HIBOR plus 1% and is repayable on demand. The effective interest rate is 5.3% (2006: 5.2%) per annum.

(b) The amounts are unsecured, interest free and the directors expect that the amounts will be recoverable within 12 months from the balance sheet date.

(c) The amount due to an associate is unsecured, interest free and repayable on demand.

32. RELATED PARTY TRANSACTIONS *(Continued)*

(d) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2007	2006
	HK$'000	*HK$'000*
Short-term benefits	**4,616**	4,730
Post-employment benefits	**27**	36
	4,643	4,766

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES

All the principal subsidiaries are incorporated and operating principally in Hong Kong except otherwise indicated. None of the subsidiaries had any debt securities outstanding at 31st December, 2007 or at any time during the year.

	Paid up issued ordinary share/ registered capital		**Proportion of nominal value of issued ordinary share/ registered capital held by**				
			2007		2006		
Name of subsidiary	**Number of shares**	**Par value**	**Company %**	**Subsidiaries %**	Company %	Subsidiaries %	**Principal activities**
Babenna Limited	2	HK$10	**100**	**–**	100	–	Investment holding
Beautiful Sky Investment Limited	2	HK$1	**100**	**–**	100	–	Property development
City Wealth Limited	2	HK$1	**–**	**100**	–	100	Property investment
Claymont Services Limited *(i)*	1	US$1	**100**	**–**	100	–	Investment holding
Grand-Invest & Development Company Limited *(ii)*	100,000	MOP1	**–**	**100**	–	100	Hotel investment and operation
Harbour Rich Industrial Limited	10,000	HK$1	**–**	**100**	–	100	Property development
Himson Enterprises Limited	2	HK$1	**100**	**–**	–	100	Property investment
Himson Enterprises Limited *(i)*	1	US$1	**–**	**100**	–	100	Investment holding
Hotel Taipa Limited	2	HK$10	**–**	**100**	100	–	Property development
Houston Venture Limited	2	HK$1	**100**	**–**	100	–	Property investment
Houston Venture Limited *(i)*	1	US$1	**100**	**–**	100	–	Investment holding
Joes River Limited	2	HK$1	**100**	**–**	100	–	Property investment
Longham Investment Limited	2	HK$1	**100**	**–**	100	–	Investment holding
Longham Investment Limited *(i)*	1	US$1	**–**	**100**	–	100	Investment holding
Magnificent International Hotel Limited	2	HK$1	**100**	**–**	100	–	Hotel investment and operation
Mercury Fast Limited	2	HK$1	**100**	**–**	100	–	Securities dealings and investment holding

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

	Paid up issued ordinary share/ registered capital		Proportion of nominal value of issued ordinary share/ registered capital held by				
			2007		2006		
Name of subsidiary	Number of shares	Par value	Company %	Subsidiaries %	Company %	Subsidiaries %	Principal activities
New Champion Developments Limited *(i)*	1	US$1	**–**	**100**	–	100	Vessel leasing
Shanghai Shun Ho (Lands Development) Limited *(i)*	1	US$1	**100**	**–**	100	–	Investment holding
Shanghai Shun Ho Property Development Co., Ltd. *(iii)*	Registered capital	US$4,950,000	**–**	**100**	–	100	Hotel investment and hotel operation
Shun Ho Capital Properties Limited *(i)*	1	US$1	**100**	**–**	100	–	Investment holding
Shun Ho Construction Holdings Limited	2	HK$10	**100**	**–**	100	–	Investment holding
Shun Ho Real Estate Limited	2	HK$1	**100**	**–**	100	–	Property development
Silver Courage Company Limited	2	HK$10	**100**	**–**	100	–	Property investment
Tennyland Limited	2	HK$10	**–**	**100**	–	100	Property investment
Trans-Profit Limited	1,000,000	HK$1	**–**	**100**	–	100	Property investment
United Assets Company Limited	2,000,000	HK$1	**–**	**100**	–	100	Hotel investment and
					–		investment holding

(i) Incorporated in the British Virgin Islands
(ii) Incorporated and operating in Macau.
(iii) Sino foreign co-operative joint venture established and operating principally in the PRC

The directors are of the opinion that a complete list of the subsidiaries of the Company will be of excessive length and therefore the above list contains only the particulars of subsidiaries which principally affects the results or assets of the Group.

34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt, which includes the advance from immediate holding company disclosed in note 32(a), bank loans disclosed in note 24, (net of bank balances and cash), and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained profits as disclosed in consolidated statement of changes in equity.

The management of the Group reviews the capital structure periodically. As a part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Currently, the management use short term funding to finance its acquisition of investment properties, expenditure on prepaid lease payments and properties under development to minimise the finance costs. The Group will balance its overall capital structure through the payment of dividends, as well as the issue of new debt or the redemption of existing debt.

There are no significant changes on the Group's approach to capital management during the year.

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**29,500**	21,923
Investments held for trading	**20,698**	22,916
Available-for-sale investments	**208,771**	80,290
	258,969	125,129
Financial liabilities		
Amortised cost	**1,439,243**	594,171

	THE COMPANY	
	2007	2006
	HK$'000	*HK$'000*
Financial assets		
Available-for-sale investments	**780**	780
Loans and receivables (including cash and cash equivalents)	**1,516,808**	1,256,194
	1,517,588	1,256,974
Financial liabilities		
Amortised cost	**379,371**	243,924

(b) Financial risk management objectives and policies

The management of the Group and the Company manages the financial risk relating to the operations through the monitoring procedures. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group and the Company do not enter into derivative financial instruments, for hedging or speculative purpose.

There has been no significant change to the Group's and the Company's exposure to market risks or the manner in which it manages and measures.

35. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(i) Foreign currency risk management

Certain subsidiaries of the Company have investments held for trading denominated in United States dollars, which is other than the functional currency of the relevant group entity (i.e. Hong Kong dollars), which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amount of the Group's foreign currency denominated monetary assets at the reporting date is as follows:

	THE GROUP	
	Assets	
	2007	2006
	HK$'000	*HK$'000*
United States dollars	**20,691**	22,907

Foreign currency sensitivity

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the group entities' exposure to currency risk for non-derivative financial instruments in existence at that date, and that all other variables remain constant. The stated changes represent the management's assessment of reasonably possible changes in foreign exchange rates. Results of the analysis as presented below represent an aggregation of the effects on each of the group entities' profit or loss measured in the respective functional currencies. The analysis is preformed on the same basis for 2006.

35. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(i) Foreign currency risk management (Continued)

Foreign currency sensitivity *(Continued)*

The following table indicates the approximate change in the Group's profit or loss in response to reasonably possible changes in the foreign exchange rates to which the Group have significant exposure at the balance sheet date.

THE GROUP

	2007		2006	
	Strength (weaken) in currency against relevant functional currency	**Effect on profit or (loss)** *HK$'000*	Strength (weaken) in currency against relevant functional currency	Effect on profit or (loss) *HK$'000*
United States dollars	**1%**	**171**	1%	189
	(1%)	**(171)**	(1%)	(189)
Hong Kong dollars *(note)*	**5%**	**(674)**	5%	(812)
	(5%)	**674**	(5%)	812

Note: This is mainly attributable to the exposure on Hong Kong dollars denominated outstanding amount due to immediate holding company in the subsidiary with the functional currency in Renminbi. This inter-company balance is eliminated in consolidation level.

In management's opinion, the sensitivity analysis is unrepresentative of the foreign exchange risk inherent in the financial assets and financial liabilities as the year end exposure does not reflect the exposure during the year.

THE COMPANY

The carrying amounts of the Company's monetary assets and monetary liabilities are denominated in the Company's functional currency. In management's opinion, the Company does not have significant foreign currency exposure at the balance sheet date.

(ii) Interest rate risk management

The Group and the Company have exposures to cash flow interest rate risk as its amounts due from subsidiaries, pledged bank deposits, bank balances, and advance from immediate holding company and bank loans are subject to floating interest rate. All bank loans bear interests on floating rates and matured within one year. The Group and the Company currently do not have any interest rate hedging policy. However, from time to time, if interest rate fluctuates significantly, appropriate measures would be taken to manage interest rate exposure. The Group's interest rate risk is mainly concentrated on the fluctuation of HIBOR on advance from immediate holding company and bank loans.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

35. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(ii) Interest rate risk management (Continued)

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments including pledged bank deposits, bank balances, advance from immediate holding company and bank loans at the balance sheet date. For variable-rate financial instruments, the analysis is prepared assuming the amount of financial instruments outstanding at the balance sheet date is outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rate.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's and the Company's profit for the year ended 31st December, 2007 would decrease/increase by HK$5,748,000 (2006: HK$2,269,000) and increase/decrease by HK$410,000 (2006: HK$1,744,000) respectively. This is mainly attributable to the Group's exposure to interest rates on its variable rate financial instruments.

(iii) Other price risks

The Group is exposed to price risks arising from available-for-sale investments and investments held for trading.

Other price sensitivity

The sensitivity analyses below have been determined based on the exposure to price risks at the reporting date. If the market price of the available-for-sale investments (excluding the available-for-sale investments carried at cost less impairment) and investments held for trading had been 10% higher/lower while all other variables were held constant:

- profit for the year ended 31st December, 2007 would increase/decrease by HK$1,708,000 (2006: HK$1,891,000) for the Group. This is mainly due to changes in fair value of investments held for trading; and

- securities revaluation reserve would increase/decrease by HK$20,800,000 (2006: by HK$7,951,000) for the Group, principally as a result of the changes in fair value of available-for-sale shares.

The Company does not have significant other price risk exposure at the balance sheet date.

35. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(iv) Credit risk management

The Group's and the Company's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31st December, 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet and the Company's balance sheet, respectively. For the Company's maximum exposure to credit risk, exposure also arising from the amount of contingent liabilities as detailed in note 30(b).

The Group's and the Company's credit risk is primarily attributable to trade receivables, other receivables and amounts due from subsidiaries. In order to minimise the credit risk, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group and the Company reviews the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's and the Company's credit risk is significantly reduced.

The credit risk on pledged bank deposits and bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies or state-owned banks in the PRC.

The Group has no significant concentration of credit risk for trade receivables, with exposure spread over a number of counterparties and customers.

The credit risk on the financial guarantee issued by the Company in respect of the banking facilities granted to its subsidiaries is minimal because the directors of the Company consider that the banking facilities are secured by the pledged prepaid lease payments for land, investment properties, properties under development and property, plant and equipment.

35. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(v) Liquidity risk management

The Group had net current liabilities of approximately HK$1,383 million at 31st December, 2007 which include bank loans and advances from the immediate holding company of approximately HK$874 million and HK$531 million respectively. The management closely monitor the cash flows of the Group and, upon maturity, would arrange refinancing of the bank loans and advance from the immediate holding company. At the balance sheet date, the available banking facilities of the subsidiaries amounted to approximately HK$1,260 million, of which was utilised to the extent of approximately HK$874 million. As the aggregate market value of the Group's investment properties, hotel properties, property under development and properties for sales is higher than the existing available banking facilities, the directors of the Company considered that additional bank facilities can be obtained upon the request of the Group by further pledge of the Group's assets given the current economic environments. Accordingly, the directors of the Company are of the opinion that the Company's liquidity risk is minimal.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

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	Weighted average effective interest rate	**0-30 days**	**31-60 days**	**Over 60 days**	**Total undiscounted cash flows**	**Carrying amount**
	%	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
2007						
Non-interest bearing	**–**	**21,805**	**1,427**	**11,590**	**34,822**	**34,822**
Variable interest rate instruments	**5.12**	**1,288,773**	**119,480**	**–**	**1,408,253**	**1,404,421**
		1,310,578	**120,907**	**11,590**	**1,443,075**	**1,439,243**

	Weighted average effective interest rate	0-30 days	31-60 days	Over 60 days	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2006						
Non-interest bearing	–	25,454	1,545	10,576	37,575	37,575
Variable interest rate instruments	5.04	376,573	181,408	–	557,981	556,596
		402,027	182,953	10,576	595,556	594,171

35. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(v) Liquidity risk management (Continued)

The Company had net current liabilities of approximately HK$391 million at 31st December, 2007 which include advances from the immediate holding company of approximately HK$377 million. The management closely monitors the cash flows of the Company and, upon maturity, would arrange refinancing of the advance from the immediate holding company. The directors of the Company consider that banking facilities can be obtained by the Company by further pledge of the Group's assets. Accordingly, the directors of the Company are of the opinion that the Company's liquidity risk is minimal.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

THE COMPANY

	Weighted average effective interest rate	**0-30 days**	**Total undiscounted cash flows**	**Carrying amount**
	%	*HK$'000*	*HK$'000*	*HK$'000*
2007				
Non-interest bearing	**–**	**2,729**	**2,729**	**2,729**
Variable interest rate instruments	**5.02**	**377,860**	**377,860**	**376,642**
		380,589	**380,589**	**379,371**

	Weighted average effective interest rate	0-30 days	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*
2006				
Non-interest bearing	–	3,071	3,071	3,071
Variable interest rate instruments	5.15	241,889	241,889	240,853
		244,960	244,960	243,924

35. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

36. POST BALANCE SHEET EVENT

On 31st December, 2007, a subsidiary of the Company entered into a provisional agreement with an independent third party for the acquisition of a property in Hong Kong at a consideration of HK$94 million.

The acquisition has not yet been completed up to the date of approval of these consolidated financial statements.

Financial Summary

CONSOLIDATED RESULTS

	For the year ended 31st December,				
	2003 *HK$'000*	2004 *HK$'000* (restated)	2005 *HK$'000*	2006 *HK$'000*	**2007** ***HK$'000***
Revenue	67,061	186,243	232,738	188,771	**231,427**
Operating profit	9,088	165,185	59,185	133,028	**978,229**
Share of profits (losses) of associates	3,871	51,245	(232)	(195)	**(4)**
Profit before taxation	12,959	216,430	58,953	132,833	**978,225**
Income tax expense (credit)	(7,974)	(28,243)	8,919	(22,377)	**(171,387)**
Profit for the year	4,985	188,187	67,872	110,456	**806,838**

CONSOLIDATED NET ASSETS

	At 31st December,				
	2003 *HK$'000*	2004 *HK$'000* (restated)	2005 *HK$'000*	2006 *HK$'000*	**2007** ***HK$'000***
Property, plant and equipment	566,471	255,803	387,189	394,780	**413,847**
Prepaid lease payments for land	–	586,106	608,304	596,487	**821,904**
Investment properties	418,200	616,200	560,000	634,330	**2,536,250**
Properties under development	241,967	70,536	85,927	234,897	**39,718**
Interests in associates	93,060	591	359	554	**–**
Other non-current assets	30,048	98,120	73,738	80,290	**213,465**
Net current liabilities	(37,030)	(63,961)	(419,545)	(521,933)	**(1,383,337)**
Long-term bank loans	(123,625)	(315,785)	–	–	**–**
Deferred tax liabilities	(81,226)	(112,069)	(105,138)	(120,006)	**(281,055)**
Net assets	1,107,865	1,135,541	1,190,834	1,299,399	**2,360,792**

Note:

The results for all periods prior to 2004 are stated on the basis of the Group's former accounting policies, which were changed with effect from 1 January 2005 (with 2004 figures restated). Figures prior to 2004 have not been restated as it is not practicable to quantify the effects for those earlier periods.

Particulars of Major Properties

At 31st December, 2007

A. HOTEL PROPERTIES

Location	Type of use	Approx. gross floor area *(sq.m.)*	Lease term	Group's attributable interest
Ramada Hong Kong Hotel 308 Des Voeux Road West Hong Kong	Hotel	14,402	Long lease	100%
Ramada Hotel Kowloon Nos. 73-75 Chatham Road South Tsimshatsui, Kowloon	Hotel	7,767	Medium-term lease	100%
Best Western Hotel Taipa, Macau Estrada Governador Nobre Carvalho No. 822 Taipa, Macau SAR	Hotel	19,479	Medium-term lease	100%
Magnificent International Hotel No. 381 Xizang South Road Shanghai City	Hotel	10,522	Medium-term lease	100%

B. PROPERTIES HELD FOR INVESTMENT

Location	Type of use	Approx. gross floor area *(sq.m.)*	Lease term	Group's attributable interest
Shun Ho Tower 24-30 Ice House Street Central, Hong Kong	Commercial	5,130	Long lease	100%
No. 633 King's Road North Point, Hong Kong	Commercial	24,023	Long lease	100%
19-23 Austin Avenue Tsimshatsui Kowloon, Hong Kong	Commercial	8,547	Long lease	100%

C. PROPERTIES HELD FOR SALE

Location	Type of use	Approx. gross floor area *(sq.m.)*	Lease term	Group's attributable interest
R.P. of Section A of Lot No. 665 at Tuen Mun, New Territories Hong Kong	Residential	1,115	Medium-term lease	100%

D. PROPERTY UNDER DEVELOPMENT

Location	Type of use	Approx. gross floor area *(sq.ft.)*	Approx. site area *(sq.ft.)*	Stage of completion at 31st December, 2007	Expected date of completion	Lease term	Group's attributable interest
30-40 Bowrington Road Causeway Bay Hong Kong	Hotel	63,135	4,209	Under demolition work	2010	Long lease	100%
239-247 Queen's Road West Hong Kong	Hotel	69,641	4,643	Under foundation work	2010	Long lease	100%

Summary of Major Properties Valuation

The following is the text of a letter, summary of values from Dudley Surveyors Limited, an independent registered professional surveyor, in connection with their valuation of the property interests held by the Company and its subsidiaries, prepared for the purpose of incorporation in this annual report:

捷利行測量師有限公司
DUDLEY SURVEYORS LIMITED

Chartered Surveyors • Valuers • Estate Agents
Auctioneers • Plant & Machinery Valuer
Development Consultants • Property Management
香港皇后大道中一百五十三號
兆豐商業大廈十四樓
14/F Siu Ying Commercial Building
153 Queen's Road Central
Hong Kong

17th April, 2008

The Directors
Magnificent Estates Limited
3rd Floor, Shun Ho Tower
Nos. 24-30 Ice House Street
Hong Kong

Dear Sirs,

Re.:
1. Shun Ho Tower, Nos. 24-30 Ice House Street, Central, Hong Kong
2. Ramada Hotel Kowloon, Nos. 73-75 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong
3. Ramada Hong Kong Hotel, No. 308 Des Voeux Road West, Hong Kong
4. Magnificent International Hotel, No. 381 Xizhang Road South (Lot No. 5-1), Huang Pu District, Shanghai, The PRC
5. Best Western Hotel Taipa, Macau situated at Estrada Governador Nobre Carvalho, No.822, Taipa, The Macau Special Administrative Region of the PRC
6. Proposed Hotel Development at Nos. 19, 21 & 23 Austin Avenue, Kowloon, Hong Kong
7. Proposed Hotel Development at Nos. 239-247 Queen's Road West, Hong Kong
8. Proposed Hotel Development at Nos. 30-40 Bowrington Road, Hong Kong
9. No. 633 King's Road, North Point, Hong Kong
10. D.D. 251 Lot 64, Sai Kung, New Territories, Hong Kong
11. House No. 3, Aegean Villa, No. 5 Silver Cape Road, Sai Kung, New Territories, Hong Kong
12. The Remaining Portion of Section A of Lot No. 665 in D.D. 379, Tuen Mun, New Territories, Hong Kong

In accordance with your instruction for us to give our opinion of the Market Value of the property interests of **Magnificent Estates Limited** ("the Company") and its subsidiaries (together referred to as the "Group") in the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong"), Macau Special Administrative Region of the People's Republic of China ("Macau") and the People's Republic of China ("the PRC") as at **31st December, 2007** "the relevant date" for the Group's management reference purposes, we attach herewith a summary of values of the above 12 property interests for your easy reference.

Yours faithfully,
For and on behalf of
Dudley Surveyors Limited

Ellen Y.T. Lo
B.Sc. (Est. Man.) MRICS, MHKIS
Registered Professional Surveyor (GP)
Managing Director

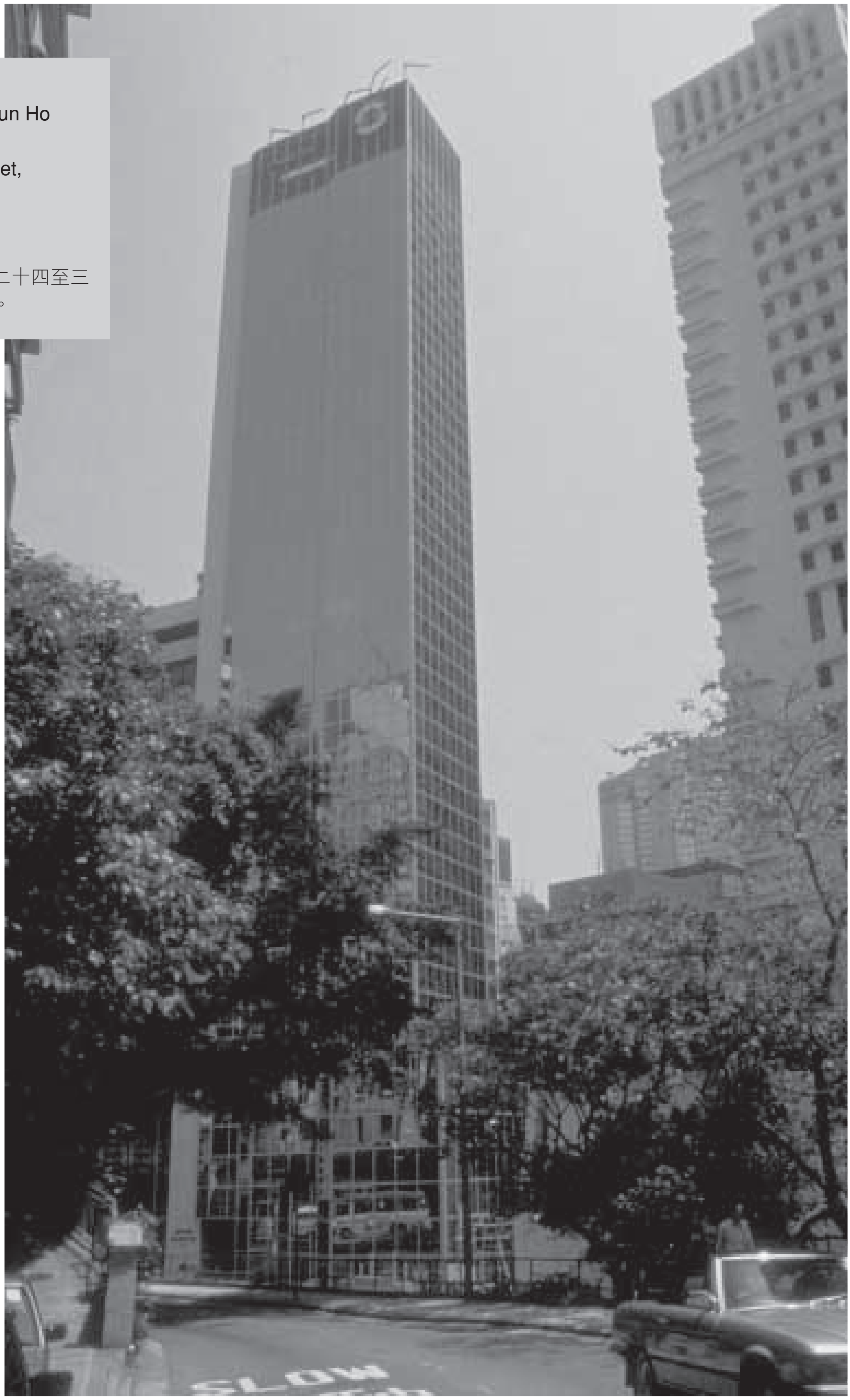
Note: Ms. Ellen Y.T. Lo is a Member of the Hong Kong Institute of Surveyors, a Member of the Royal Institution of Chartered Surveyors and a Registered Professional Surveyor in General Practice as well as an individual member of China Institute of Real Estate Appraisers, has over 26 years' of experience in valuing various types of properties in Hong Kong, Macau and the PRC.

Summary of Values

No.	Property	Market Value as at 31st December, 2007
1.	Shun Ho Tower, Nos. 24-30 Ice House Street, Central, Hong Kong	HK$369,800,000
2.	Ramada Hotel Kowloon, Nos. 73-75 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong	HK$849,200,000
3.	Ramada Hong Kong Hotel, No. 308 Des Voeux Road West, Hong Kong	HK$1,140,000,000
4.	Magnificent International Hotel, No. 381 Xizhang Road South (Lot No. 5-1), Huang Pu District, Shanghai, The PRC	HK$268,000,000
5.	Best Western Hotel Taipa, Macau situated at Estrada Governador Nobre Carvalho No. 822, Taipa, The Macau Special Administrative Region of the PRC	HK$456,000,000
6.	Proposed Hotel Development at Nos. 19, 21 & 23 Austin Avenue, Kowloon, Hong Kong	HK$785,000,000
7.	Proposed Hotel Development at Nos. 239-247 Queen's Road West, Hong Kong	HK$466,000,000
8.	Proposed Hotel Development at Nos. 30-40 Bowrington Road, Hong Kong	HK$522,000,000
9.	No. 633 King's Road, North Point, Hong Kong	HK$1,260,000,000
10.	D.D. 251 Lot 64, Sai Kung, New Territories, Hong Kong	HK$5,800,000
11.	House No. 3, Aegean Villa, No. 5 Silver Cape Road, Sai Kung, New Territories, Hong Kong	HK$16,500,000
12.	The Remaining Portion of Section A of Lot No. 665 in D.D. 379, Tuen Mun, New Territories, Hong Kong	HK$41,000,000

Shun Ho Tower
Head office of the Shun Ho Group located at 24-30 Ice House Street, Central, Hong Kong.

順豪商業大廈
位於香港中環雪廠街二十四至三十號之順豪集團總部。



Ramada Hotel Kowloon
A 205 guest-room (permission was obtained to increase to 305 guest-room) hotel, is excellently located at the heart of Tsimshatsui shopping centre providing good recurring income.

九龍華美達酒店
位於尖沙咀購物中心之優越地帶，擁有二百零五間（已獲批准增加至三百零五間）客房並提供良好經常性收入。

Ramada Hong Kong Hotel
308 Des Voeux Road West,
Hong Kong.
It comprises 330 guest-room, a restaurant, banquet facilities and carparks.

香港華美達酒店
香港德輔道西三百零八號。
該酒店包括三百三十間客房、一間餐廳、宴會設施及停車場。

Best Western Hotel Taipa, Macau
Estrada Governador Nobre Carvalho No.822, Macau SAR. It comprises 262 guest-room, 3 restaurants, swimming pool with gym, conference rooms, retail podium and carparks, the ground floor shop was leased to Mocha Slot Management Limited.

澳門格蘭酒店
澳門氹仔嘉樂庇總督大馬路822號。該酒店包括二百六十二間客房、三間餐廳、游泳池、健身室、會議室、零售商場及停車場，地下商舖已租予摩卡角子管理有限公司。

Magnificent International Hotel
A 234-room and a shopping arcade located at the busy Xizang Road, Shanghai.

華美國際酒店
位於上海西藏路繁忙地帶，擁有二百三十四個單位及購物中心。

An elevation design of the building.
擴初設計大樓外貌。

633 King's Road, Hong Kong
Recently completed Grade A office building.

香港英皇道六百三十三號
最近落成之甲級商廈。

A 4-star hotel re-development at 19-23 Austin Avenue, Tsimshatsui, Kowloon.

九龍尖沙咀柯士甸路十九至二十三號重建為四星級酒店之項目。

A 4-star hotel development at 30-40 Bowrington Road, Causeway Bay, Hong Kong.

香港銅鑼灣寶靈頓道三十至四十號重建為四星級酒店之項目。

A 4-star hotel of 435 rooms development at Queen's Road West, Hong Kong.

位於香港皇后大道西之四星級四百三十五間房之酒店發展項目。

A completed five luxury houses at Gold Coast, New Territories.

位於新界黃金海岸經已完成之五間豪華房屋。