Shun Ho Technology Holdings Limited

順豪科技控股有限公司

(Stock Code 股份代號: 219)

ANNUAL REPORT 2008

二零零八年年報

Contents

Corporate Information

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

Non-Executive Director
Madam Mabel Lui Fung Mei Yee

Independent Non-Executive Directors
Mr. Vincent Kwok Chi Sun
Mr. Chan Kim Fai
Mr. Hui Kin Hing

Company Secretary
Mr. 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 Shun Ho Technology Holdings Limited (the "Company") will be held at 5th Floor, Ramada Hong Kong Hotel, 308 Des Voeux Road West, Hong Kong on Friday, the 5th day of June, 2009 at 9:30 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, 2008.

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

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

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

By Order of the Board

Peter LEE Yip Wah
Secretary

Hong Kong, 29th April, 2009

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 Company's Share Registrars, Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, 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, 1st June, 2009 to Friday, 5th June, 2009, both dates inclusive, during which period no share transfers will be effected. In order to 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, 29th May, 2009.

4. With regard to item no.2(1) of this notice, details of retiring Directors proposed for re-election are set out below:

   (a) Madam Mabel LUI FUNG Mei Yee, aged 57, Solicitor and Notary Public, was appointed to the Board in 1999. She is also a non-executive director of Magnificent Estates Limited, a subsidiary of the Company and Shun Ho Resources Holdings Limited, the holding company of the Company. Shares of both companies are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). She is a partner of Dibb Lupton Alsop. Save as disclosed above, Madam Mabel LUI FUNG Mei Yee 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 Madam Mabel LUI FUNG Mei Yee and the Company. She 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 Madam Mabel LUI FUNG Mei Yee as non-executive Director is determined by shareholders in annual general meeting. At the annual general meeting of the Company held on 30th May, 2008, it was approved that the Director's fee for the year ended 31st December, 2008 be determined by the Board. The Director's fee paid to Madam Mabel LUI FUNG Mei Yee for the Company was determined at HK$16,666 for the year ended 31st December, 2008 with reference to her duties and responsibility with the Company, the Company's performance and current market situation. Save as disclosed above, Madam Mabel LUI FUNG Mei Yee 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, Madam Mabel LUI FUNG Mei Yee did not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

(b) Mr. Vincent KWOK Chi Sun, aged 46, ACA (Aust), CPA (Practising), was appointed to the Board in 1999. He is also an independent non-executive director of Magnificent Estates Limited, a subsidiary of the Company and Shun Ho Resources Holdings Limited, the holding company of the Company. Shares of both companies are listed on the Stock Exchange. Mr. Vincent KWOK Chi Sun is a partner of Vincent Kwok & Co. Currently, Mr. Vincent KWOK Chi Sun holds the directorship in other listed public companies, namely China Digital Licensing (Group) Limited (stock code: 8175) (formerly known as Shen Nong China (Group) Limited and KanHan Technologies Group Limited), Palmpay China (Holdings) Limited (stock code: 8047) (formerly known as Union Bridge Holdings Limited and IA International Holdings Limited) and Emperor Capital Group Limited (stock code: 717). In the last three years, Mr. Vincent KWOK Chi Sun was director of Fortuna International Holdings Limited (stock code: 530). Save as disclosed above, Mr. Vincent KWOK Chi Sun 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. Vincent KWOK Chi Sun 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. Vincent KWOK Chi Sun as an independent non-executive director is determined by shareholders in annual general meeting. At the annual general meeting of the Company held on 30th May, 2008, it was approved that the Director's fee for the year ended 31st December 2008 be determined by the Board. The Director's fee paid to Mr. Vincent KWOK Chi Sun for the Company was determined at HK$33,333 for the year ended 31st December, 2008 with reference to his duties and responsibility with the Company, the Company's performance and current market situation. Save as disclosed above, Mr. Vincent KWOK Chi Sun 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. Vincent KWOK Chi Sun 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, both Madam Mabel LUI FUNG Mei Yee and Mr. Vincent KWOK Chi Sun 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 Director of the Company is 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 Shun Ho Technology Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31st December, 2008.

RESULTS

The Group's audited consolidated profit for the year ended 31st December, 2008 amounted to HK$128,401,000 (2007: HK$738,072,000).

The shareholders' funds of the Group increased during the financial year to HK$1,959 million (2007: HK$1,755 million), representing HK$3.65 (2007: HK$3.27) per share.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31st December, 2008 (2007: Nil).

In view of the substantial construction costs outlay for 2009 to 2011 and the present difficult hotel business, the management is trying best endeavour to streamline cashflow in order to meet the Group's future obligations.

BOOK CLOSURE

The register of members will be closed from Monday, 1st June, 2009 to Friday, 5th June, 2009, both dates inclusive, during which period no transfer of shares will be registered. In order to determine the identity of members who are entitled to attend and vote at the Annual General Meeting to be held on Friday, 5th June, 2009, 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, 29th May, 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year under review, the Group through its major subsidiaries, Magnificent Estates Limited ("Magnificent Estates"), continued with its operations of property investment, development and operation of hotels.

- For the year ended 31st December 2008, the Group's income was mostly derived from the aggregate of income from operation of hotels, properties rental income, interest and dividend income.

  The income from operation of hotels increased by 5% to HK$207 million (2007: HK$198 million). The increase of turnover for the whole year was due to continuous high occupancy and higher room rates and aggressive promotions of Ramada Hotel Kowloon, Ramada Hong Kong Hotel, Best Western Hotel Taipa, Macau and Magnificent International Hotel, Shanghai.

  The properties rental income was derived from office buildings 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$78 million (2007: HK$32 million). The significant growth was derived from the 633 King's Road. At the date of this annual report, it provided an annual rental income of HK$65 million (excluding rates and management fee), with one and a half floors remain vacant.

  Other income amounted to HK$15.5 million (2007: HK$16.7 million) which was mostly property management fee income of HK$14 million (2007: HK$5 million).

- Overall service costs for the Group for the year was HK$110 million (2007: HK$98 million), which HK$104 million (2007: HK$96 million) was for the hotel operations including food and beverage and costs of sales and HK$6 million was for leasing commission paid for investment properties. The leasing commissions paid for the leased premises represent total commissions payable for the three years of rental period.

  Other expenses were property management expenses of HK$11 million (2007: HK$5 million). The increase was due to the addition of 633 King's Road.

  Administrative expenses for corporate office including directors' fees, salaries for executive staff and employees, rental, marketing and office expenses for the year was HK$19 million (2007: HK$19 million).

- At 31st December, 2008, the overall debt was HK$1,118 million (2007: HK$888 million). Gearing ratio was approximately 37% (2007: 30%) in terms of external bank borrowings of HK$1,044 million (2007: HK$873 million) and HK$74 million (2007: HK$15 million) was advance from shareholders against funds employed of HK$3,034 million (2007: HK$2,953 million).

  The Group's bank borrowings carry interest at floating rates and are mainly denominated in Hong Kong dollar. Accordingly, the exchange risk of the Group is minimal.

- 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 be stable in 2009.

The leasing of the grade A office building at 633 King's Road was commenced in 2008. As of the date of this annual report, only one and a half floors of the office building with 33 floors and 300,000 sq. ft. are still yet to be leased. The rental income of the Group was significantly increased in the second half of 2008. The annual rental income of HK$65 million of the leased area of the building will be reflected in the year of 2009.

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

- For the year under review, the hotel market experienced major difficulties such as the freezing Spring, PRC earthquake, credit crunch in PRC, Olympic travelling restrictions and global financial turmoils, however, the turnover for the 4 hotels was amounted to HK$207 million, increased by 5%.

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

- Since 1st January, 2007, the Group completed the following acquisitions:–

Name of Properties	**Acquisition Cost** *HK$'000*
239-243 Queen's Road West	99,404
245-247 Queen's Road West	104,593
249-251 Queen's Road West	97,401
19-23 Austin Avenue	520,093
30-40 Bowrington Road	238,855
338-346 Queen's Road West	198,000
Total:	1,258,346

The overall acquisition costs of the development sites since 1st January 2007 amounted to HK$1,258 million.

The above acquisitions provided a valuable opportunity for the Group to develop more than 1,200 hotel rooms in the busiest city locations with significant capital gain and income potentials.

239 - 251 Queen's Road Hotel Development

A 435 rooms hotel development has been approved by the relevant authorities. Superstructure construction is expected to begin in June 2009.

Austin Avenue, Tsimshatsui

A 300 rooms hotel development has been approved by the relevant authorities. Foundation piling is expected to commence in May 2009.

Bowrington Road, Causeway Bay

A 265 rooms hotel development has been approved by the relevant authorities. Superstructure construction is in progress and completion expected in Spring 2010.

338 - 346 Queen's Road Hotel Development

A 214 rooms hotel development has been approved by the relevant authorities. Foundation works is in progress.

During the year, the Group increased its holdings in Magnificent Estates from 50.07% to 56.71%, and subscribed for the convertible bonds of Magnificent Estates for HK$477 million at HK$0.16 per share which upon full conversion of the bonds, the Group will increase its holding in Magnificent Estates to 71.09%.

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

Looking ahead, significant lowering at bank lending rate from 4% to 0.5%, before the bank' interest spreads, will reduce the Groups interest expenses.

Subsequent to the financial year under review, efforts have already made by the Group to lower the Group's staffing level. Administrative and operating expenses are expected to be not more than the year before.

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

The adverse effect of the temporary hotel business slowdown has been compensating by significant reduction of the Group's interests expenses.

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

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

The low interest rate environment and tight land supply government policy backs the demand in the local property market that benefits the Group's property portfolio especially the office buildings in Central and North Point.

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

In view of the substantial construction costs outlay for 2009 to 2011 and the present difficult hotel business, the management is trying best endeavour to streamline cashflow in order to ensure the Group's future obligations are met.

By Order of the Board

William CHENG Kai Man
Chairman

Hong Kong, 14th April, 2009

Directors' Profiles

Mr. William CHENG Kai Man, *Executive Director*
Aged 47. Appointed to the Board in 1990. He is also a director of Shun Ho Resources Holdings Limited ("Shun Ho Resources") which is the Company's holding company and Magnificent Estates Limited ("Magnificent") which is the Company's subsidiary. 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 a director of Mercury Fast Limited ("Mercury") and Omnico Company Inc., both of which are substantial shareholders of the Company.

Mr. Albert HUI Wing Ho, *Executive Director*
Aged 46. Appointed to the Board in 1989. He is also a director of Shun Ho Resources and Magnificent. 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' degree in civil engineering.

Madam Mabel LUI FUNG Mei Yee, *Non-Executive Director*
Aged 57. Solicitor and Notary Public. Appointed to the Board in 1999. She is also a non-executive director of Shun Ho Resources and Magnificent. She is a partner of Dibb Lupton Alsop.

Mr. Vincent KWOK Chi Sun, *Independent Non-Executive Director*
Aged 46. ACA (Aust), CPA (Practising). Appointed to the Board in 1999. He is also an independent non-executive director of Shun Ho Resources and Magnificent. He is a partner of Vincent Kwok & Co..

Mr. CHAN Kim Fai, *Independent Non-Executive Director*
Aged 49. ACCA, CPA (Practising). Appointed to the Board in 2004. He is also an independent non-executive director of Shun Ho Resources and Magnificent. He holds a bachelor's 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 41 ACCA, CPA (Practising) Appointed to the Board in 2005. He is also an independent non-executive director of Shun Ho Resources and Magnificent. 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.

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. As at 31st December, 2008 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 8.

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 2008 and the attendance of each director is set out below:

	Number of board meetings attended in 2008	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	1/4	25%
Chan Kim Fai	2/4	50%
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, 2008.

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 16.

AUDITOR'S REMUNERATION

For the year ended 31st December, 2008, the Auditor of the Company received approximately HK$1.9 million for audit service and HK$0.2 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 2008, the attendance of each member is set out below:

	Number of Audit Committee meetings attended in 2008	Attendance rate
Vincent Kwok Chi Sun	1/2	50%
Chan Kim Fai	2/2	100%
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 2008;
- reviewed the interim report and the interim results announcement for the six months ended 30th June, 2008;
- reviewed the audit plan for year 2008 to assess the general scope of audit work; and
- reviewed the audited accounts and final results announcement for year 2007.

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, 2008 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 2008.

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, 2008.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2008 are set out in the consolidated income statement on page 17.

DIVIDEND

The Board does not recommend the payment of a final dividend in respect of the year ended 31st December, 2008 (2007: Nil).

SHARE CAPITAL

Details of the share capital of the Company are set out in note 25 to the consolidated financial statements. There were no movements in the share capital of the Company during the year.

RESERVES

Movements during the year in the reserves of the Group are set out on page 20 and the Company are set out in note 26 to the consolidated financial statements.

The Company's reserves available for distribution to shareholders at 31st December, 2008 comprised its retained profits of HK$553,398,000 (2007: HK$535,279,000).

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group 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, 2008. The revaluation gave rise to an increase of approximately HK$25 million has been credited to the consolidated income statement.

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

PROPERTIES UNDER DEVELOPMENT

During the year, development expenditure of approximately HK$64 million were incurred on 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, 2008 are set out on pages 72 to 73 of the Annual Report.

BORROWINGS

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 it 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

Non-executive directors
Ms. Mabel Lui Fung Mei Yee
Mr. Vincent Kwok Chi Sun*
Mr. Chan Kim Fai*
Mr. Hui Kin Hing*
Mr. David Cheng Kai Ho (resigned on 20th March, 2009)

* *independent non-executive directors*

In accordance with the provisions of the Company's Articles of Association, Madam Mabel Lui Fung Mei Yee and Mr. Vincent Kwok Chi Sun shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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.

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

DIRECTORS' INTERESTS IN LISTED SECURITIES

As at 31st December, 2008, the interests or short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required (a) to be entered in the register required to be kept by the Company under section 352 of the SFO; or (b) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed 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	Corporate	350,742,682 *(Note)*	65.31

Note:

Omnico Company Inc., Trillion Resources Limited and Mercury Fast Limited beneficially owned 269,599,937 shares of the Company (the "Shares"), 183,235 Shares and 80,959,510 Shares respectively, representing 50.20%, 0.03% and 15.07% respectively of the issued share capital of the Company. Mr. William Cheng Kai Man has controlling interests in these companies.

Associated corporations

Name of director	Name of associated corporation	Capacity	Nature of interests	Number of shares/ underlying shares held	Approximate % of shareholding
William Cheng Kai Man	Magnificent Estates Limited *(Note 1)*	Interest of controlled corporations	Corporate	3,382,465,406 *(Note 4)* 2,978,198,581 *(Note 5)*	71.09 *(Note 6)*
William Cheng Kai Man	Shun Ho Resources Holdings Limited *(Note 2)*	Interest of controlled corporations	Corporate	216,608,825	71.20
William Cheng Kai Man	Trillion Resources Limited *(Note 3)*	Beneficial owner	Personal	1	100

Notes:

1. Magnificent Estates Limited ("Magnificent"), the Company's subsidiary, 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 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.

4. The Company beneficially owned 2,709,729,423 shares of Magnificent ("Magnificent Shares")(45.43%) and was taken to be interested in 395,656,000 Magnificent Shares (6.63%) held by Good Taylor Limited, 273,579,983 Magnificent Shares (4.59%) held by South Point Investments Limited and 3,500,000 Magnificent Shares (0.06%) held by Shun Ho Technology Developments Limited, representing a total of 3,382,465,406 Magnificent Shares (56.71%). Mr. William Cheng Kai Man has controlling interest in those companies.

5. The Company and Mr. William Cheng Kai Man were deemed to have interest in 2,978,198,581 units of convertible bonds of Magnificent held by South Point Investments Limited.

6. This represents the percentage of interests to the enlarged issued share capital of Magnificent on the assumption that the convertible bonds have been fully converted into Magnificent Shares as at 31st December, 2008 (i.e. 8,947,051,324 Magnificent Shares).

   The aggregate of Magnificent Shares (i.e. 3,382,465,406) and the underlying Magnificent Shares (i.e. 2,978,198,581) represents 106.64% to the total issued share capital of Magnificent as at 31st December, 2008 (i.e. 5,964,700,883 Magnificent Shares).

Share Options

The Company and 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, 2008, 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.

ARRANGEMENTS 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 notes 10 and 32 to the consolidated financial statements.

In addition, the Company and its subsidiaries had the following transactions with Magnificent group of companies:

(i) A property owned by a subsidiary of the Company was let to Magnificent. The net rental received from Magnificent for the year, which was mutually agreed, amounted to HK$1,200,000.

(ii) During the year, the Company made unsecured advances to Magnificent and its subsidiary which carry interest chargeable at HIBOR plus 1% per annum and are repayable on demand. At 31st December, 2008, such advances amounted to HK$45,408,000 remained outstanding. Interest receivable by the Company on such advances amounted to a total of HK$13,491,000 in respect of the year.

(iii) During the year, expenses amounted to HK$1,720,000 were payable by the Company to Magnificent for administrative services provided by Magnificent on a cost reimbursement basis.

Save as disclosed herein:

(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, Magnificent and the Company.

In the opinion of the directors not having an interest in those transactions, those 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.

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.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2008, 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
Mercury Fast Limited ("Mercury")	Beneficial owner	80,959,510	15.07
Magnificent Estates Limited ("Magnificent") *(Note 1)*	Interest of controlled corporation	80,959,510	15.07
Omnico Company Inc. ("Omnico") *(Note 2)*	Beneficial owner and interest of controlled corporation	350,559,447	65.27
Shun Ho Resources Holdings Limited ("Shun Ho Resources") *(Note 3)*	Interest of controlled corporation	350,742,682	65.31
Trillion Resources Limited ("Trillion") *(Note 3)*	Interest of controlled corporation	350,742,682	65.31
Liza Lee Pui Ling *(Note 4)*	Interest of spouse	350,742,682	65.31

Notes:

1. Mercury was a wholly-owned subsidiary of Magnificent.

2. Omnico beneficially owned 269,599,937 shares of the Company (the "Shares") and was taken to be interested in 80,959,510 Shares held by Mercury which was owned as to 100% by Magnificent, which was in turn owned as to 56.71% (or 71.09% on the assumption that the convertible bonds of Magnificent have been fully converted into shares in Magnificent as at 31st December, 2008) by the Company, which was in turn directly and indirectly owned as to 65.27% by Omnico.

3. Omnico was wholly-owned by Shun Ho Resources, which was in turn directly and indirectly owned as to 71.20% by Trillion, which was in turn wholly-owned by Mr. William Cheng Kai Man. So, Shun Ho Resources and Trillion were taken to be interested in 350,742,682 Shares by virtue of their direct and indirect interests in Omnico and another subsidiary.

4. Madam Liza Lee Pui Ling was deemed to be interested in 350,742,682 Shares by virtue of the interest in such Shares of her spouse, Mr. William Cheng Kai Man, a director of the Company.

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

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 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 of the Meeting

Hong Kong, 14th April, 2009

Deloitte.
德勤

TO THE SHAREHOLDERS OF
SHUN HO TECHNOLOGY HOLDINGS LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Shun Ho Technology Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 17 to 70 which comprise the consolidated and Company balance sheets as at 31st December, 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of principal 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, 2008 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
14th April, 2009

Consolidated Income Statement

For the year ended 31st December, 2008

	Notes	2008 HK$'000	2007 HK$'000
Revenue	4	**286,191**	231,427
Cost of sales		**(4,164)**	(4,081)
Other service costs		**(105,805)**	(94,542)
Depreciation and release of prepaid lease payments for land		**(27,979)**	(27,461)
Gross profit		**148,243**	105,343
Increase in fair value of investment properties/ revaluation surplus		**24,804**	922,619
Other income	6	**15,532**	16,679
Loss on fair value changes of investments held for trading		**(114)**	(2,218)
Administrative expenses			
– Depreciation		**(4,789)**	(3,945)
– Others		**(19,378)**	(19,303)
		(24,167)	(23,248)
Impairment loss recognised in respect of interest in an associate		**–**	(123)
Other expenses	6	**(11,351)**	(4,652)
Share of loss of an associate		**–**	(4)
Finance costs	7	**(17,680)**	(22,454)
Losses on disposal and deemed disposal of partial interest in a subsidiary	8	**–**	(79,221)
Profit before taxation	9	**135,267**	912,721
Income tax expense	11	**(6,866)**	(174,649)
Profit for the year		**128,401**	738,072
Attributable to:			
Shareholders of the Company		**69,754**	394,749
Non-controlling interests/minority interests		**58,647**	343,323
		128,401	738,072
Earnings per share	12	***HK cents***	*HK cents*
Basic		**15.3**	86.5

Consolidated Balance Sheet

At 31st December, 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	**418,522**	424,766
Prepaid lease payments for land	*14*	**1,301,432**	1,028,057
Investment properties	*15*	**1,917,580**	2,536,250
Property under development	*16*	**741,914**	39,718
Interest in an associate	*18*	**–**	–
Available-for-sale investments	*19*	**79,033**	105,953
Deposit on acquisition of property, plant and equipment		**167**	–
Deposit on acquisition of land		**–**	4,694
		4,458,648	4,139,438
CURRENT ASSETS			
Inventories		**814**	689
Properties for sale		**21,650**	21,534
Investments held for trading	*19*	**1**	20,698
Prepaid lease payments for land	*14*	**12,409**	12,065
Trade and other receivables	*20*	**18,890**	16,883
Other deposits and prepayments		**5,398**	4,760
Amount due from a shareholder	*20 & 32(a)*	**28**	29
Pledged bank deposits	*22*	**110**	110
Time deposits	*22*	**2,500**	–
Bank balances and cash	*22*	**19,917**	12,242
		81,717	89,010
CURRENT LIABILITIES			
Trade and other payables	*23*	**42,465**	41,772
Rental and other deposits received		**30,108**	21,489
Advance from a shareholder	*32(b)*	**13,854**	14,656
Advance from ultimate holding company	*32(d)*	**60,427**	–
Tax liabilities		**4,124**	6,929
Bank loans	*24*	**181,914**	873,550
		332,892	958,396
NET CURRENT LIABILITIES		**(251,175)**	(869,386)
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,207,473**	3,270,052
CAPITAL AND RESERVES			
Share capital	*25*	**268,538**	268,538
Share premium and reserves		**1,690,797**	1,486,132
Equity attributable to shareholders of the Company		**1,959,335**	1,754,670
Non-controlling interests/minority interests		**1,074,858**	1,198,121
TOTAL EQUITY		**3,034,193**	2,952,791
NON-CURRENT LIABILITIES			
Bank loans	*24*	**862,425**	–
Deferred tax liabilities	*27*	**310,855**	317,261
		1,173,280	317,261
		4,207,473	3,270,052

The consolidated financial statements on pages 17 to 70 were approved and authorised for issue by the Board of Directors on 14th April, 2009 and are signed on its behalf by:

Albert HUI Wing Ho
Director

William CHENG Kai Man
Director

Company Balance Sheet

At 31st December, 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	17	**363,277**	347,845
Amounts due from subsidiaries	17	**549,478**	81,161
		912,755	429,006
CURRENT ASSETS			
Other receivables		**2**	1
Prepayments		**189**	192
Amounts due from subsidiaries	17	**45,408**	530,868
Tax recoverable		**1,594**	–
Bank balances and cash	22	**238**	238
		47,431	531,299
CURRENT LIABILITIES			
Other payables		**1,398**	1,031
Advance from a shareholder	32(b)	**13,854**	14,656
Amounts due to subsidiaries	21	**47**	16,234
Tax liabilities		**–**	1,586
		15,299	33,507
NET CURRENT ASSETS		**32,132**	497,792
TOTAL ASSETS LESS CURRENT LIABILITIES		**944,887**	926,798
CAPITAL AND RESERVES			
Share capital	25	**268,538**	268,538
Share premium and reserves	26	**676,349**	658,260
		944,887	926,798

Albert HUI Wing Ho
Director

William CHENG Kai Man
Director

Consolidated Statement Of Changes In Equity

For the year ended 31st December, 2008

	Attributable to shareholders of the Company												
	Share capital	Share premium	Capital reserve	Property revaluation reserve	Securities revaluation reserve	General reserve	Translation reserve	Retained profits	Own shares held by a subsidiary	Other reserve	Total	Non-controlling interests/ minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(Note (a))	*(Note (b))*	*(Note (c))*				*(Note (d))*	*(Note (e))*			
At 1st January, 2007	268,538	118,800	4,181	50,186	(9,447)	263	1,598	898,782	(14,573)	–	1,318,328	430,758	1,749,086
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	1,201	–	–	–	1,201	1,290	2,491
Increase in fair value of available-for-sale investments	–	–	–	–	40,392	–	–	–	–	–	40,392	32,228	72,620
Net income recognised directly in equity	–	–	–	–	40,392	–	1,201	–	–	–	41,593	33,518	75,111
Profit for the year	–	–	–	–	–	–	–	394,749	–	–	394,749	343,323	738,072
Total recognised income for the year	–	–	–	–	40,392	–	1,201	394,749	–	–	436,342	376,841	813,183
Dividend paid to minority shareholders	–	–	–	–	–	–	–	–	–	–	–	(4,976)	(4,976)
Disposal of interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	230,441	230,441
Deemed disposal of interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	165,057	165,057
At 31st December, 2007	268,538	118,800	4,181	50,186	30,945	263	2,799	1,293,531	(14,573)	–	1,754,670	1,198,121	2,952,791
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	1,133	–	–	–	1,133	1,847	2,980
Decrease in fair value of available-for-sale investments	–	–	–	–	(11,817)	–	–	–	–	–	(11,817)	(15,101)	(26,918)
Net (expense) income recognised directly in equity	–	–	–	–	(11,817)	–	1,133	–	–	–	(10,684)	(13,254)	(23,938)
Profit for the year	–	–	–	–	–	–	–	69,754	–	–	69,754	58,647	128,401
Total recognised (expense) income for the year	–	–	–	–	(11,817)	–	1,133	69,754	–	–	59,070	45,393	104,463
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(7,147)	(7,147)
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	145,625	145,625	(161,509)	(15,884)
Expense in increasing authorised share capital	–	(30)	–	–	–	–	–	–	–	–	(30)	–	(30)
At 31st December, 2008	268,538	118,770	4,181	50,186	19,128	263	3,932	1,363,285	(14,573)	145,625	1,959,335	1,074,858	3,034,193

Notes:

(a) The capital reserve was created by capital reduction of the Company on 28th June, 1988.

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

(c) Included in securities revaluation reserve at 31st December, 2008 is the Group's share of a decrease in change in value of securities amounted to HK$25,184,000 (2007: HK$25,184,000) attributable to the securities held by an associate. That associate has become a subsidiary of the Company since 2001.

(d) The own shares held by a subsidiary represents the carrying amount of shares in the Company held by an entity at the time the entity became a subsidiary of the Company.

(e) The other reserve was resulted from the acquisition of additional interest in a subsidiary and represented the difference between the acquisition cost and the attributable additional interest in the carrying amounts of assets and liabilities of the subsidiary.

Consolidated Cash Flow Statement
For the year ended 31st December, 2008

	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**135,267**	912,721
Adjustments for:		
Interest income from bank deposits	**(233)**	(2,010)
Finance costs	**17,680**	22,454
Share of loss of an associate	**–**	4
Losses on disposal and deemed disposal of partial interest in a subsidiary	**–**	79,221
Impairment loss recognised in respect of interest in an associate	**–**	123
Loss on fair value changes of investments held for trading	**114**	2,218
Increase in fair value of investment properties/revaluation surplus	**(24,804)**	(922,619)
Gain on disposal of property, plant and equipment	**(371)**	(9,320)
Depreciation of property, plant and equipment	**20,703**	19,341
Release of prepaid lease payments for land	**12,065**	12,065
Operating cash flows before movements in working capital	**160,421**	114,198
Increase in inventories	**(125)**	(74)
Increase in properties for sale	**(116)**	(6,029)
Increase in trade and other receivables	**(2,007)**	(4,391)
Increase in other deposits and prepayments	**(638)**	(538)
Decrease in investments held for trading	**20,583**	–
Decrease in amount due from a shareholder	**1**	4
Increase (decrease) in trade and other payables	**686**	(487)
Increase in rental and other deposits received	**8,619**	14,463
Cash generated from operations	**187,424**	117,146
Hong Kong Profits Tax paid	**(14,305)**	(12,034)
Income tax of elsewhere paid	**(1,772)**	(302)
Interest from bank deposits received	**233**	2,010
NET CASH FROM OPERATING ACTIVITIES	**171,580**	106,820
INVESTING ACTIVITIES		
Acquisition of a subsidiary *(Note 36)*	**(198,000)**	–
Prepaid lease payments made	**(89,186)**	(405,501)
Expenditure on property under development	**(44,536)**	(82,427)
Acquisition of additional interest in a subsidiary	**(15,884)**	–
Acquisition of property, plant and equipment	**(3,617)**	(12,942)
Increase in time deposits	**(2,500)**	–
Addition of investment properties	**(2,994)**	(526,339)
Deposit for acquisition of property, plant and equipment/land	**(167)**	(4,694)
Proceeds from disposal of property, plant and equipment	**850**	9,389
Proceeds from disposal of partial interest in a subsidiary	**–**	180,664
Dividends received from an associate	**–**	427
NET CASH USED IN INVESTING ACTIVITIES	**(356,034)**	(841,423)

Consolidated Cash Flow Statement *(Continued)*

For the year ended 31st December, 2008

	2008	2007
	HK$'000	*HK$'000*
FINANCING ACTIVITIES		
New bank loans raised	**302,860**	835,300
Repayment of bank loans	**(133,025)**	(278,571)
Advance from ultimate holding company	**59,000**	–
Repayment of advance from a shareholder	**(1,253)**	(1,002)
Repayment to an associate	**–**	(2,269)
Proceeds from placement of new shares	**–**	139,000
Interest paid	**(28,818)**	(30,348)
Dividend paid to non-controlling/minority shareholders	**(7,147)**	(4,976)
Proceed from issuing mandatory convertible bond	**664**	–
Expense for increasing authorised share capital	**(30)**	–
Expenses incurred in relation to placement of new shares of a subsidiary	**–**	(3,397)
NET CASH FROM FINANCING ACTIVITIES	**192,251**	653,737
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**7,797**	(80,866)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**12,242**	93,166
Effects of foreign exchange rate changes	**(122)**	(58)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**19,917**	12,242
Represented by bank balances and cash	**19,917**	12,242

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, securities investment and trading, and treasury investment.

The Company's immediate holding company is Omnico Company Inc., a wholly-owned subsidiary of Shun Ho Resources Holdings Limited ("Shun Ho Resources") which is a public limited company 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 dollar, which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)")

In the current year, the Group and the Company have applied, for the first time, the following amendments and interpretations (new "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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

In the current year, the Group has elected to early adopt the following revised HKFRSs with effective from 1st January, 2008, where early adoption was permitted:

HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements

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

HKFRS 3 (Revised) is effective to the Group's business combination for which the agreement date is on or after 1st January, 2010. The standard has been adopted in advance of its effective date and has been applied prospectively to business combinations for which the acquisition date is on or after 1st January, 2008. This early adoption did not have any financial impact to the Group and the Company because there is no business combination during the year ended 31st December, 2008.

HKAS 27(Revised) is effective to the Group for annual periods beginning 1st January, 2010. Early adoption of HKAS 27 (Revised) is not permitted unless an entity also early applies HKFRS 3 (Revised). HKAS 27 (Revised) has been adopted in advance of its effective date from the annual period beginning 1st January, 2008. HKAS 27 (Revised) has resulted in changes in the Group's accounting policies regarding increases or decreases in ownership interests in the Group's subsidiaries and applied prospectively. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. The impact of decreases in interests in subsidiaries that did not involve loss of control (being the difference between the consideration received and the carrying amount of the share of net assets disposed of) was recognised in profit or loss. Under HKAS 27 (Revised), all increases or decreases in ownership interests in the Group's subsidiaries that do not result in change of control are accounted for as equity transactions between equity holders, with no impact on goodwill or profit or loss.

In addition, under HKAS 27 (Revised), profit or loss and each item of income and expense recognised directly in equity are attributed to the equity holders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. In prior year, where losses applicable to the minority interest in a consolidated subsidiary exceed the minority's interest in the subsidiary's equity, the excess is allocated against the interest of the Group except to the extent that minority has a binding obligation and is able to make an additional investment to cover the losses.

Financial impact on early adoption

During the year, the Group acquired further approximately 6.6% equity interest in a subsidiary, Magnificent Estates Limited ("Magnificent"). As a result of the early adoption of HKAS 27 (Revised), the difference between the acquisition cost and the attributable additional interest in the carrying amounts of assets and liabilities acquired is dealt with in equity (other reserve). A gain of approximately HK$146 million would be recognised in the consolidated income statement should HKAS 27 (Revised) has not been early adopted. Losses on disposal and deemed disposal of partial interest in a subsidiary amounted to HK$79,221,000 recognised in the consolidated income statement in 2007 as accounted for under the old policy prior to the application of HKAS 27 (Revised) has not been restated due to the prospective application of HKAS 27 (Revised). There is no other significant financial impact to the consolidated financial statements of the Group.

The early adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) did not have any significant financial impact to the financial position of the Company.

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

The Group and the Company have not early adopted the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[4]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[5]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[7]

1. Effective for annual periods beginning on or after 1st January, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July, 2009
2. Effective for annual periods beginning on or after 1st January, 2009
3. Effective for annual periods beginning on or after 1st July, 2009
4. Effective for annual periods ending on or after 30th June, 2009
5. Effective for annual periods beginning on or after 1st July, 2008
6. Effective for annual periods beginning on or after 1st October, 2008
7. Effective for transfers on or after 1st July, 2009

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

3. PRINCIPAL 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.

Non-controlling interests minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Non-controlling interests/minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the non-controlling/minority's share of changes in equity since the date of the combination.

For the accounting periods ended on or before 31st December, 2007

Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses up to the year ended 31st December, 2007.

For the accounting periods beginning on or after 1st January, 2008

Profit or loss and each item of income and expense recognised directly in equity are attributed to the equity holders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Treasury shares

Magnificent became a subsidiary of the Company in 2001. On consolidation, the shares in the Company held by a subsidiary of Magnificent have been accounted for using the treasury stock method whereby consolidated shareholders' equity is reduced by the carrying amount of the shares in the Company held by the said subsidiary at the date when Magnificent became a subsidiary of the Company. On disposal of the shares in the Company held by the said subsidiary, the difference between the sale consideration and the carrying amount of the shares disposed of together with the related securities revaluation reserve are recognised in retained profits.

Business combinations

For the accounting periods ended on or before 31st December, 2007

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 costs 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.

Changes in the Group's controlling interest in subsidiary

For the accounting periods ended on or before 31st December, 2007

Any increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a barging purchase gain being recognised where appropriate. The impact of decrease in interests in subsidiaries that did not involve loss of control (being the difference between the consideration received and the carrying amount of the share of net assets disposed of) was recognised in profit and loss.

For the accounting periods beginning on or after 1st January, 2008

Any increases or decreases in ownership interests in the Group's subsidiaries, that do not result in change of control, are accounted for as equity transactions between equity holders, with no impact on profit or loss, The difference between the acquisition cost and the attributable equity interest in the carrying amounts of assets and liabilities acquired is dealt with in equity under other reserve.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

Revenue from the operation of hotels and building management services are 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 lease.

Revenue from sale of properties for sale 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 when the construction of relevant property has been completed and the properties have been physically delivered to the purchasers and collectability of related receivables is reasonably assured;

- 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.

Income from properties developed for sale is recognised when the properties are physically delivered. Payments received from the purchasers prior to this stage are recorded as pre-sale deposits and presented as current liabilities.

Dividend income from investments is recognised when the Group’s right to receive payment has been 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.

Investment properties

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

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure (except for transfer from property, plant and equipment and property under development to investment properties described below). 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 properties are included in profit or loss for the period in which they arise.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Investment properties *(Continued)*

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. Transfer from investment property to property under development will be made where these is a change in use, evidenced by the commencement of redevelopment for the purpose of owner occupation. For a transfer from investment properties 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.

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 item) is included in the consolidated income statement in the year in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment including land and building held for use in the supply of services or for administrative purposes are stated at 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 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.

When the leasehold land and buildings are in the course of development for production 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).

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.

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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an investment 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 include 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 and 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 the 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.

Impairment (other than financial assets)

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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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 profits 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 (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

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;

- 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, financial assets at 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 excludes any dividend or interest earned on the financial assets.

3. PRINCIPAL 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 FVTPL, 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, amount due from a shareholder, amounts due from subsidiaries, pledged bank deposits, time 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;
- 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 assets, 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 the credit period of 30 to 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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.

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, 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 a trade 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 loss 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 at fair value, if any, 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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Financial liabilities

Financial liabilities (including trade and other payables, rental and other deposits received, advance from a shareholder, advance from ultimate holding company, 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.

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.

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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

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 the leasehold land included in the investment properties held to earn rental and/or for capital appreciation.

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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. 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 retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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 investment 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.

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, interest and dividend, and is analysed as follows:

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Income from operation of hotels	**207,135**	197,658
Property rental income	**78,345**	32,341
Interest income from debt securities	**671**	1,348
Dividend income	**40**	80
	286,191	231,427

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	–	operation of hotels
Property investment	–	property letting
Property development	–	development 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, 2008

	Hospitality services *HK$'000*	Property investment *HK$'000*	Property development *HK$'000*	Securities investment and trading *HK$'000*	Consolidated *HK$'000*
REVENUE					
External	**207,135**	**78,345**	**–**	**711**	**286,191**
SEGMENT RESULTS					
Operations	**75,429**	**72,103**	**–**	**597**	**148,129**
Increase in fair value of investment properties	**–**	**24,804**	**–**	**–**	**24,804**
	75,429	**96,907**	**–**	**597**	**172,933**
Other income					**15,532**
Other expenses					**(11,351)**
Unallocated corporate expenses					**(24,167)**
Finance costs					**(17,680)**
Profit before taxation					**135,267**
Income tax expense					**(6,866)**
Profit for the year					**128,401**

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

CONSOLIDATED ASSETS AND LIABILITIES
At 31st December, 2008

	Hospitality services *HK$'000*	Property investment *HK$'000*	Property development *HK$'000*	Securities investment and trading *HK$'000*	Consolidated *HK$'000*
ASSETS					
Segment assets	2,370,388	1,929,400	21,670	79,073	4,400,531
Unallocated corporate assets					139,834
Consolidated total assets					4,540,365
LIABILITIES					
Segment liabilities	22,344	34,467	–	2	56,813
Unallocated corporate liabilities					1,449,359
Consolidated total liabilities					1,506,172

OTHER INFORMATION
Year ended 31st December, 2008

	Hospitality services *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
Capital additions			
– property, plant and equipment	2,767	–	2,767
– investment properties	–	2,994	2,994
– property under development	63,655	–	63,655
Depreciation of property, plant and equipment and release of prepaid lease payments for land	27,942	37	27,979

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

REVENUE AND RESULTS
Year ended 31st December, 2007

	Hospitality services *HK$'000*	Property investment *HK$'000*	Property development *HK$'000*	Securities investment and trading *HK$'000*	Consolidated *HK$'000*
REVENUE					
External	197,658	32,341	–	1,428	231,427
SEGMENT RESULTS					
Operations	74,040	29,112	–	(790)	102,362
Revaluation surplus/increase in fair value of investment properties	–	922,619	–	–	922,619
	74,040	951,731	–	(790)	1,024,981
Other income					16,679
Other expenses					(4,652)
Losses on disposal and deemed disposal of partial interest in a subsidiary					(79,221)
Unallocated corporate expenses					(22,485)
Impairment loss recognised is respect of interest in an associate					(123)
Share of loss of an associate					(4)
Finance costs					(22,454)
Profit before taxation					912,721
Income tax expense					(174,649)
Profit for the year					738,072

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 *HK$'000*	Securities investment and trading *HK$'000*	Consolidated *HK$'000*
ASSETS					
Segment assets	1,469,734	2,543,037	26,249	127,437	4,166,457
Unallocated corporate assets					61,991
Consolidated total assets					4,228,448
LIABILITIES					
Segment liabilities	20,515	31,630	4,694	56	56,895
Unallocated corporate liabilities					1,218,762
Consolidated total liabilities					1,275,657

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 property, plant and equipment and release of prepaid lease payments for land	27,341	120	27,461

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Geographical segments

The following is an analysis of the Group's revenue by geographical markets based on location of customers:

	2008	2007
	HK$'000	*HK$'000*
Hong Kong	**218,419**	169,109
Macau	**47,439**	41,968
Other regions in the People's Republic of China (the "PRC")	**20,333**	20,350
	286,191	231,427

The following is an analysis of the carrying amounts of segment 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	
	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets				
Hong Kong	**4,044,416**	3,792,431	**68,991**	620,950
Macau	**266,600**	283,701	**224**	94
The PRC	**89,515**	90,325	**201**	162
	4,400,531	4,166,457	**69,416**	621,206

6. OTHER INCOME/OTHER EXPENSES

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Other income comprise:		
Gain on disposal of property, plant and equipment	**371**	9,320
Management fee income for the provision of property management services	**13,942**	5,211
Interest on bank deposits	**233**	2,010
Others	**986**	138
	15,532	16,679

Other expenses represent costs incurred for the provision of property management services.

7. FINANCE COSTS

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Interests on:		
Bank loans wholly repayable within five years	**28,818**	29,531
Advance from ultimate holding company wholly repayable within five years *(note 32d)*	**1,427**	–
Advance from a shareholder wholly repayable within five years	**451**	817
Other	**7**	–
	30,703	30,348
Less: amount capitalised in property under development	**(13,023)**	(7,894)
	17,680	22,454

8. LOSSES ON DISPOSAL AND DEEMED DISPOSAL OF PARTIAL INTEREST IN A SUBSIDIARY

On 23rd February, 2007, the Company disposed of 579,000,000 ordinary shares in Magnificent, a subsidiary of the Company, representing 10.6% of the total issued share capital of Magnificent, at HK$0.205 per ordinary share.

Pursuant to a subscription agreement dated 30th April, 2007 entered into between Magnificent and its minority shareholder, 500,000,000 new ordinary shares of HK$0.01 each of Magnificent were issued at a price of HK$0.278 per new ordinary share. The transaction, constitutes a deemed disposal of partial interest in Magnificent, was completed on 21st June, 2007.

In addition, on 8th August, 2007, the Company disposed of a further 216,000,000 ordinary shares in Magnificent, representing 3.62% of the total issued share capital of Magnificent, at HK$0.3 per ordinary share.

As a result of the above transactions, the total losses recognised on disposal and deemed disposal of partial interest in a subsidiary during the year ended 31st December, 2007 amounted to HK$79,221,000. The equity shareholding of the Group in Magnificent has been decreased to 50.07% upon completion.

9. PROFIT BEFORE TAXATION

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	**2,096**	1,976
Staff costs including directors' emoluments	**67,399**	53,526
Depreciation of property, plant and equipment	**20,703**	19,341
Release of prepaid lease payments for land	**18,161**	15,395
Less: amount capitalised and included in property under development	**(6,096)**	(3,330)
	12,065	12,065
Operating lease rental in respect of rented premises and equipment	**211**	331
Gross rental income from investment properties	**(78,345)**	(32,341)
Less: Direct operating expenses from investment properties that generated rental income during the year	**6,242**	2,297
	(72,103)	(30,044)

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

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

	Year ended 31st December, 2008				
	Directors' fees *HK$'000*	**Basic salaries, allowances and benefits-in-kind** *HK$'000*	**Performance related incentive payments** *HK$'000*	**Contributions to retirement benefits schemes** *HK$'000*	**Total** *HK$'000*
Mr. William Cheng Kai Man	**–**	**3,183**	**611**	**12**	**3,806**
Mr. Albert Hui Wing Ho	**–**	**1,306**	**459**	**12**	**1,777**
Mr. David Cheng Kai Ho (resigned on 20th March, 2009)	**–**	**–**	**–**	**–**	**–**
Madam Mabel Lui Fung Mei Yee	**33**	**–**	**–**	**–**	**33**
Mr. Vincent Kwok Chi Sun	**67**	**–**	**–**	**–**	**67**
Mr. Chan Kim Fai	**67**	**–**	**–**	**–**	**67**
Mr. Hui Kin Hing	**67**	**–**	**–**	**–**	**67**
	234	**4,489**	**1,070**	**24**	**5,817**

	Year ended 31st December, 2007				
	Directors' fees *HK$'000*	Basic salaries, allowances and benefits-in-kind *HK$'000*	Performance related incentive payments *HK$'000*	Contributions to retirement benefits schemes *HK$'000*	Total *HK$'000*
Mr. William Cheng Kai Man	–	3,064	721	12	3,797
Mr. Albert Hui Wing Ho	–	1,078	330	12	1,420
Mr. Fung Chi Keung (resigned on 19th March, 2007)	–	150	52	3	205
Mr. David Cheng Kai Ho	–	–	–	–	–
Madam Mabel Lui Fung Mei Yee	34	–	–	–	34
Mr. Vincent Kwok Chi Sun	77	–	–	–	77
Mr. Chan Kim Fai	66	–	–	–	66
Mr. Hui Kin Hing	66	–	–	–	66
	243	4,292	1,103	27	5,665

No directors waived any emoluments in the year ended 31st December, 2008 and 31st December, 2007.

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

During the year ended 31st December, 2008 and 31st December, 2007, no emolument was paid to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

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

(b) Employees' emoluments

Of the five individuals in the Group with the highest emoluments, two (2007: two) were directors of the Company, whose emoluments are included above. The emoluments of the remaining three individuals (2007: three individuals), whose emoluments are individually below HK$1,000,000, are as follows:

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Basic salaries, allowances and benefits-in-kind	**1,881**	1,835
Contributions to retirement benefits schemes	**36**	36
Performance related incentive payments	**645**	418
	2,562	2,289

11. INCOME TAX EXPENSE

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
The taxation charge comprises:		
Current tax		
Hong Kong	**11,292**	11,473
The PRC	**1,010**	61
Other jurisdiction	**1,712**	1,457
	14,014	12,991
(Over) underprovision in prior years:		
Hong Kong	**(487)**	609
Other jurisdiction	**(255)**	–
	(742)	609
Deferred tax *(note 27)*		
Current year	**11,724**	161,576
Attributable to a change in tax rate	**(18,130)**	(527)
	(6,406)	161,049
	6,866	174,649

Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of estimated assessable profit for the year. Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

11. INCOME TAX EXPENSE *(Continued)*

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profits tax rate by 1% to 16.5% effective from the year of assessment 2008/2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the year ended 31st December, 2008. The deferred tax liability balance as at 31st December, 2008 has been adjusted to reflect the tax rate that is expected to apply to the respective periods when the asset is realised or the liability is settled.

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 subsidiaries from 1st January, 2008. The deferred tax liability balance as at 31st December, 2007 has been adjusted to reflect the tax rate that are expected to apply to the respective periods when the asset is realised or the liability is settled.

According to a joint circular of the Ministry of Finance and State Administration of Taxation – Cai Shui【2008】No. 1, starting from 1st January, 2008, 10% withholding income tax will be imposed on dividends related to profits earned by the companies established in the PRC in the calendar year 2008 onwards being declared to their foreign shareholders pursuant to Articles 3 and 6 of the Enterprise Income Tax Law, and Article 17 of the Implementation Rules of Enterprise Income Tax Law. Deferred tax liabilities on the temporary differences attributable to the undistributed profits earned by the Group's PRC subsidiary of HK$270,000 were provided for the year ended 31st December, 2008.

The income tax expense for the year can be reconciled to the profit before taxation as follows:

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Profit before taxation	**135,267**	912,721
Tax at the domestic income tax rate of 16.5% (2007: 17.5%)	**22,319**	159,726
Tax effect of share of results of an associate	**–**	1
Tax effect of expenses not deductible for tax purpose	**2,961**	14,569
Tax effect of income not taxable for tax purpose	**(322)**	(2,273)
(Over) underprovision in prior years	**(742)**	609
Tax effect of tax losses not recognised	**1,719**	3,728
Utilisation of tax losses previously not recognised	**(3,380)**	(1,048)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(174)**	179
Decrease in opening deferred tax liability resulting from a decrease in applicable tax rate	**(18,130)**	(527)
Deferred tax liabilities arising on undistributed profits of a PRC subsidiary from 1st January , 2008 onwards	**270**	–
Others	**2,345**	(315)
Income tax expense	**6,866**	174,649

12. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year attributable to shareholders of the Company of HK$69,754,000 (2007: HK$394,749,000) and on 456,117,000 (2007: 456,117,000) shares in issue during the year. The number of shares adopted in the calculation of the earnings per share has been arrived at after eliminating the shares in the Company held by a subsidiary.

As disclosed in note 37, any outstanding mandatorily convertible bonds ("Bonds") are mandatory convertible into ordinary shares of Magnificent on the maturity date. For the year ended 31st December, 2008, no diluted earnings per share has been presented as assuming the mandatory conversion of the Bonds would result in an increase in earnings per share.

Diluted earnings per share for the year ended 31st December, 2007 is not shown as there are no potential ordinary shares subsist during the year presented.

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Hotel buildings	Furniture, fixtures and equipment	Motor vehicles and vessels	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP					
COST					
At 1st January, 2007	27,015	382,077	37,336	5,926	452,354
Exchange adjustments	–	3,802	93	–	3,895
Additions	–	–	1,656	11,286	12,942
Transferred from investment properties *(note a)*	21,670	–	–	–	21,670
Disposals	–	–	(51)	(196)	(247)
At 31st December, 2007	48,685	385,879	39,034	17,016	490,614
Exchange adjustments	–	4,165	347	–	4,512
Additions	–	–	2,175	1,442	3,617
Transferred from investment properties *(note a)*	7,927	–	–	–	7,927
Disposals	–	–	–	(898)	(898)
At 31st December, 2008	**56,612**	**390,044**	**41,556**	**17,560**	**505,772**
DEPRECIATION					
At 1st January, 2007	1,272	27,788	14,288	3,079	46,427
Exchange adjustments	–	211	46	1	258
Provided for the year	932	8,480	7,260	2,669	19,341
Eliminated on disposals	–	–	(48)	(130)	(178)
At 31st December, 2007	2,204	36,479	21,546	5,619	65,848
Exchange adjustments	–	875	243	–	1,118
Provided for the year	1,394	8,480	7,823	3,006	20,703
Eliminated on disposals	–	–	–	(419)	(419)
At 31st December, 2008	**3,598**	**45,834**	**29,612**	**8,206**	**87,250**
CARRYING AMOUNTS					
At 31st December, 2008	**53,014**	**344,210**	**11,944**	**9,354**	**418,522**
At 31st December, 2007	46,481	349,400	17,488	11,397	424,766

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

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$7,927,000 (2007: HK$21,670,000), being the fair value of the properties at the date of reclassification, have been reclassified to property, plant and equipment. The fair value of such investment properties at the date of transfer was determined by Dudley Surveyors Limited. The valuation was arrived at by reference to market evidence of transaction prices of similar properties in similar location and condition under the prevailing market conditions.

(b) 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%

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

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

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
In Hong Kong		
On long leases	**133,465**	136,464
Under medium-term leases	**45,463**	46,970
In Macau under medium-term leases	**108,623**	111,273
In the PRC under medium-term leases	**56,668**	54,693
	344,219	349,400

14. PREPAID LEASE PAYMENTS FOR LAND

The prepaid lease payments comprise:

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Land in Hong Kong on		
Long leases	**753,630**	517,764
Medium-term leases	**502,334**	462,944
	1,255,964	980,708
Land in Macau on medium-term leases	**28,297**	28,997
Land in the PRC on medium-term leases	**29,580**	30,417
	1,313,841	1,040,122
Analysed for reporting purposes as:		
Non-current asset	**1,301,432**	1,028,057
Current asset	**12,409**	12,065
	1,313,841	1,040,122

15. INVESTMENT PROPERTIES

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
FAIR VALUE		
At the beginning of the year	**2,536,250**	634,330
Additions	**2,994**	526,339
Reclassified to property, plant and equipment *(note 13(a))*	**(7,927)**	(21,670)
Reclassified (to) from properties under development *(note 16)*	**(638,541)**	288,830
Reclassified from prepaid lease payments for land	**–**	185,802
Revaluation surplus upon completion of the development	**–**	784,842
Increase in fair value recognised in consolidated income statement	**24,804**	137,777
At the end of the year	**1,917,580**	2,536,250

15. INVESTMENT PROPERTIES *(Continued)*

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

	2008	2007
	HK$'000	*HK$'000*
Land and buildings in Hong Kong on land held:		
On long leases	**1,684,680**	1,646,350
Under medium-term leases	**111,200**	757,600
Land and buildings in Macau held under medium-term leases	**121,700**	132,300
	1,917,580	2,536,250

In the current year, an investment property of the Group was transferred from the balances of investment properties to property under development upon the change in use from rental and capital appreciation to hotel operation purpose. The fair value of the transferred property at the date of transfer was determined by reference to a valuation carried out by Dudley Surveyors Limited. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

In the prior 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 was arrived at by reference to market evidence of transaction prices for similar properties in similar location and condition under the prevailing market conditions. 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 in the prior year.

The fair value of the Group's investment properties at 31st December, 2008 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 The Hong Kong Institute of Valuers ("HKIS"), and was arrived at by adopting the direct comparison approach making reference to the recent transactions of similar properties in similar location and condition 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$1,918 million (2007: HK$2,536 million) were rented out under operating leases at the balance sheet date.

16. PROPERTY UNDER DEVELOPMENT

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
At cost		
At the beginning of the year	**39,718**	234,897
Additions	**63,655**	93,651
Transferred from (to) investment properties *(note 15)*	**638,541**	(288,830)
At the end of the year	**741,914**	39,718

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

Included in the carrying amount of the property under development at the end of the year are interest expenses of HK$17,851,000 (2007: HK$4,828,000) capitalised. The Group's property under development is situated in Hong Kong and is mainly held for hotel redevelopment purpose.

17. INVESTMENTS IN/AMOUNTS DUE FROM SUBSIDIARIES

	THE COMPANY	
	2008	2007
	HK$'000	*HK$'000*
INVESTMENTS IN SUBSIDIARIES		
Cost		
Shares listed in Hong Kong	**330,222**	330,222
Unlisted shares, at cost	**33,055**	17,623
	363,277	347,845
Market value of listed shares	**222,198**	812,919
AMOUNTS DUE FROM SUBSIDIARIES		
Amounts due from subsidiaries	**599,053**	616,196
Less: Impairment loss recognised	**(4,167)**	(4,167)
	594,886	612,029
Analysed for reporting purposes as:		
Non-current asset	**549,478**	81,161
Current asset	**45,408**	530,868
	594,886	612,029

The amounts due from subsidiaries are interest free and unsecured with no fixed repayment terms. In the opinion of the directors, the amounts other than amount repayable within one year of HK$45,408,000 (2007; HK$530,868,000) and have been included in the current assets, will not be repayable within next twelve months from the balance sheet date, accordingly are classified as non-current. 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, 2008 are reduced by HK$15.4 million (2007: HK$4 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 2.9% (2007: 5.3%) per annum.

Particulars regarding the principal subsidiaries at 31st December, 2008 and 31st December, 2007 are set out in note 33.

18. INTEREST IN AN ASSOCIATE

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Cost of investments, unlisted	**–**	123
Impairment loss recognised	**–**	(123)
	–	–

The unlisted investment at 31st December, 2007 represented the Group's 50% equity interest in Lucky Country Development Limited, a company incorporated and operating in Hong Kong which has finished the member's voluntarily liquidation during the year.

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

	THE GROUP			
	Available-for-sale investments Non-current		**Investments held for trading Current**	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Listed securities at fair value *(note a)*				
Equity securities listed in Hong Kong	**78,253**	105,173	**1**	7
Debt securities listed outside Hong Kong	**–**	–	**–**	20,691
Unlisted equity investments *(note b)*	**780**	780	**–**	–
	79,033	105,953	**1**	20,698

Notes:

(a) The fair value of listed securities is determined by reference to quoted market bid price from the Hong Kong Stock Exchange.

The Group's non-current equity securities listed in Hong Kong include approximately 20.57% (2007: 20.57%) interest in Shun Ho Resources, which is a public company incorporated and listed in Hong Kong. The principal activities of Shun Ho Resources and its subsidiaries are investment and operation of hotels, property investment, property development, securities investment and trading, and treasury investment.

The Company is a subsidiary of Shun Ho Resources. Under the Hong Kong Companies Ordinance, members of the Group who are shareholders of Shun Ho Resources have no right to vote at its meetings. The directors are of the opinion that the Group is not in a position to exercise significant influence over Shun Ho Resources, the results of Shun Ho Resources have therefore 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 values cannot be measured reliably.

20. TRADE AND OTHER RECEIVABLES/AMOUNT DUE FROM A SHAREHOLDER

Except for a credit period of 30 to 60 days granted to travel agencies and customers of the hotels, the Group does not allow any credit period to customers. The following is an aged analysis of the Group's trade receivables at the balance sheet date:

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
0-30 days	**16,294**	11,670
31-60 days	**634**	2,304
Over 60 days	**96**	1,297
	17,024	15,271
Analysed for reporting as:		
Trade receivables	**16,996**	15,242
Other receivables	**1,894**	1,641
	18,890	16,883
Amount due from a shareholder	**28**	29
Less: other receivables	**(1,894)**	(1,641)
	17,024	15,271

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit rating limits. 96% (2007: 76%) of the trade receivables are neither past due nor impaired, and no impairment has been made to these trade receivable as the directors believe that the amounts are with good credit quality.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$730,000 (2007: HK$3,601,000) which are past due at the reporting date for which the Group has not provided for impairment loss, by taking into account the past default experience. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired:

	2008	2007
	HK$'000	*HK$'000*
31-60 days	**634**	2,304
Over 60 days	**96**	1,297
Total	**730**	3,601

21. AMOUNTS DUE TO SUBSIDIARIES

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

22. PLEDGED BANK DEPOSITS/TIME DEPOSITS/BANK BALANCES AND CASH

THE GROUP

The pledged bank deposits carry floating interest at the market rate which range from 0.01% to 1% (2007: 1% to 2.2%) per annum and represent deposits pledged to a bank to secure short-term banking facilities granted to the Group.

Time deposits carry fixed interest which range from 0.475% to 0.7% per annum.

Bank balances carry interest at prevailing market interest rates ranging from 0.01% to 1.5% (2007: 1.5% to 3%) per annum.

THE COMPANY

Bank balances carry interest at prevailing market interest rates ranging from 0.01% to 1.5% (2007: 1.5% 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	
	2008	2007
	HK$'000	*HK$'000*
0-30 days	**8,522**	9,307
31-60 days	**633**	986
Over 60 days	**6,488**	3,536
	15,643	13,829

Analysed for reporting as:

Trade payables	**15,643**	13,829
Other payables	**26,822**	27,943
	42,465	41,772

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	
	2008	2007
	HK$'000	*HK$'000*
Secured		
Bank loans	**1,044,339**	873,550
Carrying amount repayable:		
On demand or within one year	**181,914**	873,550
More than one year, but not exceeding two years	**763,425**	–
More than two years, but not more than five years	**99,000**	–
	1,044,339	873,550
Less: Amounts due within one year shown under current liabilities	**(181,914)**	(873,550)
	862,425	–

All the Group's bank loans are floating-rate borrowings, which carry interests at HIBOR plus 0.65% to 1.2% in respect of both of the years presented. The bank loans are secured over certain of the Group's properties. Interest rate on the Group's bank loans are repriced according to the HIBOR monthly. Effective interest rate is 2.9% (2007: 5%) per annum.

At the balance sheet date, the undrawn bank loan facilities of the Group amounted to an aggregate of approximately HK$450 million (2007: HK$386 million).

25. SHARE CAPITAL

	Number of shares		Nominal value	
	2008	2007	**2008**	2007
	'000	*'000*	***HK$'000***	*HK$'000*
Ordinary shares of HK$0.5 each				
Authorised:				
At 1st January, 2008	**640,000**	640,000	**320,000**	320,000
Addition during the year	**760,000**	–	**380,000**	–
At 31st December, 2008	**1,400,000**	640,000	**700,000**	320,000
Issued and fully paid:				
At the beginning and the end of the year	**537,077**	537,077	**268,538**	268,538

Pursuant to an ordinary resolution approved on the members' meeting held on 30th May 2008, the authorised share capital of the Company was increased from HK$320,000,000 to HK$700,000,000 by the creation of an additional 760,000,000 shares of HK$0.5 each, which rank pari passu with the then existing shares in all respects.

At 31st December, 2008 and 2007, the Company's 80,960,000 (2007: 80,960,000) issued shares with an aggregate nominal value of HK$40,480,000 (2007: HK$40,480,000) were held by a subsidiary of Magnificent. In accordance with the Hong Kong Companies Ordinance, members of the Group who are shareholders of the Company have no right to vote at meetings of the Company.

26. SHARE PREMIUM AND RESERVES

	Share premium *HK$'000*	Capital reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
THE COMPANY				
At 1st January, 2007	118,800	4,181	440,455	563,436
Profit for the year	–	–	94,824	94,824
At 31st December, 2007	118,800	4,181	535,279	658,260
Share issue expense	(30)	–	–	(30)
Profit for the year	–	–	18,119	18,119
At 31st December, 2008	**118,770**	**4,181**	**553,398**	**676,349**

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 *HK$'000*	Revaluation of properties *HK$'000*	Accelerated tax depreciation *HK$'000*	Withholding tax *HK$'000*	Tax losses *HK$'000*	Total *HK$'000*
At 1st January, 2007	122,279	28,766	5,931	–	(764)	156,212
(Credit) charge to consolidated income statement	(1,276)	161,458	8,141	–	(6,747)	161,576
Effect of change in tax rate	–	–	(527)	–	–	(527)
At 31st December, 2007	121,003	190,224	13,545	–	(7,511)	317,261
Charge (credit) to consolidated income statement	1,043	4,093	11,908	270	(5,590)	11,724
Effect of change in tax rate	(6,914)	(10,871)	(774)	–	429	(18,130)
At 31st December, 2008	**115,132**	**183,446**	**24,679**	**270**	**(12,672)**	**310,855**

At the balance sheet date, the Group had unused tax losses of HK$109,608,000 (2007: HK$65,662,000) available to offset against future profits. A deferred tax asset has been recognised in respect of such losses to the extent of HK$76,799,000 (2007: HK$42,920,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK$32,809,000 (2007: HK$22,742,000) due to the unpredictability of future profit streams. All the unrecognised tax losses may be carried forward indefinitely.

28. PROJECT/CAPITAL 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:

		2008	2007
		HK$'000	*HK$'000*
(a)	Property development expenditure	**12,958**	16,537
(b)	Acquisition of prepaid lease payments for land for development	**–**	89,186
(c)	Acquisition of property, plant and equipment	**1,503**	–

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$78,345,000 (2007: HK$32,341,000). The properties under leases have committed tenants for one to five 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:

	2008	2007
	HK$'000	*HK$'000*
Within one year	**85,604**	43,280
More than one year but not more than five years	**87,095**	52,740
Over five years	**–**	3,116
	172,699	99,136

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:

	2008	2007
	HK$'000	*HK$'000*
Within one year	**25**	102
More than one year but not more than five years	**–**	7
	25	109

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

30. PLEDGE OF ASSETS

At 31st December, 2008, the bank loan facilities of the Group were secured by the following:

(a) prepaid lease payments for land, investment properties, property under development and property, plant and equipment of the Group with carrying amounts of HK$1,083 million (2007: HK$775 million), HK$1,435 million (2007: HK$2,047 million), HK$742 million (2007: HK$40 million) and HK$180 million (2007: HK$187 million), respectively;

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

(c) Bank deposits with a carrying amount of HK$110,000 (2007: HK$110,000).

At 31st December 2007, the Group also pledged listed debt securities with an aggregate market value of approximately HK$21 million for the banking facilities.

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$1,777,000 (2007: HK$1,747,000). The forfeited contributions under the Group's defined contribution retirement scheme are 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:

	2008	2007
	HK$'000	*HK$'000*
THE GROUP		
Shun Ho Resources		
Corporate management fee income for administrative facilities provided	**100**	125
Amount due to the Group at the end of the year *(note a)*	**28**	29
Interest expenses on advance due by the Group *(note b)*	**451**	817
Advance due by the Group at the end of the year *(note b)*	**13,854**	14,656
Compensation of key management personnel *(note c)*	**5,817**	5,665

	2008	2007
	HK$'000	*HK$'000*
THE COMPANY		
Shun Ho Resources		
Interest expenses on advance due to the Group	**451**	817
Advance due by the Company at the end of the year *(note b)*	**13,854**	14,656

Notes:

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

(b) During the year, the holding company, Shun Ho Resources, made unsecured short-term advances to the Company which carry interest chargeable at HIBOR plus 1% (i.e. 1.2% (2007: 4.7%)) per annum.

(c) Compensation of key management personnel

The remuneration of directors which are also the key management personnel of the Group during the year was as follows:

	2008	2007
	HK$'000	*HK$'000*
Short-term benefits	**5,793**	5,638
Post-employment benefits	**24**	27
	5,817	5,665

The remuneration of directors is having regard to the performance of individuals and market trends.

(d) The amount is unsecured, carries interest at HIBOR plus 1% and repayable on demand. The effective interest rate is 2.6% (2007: nil) per annum.

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES

All the principal subsidiaries are incorporated and operating in Hong Kong except as otherwise indicated. None of the subsidiaries had any debt securities outstanding at 31st December, 2008 or at any time during the year.

Name of subsidiary	Paid up issued ordinary share/ registered capital Number of shares	Par value	Proportion of nominal value of issued ordinary share/ registered capital held by 2008 Company %	2008 Subsidiary %	2007 Company %	2007 Subsidiary %	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
Good Taylor Limited	2	HK$1	**100**	**–**	100	–	Investment holding
Grand-Invest & Development Company Limited *(ii)*	100,000	MOP1	**–**	**100**	–	100	Hotel investment and operation
Himson Enterprises Limited	2	HK$1	**–**	**100**	–	100	Property development
Himson Enterprises Limited *(i)*	1	US$1	**–**	**100**	–	100	Investment holding
Hotel Taipa Limited	2	HK$10	**–**	**100**	–	100	Property investment
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 trading
Longham Investment Limited	2	HK$1	**–**	**100**	–	100	Investment holding
Longham Investment Limited *(i)*	1	US$1	**–**	**100**	–	100	Investment holding
Magnificent Estates Limited	5,964,700,883	HK$0.01	**45.4**	**11.31**	45.4	4.67	Investment holding and provision of management services
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
New Champion Developments Limited *(i)*	1	US$1	**–**	**100**	–	100	Vessel leasing
Noblesse International Limited *(i)*	1	US$1	**100**	**–**	100	–	Property investment
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 operation
Shun Ho Capital Properties Limited *(i)*	1	US$1	**–**	**100**	–	100	Investment holding
Shun Ho (Lands Development) Limited *(i)*	10	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
Sino Money Investments Limited	10,000	HK$1	**–**	**100**	–	–	Property development

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Paid up issued ordinary share/ registered capital Number of shares	Par value	Proportion of nominal value of issued ordinary share/ registered capital held by 2008 Company %	2008 Subsidiary %	2007 Company %	2007 Subsidiary %	Principal activities
South Point Investments Limited *(i)*	1	US$1	**100**	**–**	100	–	Investment holding
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 operations 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 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 affect 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 shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt, which includes advance from a shareholder and ultimate holding company and bank loans disclosed in respective notes in the consolidated financial statements (net of bank balances and cash) and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained profits as disclosed in the 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 long 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 risk management during the year.

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**43,330**	30,775
Investments held for trading	**1**	20,698
Available-for-sale investments	**79,033**	105,953
	122,364	157,426
Financial liabilities		
Amortised cost	**1,178,091**	941,035

	THE COMPANY	
	2008	2007
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**595,126**	612,268
Financial liabilities		
Amortised cost	**15,299**	31,921

(b) Financial risk management objectives and policies

The management of the Group and the Company monitors and manages the financial risks relating to the operations of the Group 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)*

(c) Foreign currency risk management

Certain subsidiaries of the Company had investments held for trading in the prior year which was denominated in United States dollars, and was other than the functional currency of the relevant group entity (i.e. Hong Kong dollars) which exposed the Group to foreign currency risk. The Group is also subject to foreign currency risk which is mainly attributable to the exposure on Hong Kong dollars in respect of an inter-company balance of a subsidiary operating in the PRC. 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.

Foreign currency sensitivity

THE GROUP

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 over the period until the next annual balance sheet date. 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 performed on the same basis for 2007.

THE GROUP

The following table indicates the approximate change in the Group's and the Company'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.

	2008		2007	
	Strength (weaken) in foreign currencies	**Effect on profit or (loss)**	Strength (weaken) in foreign currencies	Effect on profit or (loss)
		HK$'000		*HK$'000*
United States dollars	**1%**	**–**	1%	171
	(1%)	**–**	(1%)	(171)
Hong Kong dollars *(note)*	**5%**	**(318)**	5%	(674)
	(5%)	**318**	(5%)	674

Note: This is mainly attributable to the exposure on Hong Kong dollars in respect of an inter-company balance of subsidiary operating in the PRC. This inter-company balance is eliminated on consolidation level.

THE COMPANY

The Company has no significant foreign currency risks for both years.

35. FINANCIAL INSTRUMENTS *(Continued)*

(d) Interest rate risk management

The Group and the Company have exposures to cash flow interest rate risk as its pledged bank deposits, bank balances, advance from a shareholder and ultimate holding company and bank loans are subject to floating interest rate. 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 a shareholder and ultimate holding company and bank loans.

The Group is also subject to fair value interest rate risk as its time deposits is subject to fixed interest rate.

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

Interest rate sensitivity

THE GROUP

The sensitivity analyses for the Group below have been determined based on the exposure to interest rates for non-derivative instruments including floating-rate advance from ultimate holding company and a shareholder and bank loans at the balance sheet date. For floating-rate financial instruments, the analysis is prepared assuming the amount of financial instruments are 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 profit for the year ended 31st December, 2008 would decrease/increase by HK$5,593,000 (2007: decrease/increase by HK$4,441,000). This is mainly attributable to the Group's exposure to interest rates on its floating-rate borrowings.

The effect on pledged bank deposits and bank balances have not been taking into account in preparing the sensitivity analysis because the effect involved is not significant.

THE COMPANY

The Company has no significant interest rate risks for both years.

35. FINANCIAL INSTRUMENTS *(Continued)*

(e) Other price risks

The Group is exposed to other 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 other price risks at the reporting date. If the market price of the 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 for the Group. This is mainly due to changes in fair value of investments held for trading. The impact for the year ended 31st December, 2008 is insignificant.

- securities revaluation reserve for the year ended 31st December, 2008 would increase/decrease by HK$7,825,000 (2007: increase/decrease by HK$10,595,000) 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 risks exposure at the balance sheet date.

(f) 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, 2008 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.

The Group's credit risk is primarily attributable to trade receivables and other receivables. The Company's credit risk is primarily attributable to 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 review 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, time deposits and bank balances is limited because the counterparties are a number of 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 on trade and other receivables, with exposure spread over a number of counterparties and customers.

The Company has no significant concentration of credit risk on amounts due from subsidiaries, with exposure spread over a number of subsidiaries.

35. FINANCIAL INSTRUMENTS *(Continued)*

(g) Liquidity risk management

The Group had net current liabilities of approximately HK$251 million at 31st December, 2008 which include bank loans and advances from a shareholder and ultimate holding company of approximately HK$182 million, HK$14 million and HK$60 million, respectively. The directors of the Company closely monitor the cash flows of the Group and, upon maturity, would arrange the renewal and refinancing of the bank loans, where necessary, to enable the Group to carry on its operations in the foreseeable future. At the balance sheet date, the available banking facilities of the Group amounted to approximately HK$1,494 million, which was utilised to the extent of approximately HK$1,044 million. In the opinion of the directors of the Company, the Group expects to renew the existing banking facilities on similar terms and conditions when the existing banking facilities of the Group mature. In this regard, the directors consider that the Group's liquidity risk is significantly reduced.

As the aggregate market value of the Group's investment properties, hotel properties, property under development, prepaid lease payments for land and properties for sale 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. The directors consider that the amount of additional banking facilities which can be obtained by further pledge of the Group's assets exceed the amount of current liabilities of the Group. Accordingly, the directors of the Company are of the opinion that the Group'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.

THE GROUP

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2008							
Non-interest bearing	–	28,652	638	30,181	–	59,471	59,471
Floating interest rate instruments	3.64	86,380	4,696	199,648	886,170	1,176,894	1,118,620
		115,032	5,334	229,829	886,170	1,236,365	1,178,091

35. FINANCIAL INSTRUMENTS *(Continued)*

(g) Liquidity risk management *(Continued)*

THE GROUP

	Weighted average effective interest rate %	Less than 1 month *HK$'000*	1-3 months *HK$'000*	3 months to 1 year *HK$'000*	1-5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
2007							
Non-interest bearing	–	29,913	1,427	21,489	–	52,829	52,829
Floating interest rate instruments	5.03	772,448	119,481	–	–	891,929	888,206
		802,361	120,908	21,489	–	944,758	941,035

The Company had net current assets of approximately HK$32 million at 31st December, 2008. The directors of the Company consider that sufficient internal financial resources can be obtained from its subsidiaries, and 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 *%*	**Less than 1 month** ***HK$'000***	**1-3 months** ***HK$'000***	**3 months to 1 year** ***HK$'000***	**1-5 years** ***HK$'000***	**Total undiscounted cash flows** ***HK$'000***	**Carrying amount** ***HK$'000***
2008							
Non-interest bearing	**–**	**1,445**	**–**	**–**	**–**	**1,445**	**1,445**
Floating interest rate instruments	**1.2**	**13,868**	**–**	**–**	**–**	**13,868**	**13,854**
		15,313	**–**	**–**	**–**	**15,313**	**15,299**

	Weighted average effective interest rate %	Less than 1 month *HK$'000*	1-3 months *HK$'000*	3 months to 1 year *HK$'000*	1-5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
2007							
Non-interest bearing	–	17,265	–	–	–	17,265	17,265
Floating interest rate instruments	5.28	14,720	–	–	–	14,720	14,656
		31,985	–	–	–	31,985	31,921

35. FINANCIAL INSTRUMENTS *(Continued)*

(h) 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 bid 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 or rates from observable current market transactions as input.

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

36. ACQUISITION OF A SUBSIDIARY

On 21st May, 2008, a wholly-owned subsidiary of the Company, Babenna Limited, had entered into an agreement with Phoenix Asia Real Estate Investments L.P., Dennis Law Sau Yiu and Law Kwok Hung (the "Vendors") for the acquisition of the 100% equity interests in Sino Money Investments Limited ("Sino Money") for a consideration of HK$198,000,000. The acquisition was completed on 15th August, 2008. The major activity of Sino Money is holding a property located in Hong Kong and accordingly, the transaction has been accounted for as the acquisition of assets.

	HK$'000
Asset acquired:	
Prepaid lease payments for land	198,000
Total consideration satisfied by:	
Cash	198,000
Cash outflow arising on acquisition:	
Cash consideration paid	(198,000)

The contribution from Sino Money to the Group's profit for the period between the date of acquisition and the balance sheet date is immaterial.

37. NON-CASH TRANSACTION WITH RELATED PARTIES

On 1st August, 2008, Magnificent and the Company have entered into an underwriting agreement (the "Underwriting Agreement") whereby the Company agreed conditionally to accept or procure the acceptance of the Group's portion and to underwrite all the Bonds other than the Group's portion in relation to the rights issue.

On 14th October, 2008 ("Issue Date"), Magnificent allotted the Bonds in the principal amount of HK$477,176,000 for a total of 2,982,350,441 Bonds. The Group has subscribed for HK$238,945,000 for 1,493,404,703 units of the Bonds and has underwritten HK$237,567,000 for 1,484,793,878 units of the Bonds.

After allotment, the Group held 2,978,198,581 units of the Bonds, over 99% of the total issued Bonds. The total amount of HK$476,512,000 regarding the subscription and the underwriting of the Bonds was set off in full against the advance due from Magnificent to the Company.

Upon full conversion, the Group will hold an additional 2,978,198,581 shares in Magnificent.

Effective interest expenses on the Bonds attribute to non-controlling interests for the year ended 31st December, 2008 is HK$7,000.

Financial Summary

	For the year ended 31st December,				
	2004	2005	2006	2007	**2008**
	HK$'000	*HK$'000*	*HK$'000*	HK$'000	***HK$'000***
	(restated)				
CONSOLIDATED RESULTS					
Revenue	187,855	232,213	188,771	231,427	**286,191**
Operating profit	255,677	63,307	137,944	912,725	**135,267**
Share of profits (losses) of associates	51,281	(222)	(195)	(4)	**–**
Profit before taxation	306,958	63,085	137,749	912,721	**135,267**
Income tax (expense) credit	(10,051)	7,704	(23,361)	(174,649)	**(6,866)**
Profit before non-controlling interest/ minority interests	296,907	70,789	114,388	738,072	**128,401**
Non-controlling interest/minority interests	(57,973)	(19,256)	(32,041)	(343,323)	**(58,647)**
Profit for the year	238,934	51,533	82,347	394,749	**69,754**

	As at 31st December,				
	2004	2005	2006	2007	**2008**
	HK$'000	*HK$'000*	*HK$'000*	HK$'000	***HK$'000***
	(restated)				
CONSOLIDATED NET ASSETS					
Property, plant and equipment	267,441	398,572	405,927	424,766	**418,522**
Prepaid lease payments for land	806,143	822,489	802,483	1,028,057	**1,301,432**
Investment properties	616,200	560,000	634,330	2,536,250	**1,917,580**
Property under development	70,535	85,927	234,897	39,718	**741,914**
Interests in associates	867	645	554	–	**–**
Other non-current assets	55,211	30,829	33,333	110,647	**79,200**
Negative goodwill	(148,415)	–	–	–	**–**
Net current assets (liabilities)	220,846	(123,340)	(206,226)	(869,386)	**(251,175)**
Long term bank loans	(315,785)	–	–	–	**(862,425)**
Deferred tax liabilities	(149,302)	(142,047)	(156,212)	(317,261)	**(310,855)**
Non-controlling interest/minority interests	(385,163)	(400,547)	(430,758)	(1,198,121)	**(1,074,858)**
Net assets	1,038,578	1,232,528	1,318,328	1,754,670	**1,959,335**

Note: The results for all years prior to 2004 are stated on the basis of the company's former accounting policies, which were changed with effect from 1st January 2005 (with 2004 figures restated).

Particulars of Major Properties

At 31st December, 2008

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 Road South Shanghai, The PRC	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%

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, 2008	Expected date of completion	Lease term	Group's attributable interest
30-40 Bowrington Road Causeway Bay Hong Kong	Hotel	63,135	4,209	Under foundation work	2010	Medium-term lease	100%
239-251 Queen's Road West Hong Kong	Hotel	96,000	6,371	Under foundation work	2010	Long lease	100%
19-23 Austin Avenue Tsimshatsui Kowloon, Hong Kong	Hotel	90,000	7,327	Under demolition work	2011	Medium-term lease	100%
338-346 Queen's Road West Hong Kong	Hotel	55,000	4,890	Under foundation work	2011	Long lease	100%

This page is intentionally left blank