MAGNIFICENT ESTATES LIMITED

（華大地產投資有限公司）

(Stock Code 股份代號: 201)

ANNUAL REPORT 2008

二零零八年年報

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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 Director
Mr. Vincent Kwok Chi Sun
Mr. Chan Kim Fai
Mr. Hui Kin Hing

Company Secretary
Mr. Peter Lee Yip Wah

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

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

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

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

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

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

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Magnificent Estates Limited (the "Company") will be held at 5th Floor, Ramada Hong Kong Hotel, 308 Des Voeux Road West, Hong Kong on Friday, the 5th day of June, 2009 at 8:30 a.m. for the following purposes:

1. To receive and consider the audited Financial Statements, the Report of the Directors and the Independent Auditor's Report for the year ended 31st December, 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 Shun Ho Technology Holdings Limited, the immediate holding company of the Company and Shun Ho Resources Holdings Limited, the intermediate 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 Shun Ho Technology Holdings Limited, the immediate holding company of the Company and Shun Ho Resources Holdings Limited, the intermediate 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$33,334 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.

Daily Management Team of Financial Control, Property Managements, Hotel Operations and Developments

I present to the shareholders my report on the results and operations of Magnificent Estates Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31st December, 2008.

RESULTS

The Group's audited consolidated profit attributable to shareholders of the Company for the year ended 31st December, 2008 amounted to HK$123,115,000 (2007: HK$806,838,000). Before the revaluations of all investment properties and its related deferred taxation, depreciation and release of prepaid lease payments for land, the operating profit attributable to shareholders of the Company for the year ended 31st December 2008 amounted to HK$115 million which represents an increase of 61% compared with that of the last year.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31st December, 2008 (2007: HK0.24 cents per share).

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.

By Order of the Board

William CHENG Kai Man
Chairman

Hong Kong, 14th April, 2009

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

The audited consolidated profit attributable to shareholders of the Company for the year ended 31st December, 2008 amounted to HK$123,115,000.

Before the revaluations surplus of all investment properties and its related deferred taxation, depreciation and release of prepaid lease payment for land, the operating profit attributable to shareholders of the Company for the year ended 31st December, 2008 is HK$115 million, which is 61% above last year.

The net assets before deferred tax (not including revaluation on all asset properties) of the Group amounted to HK$3,103 million (HK$0.52 per share) during the financial year.

The net assets after valuation on all asset properties but before deferred tax of the Group ("Fully Revalued Net Assets") amounted to **HK$4,976 million (HK$0.83 per share).**

- 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, which is analysed as follows:

Turnover	**2008**	2007	**Change**
	HK$'000	*HK$'000*	*%*
Income from operation of hotels	**207,135**	197,658	+5
Properties rental income	**78,345**	32,341	+142
Interest income from debt securities	**671**	1,348	-50
Dividend income	**40**	80	-50
	286,191	231,427	
Other income	**15,532**	15,116	+3
Total	**301,723**	246,543	

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.

	Ramada Hotel Kowloon		**Ramada Hong Kong Hotel**		**Best Western Hotel Taipa, Macau**		**Magnificent International Hotel, Shanghai**	
	Avg Room Occupancy	**Avg Room Rate**	**Avg Room Occupancy**	**Avg Room Rate**	**Avg Room Occupancy**	**Avg Room Rate**	**Avg Room Occupancy**	**Avg Room Rate**
	%	*HK$*	*%*	*HK$*	*%*	*HK$*	*%*	*HK$*
2008								
Jan	97	786	95	674	96	381	75	327
Feb	95	676	92	616	96	441	64	315
Mar	97	860	93	757	97	391	84	404
Apr	98	974	93	871	97	393	84	406
May	97	661	89	592	97	401	86	382
Jun	97	632	91	569	96	379	74	366
Jul	98	679	97	597	97	387	81	326
Aug	95	684	93	591	94	427	64	309
Sep	97	752	91	637	92	383	85	309
Oct	98	1,036	91	897	95	433	79	401
Nov	98	769	97	678	99	418	77	376
Dec	98	804	96	678	98	432	72	307
Avg/yr	97	777	93	680	96	409	77	354
2008 Total		**HK$61,504,000**		**HK$80,294,000**		**HK$45,004,000**		**HK$20,333,000**
2007 Total		HK$58,932,000		HK$78,683,000		HK$39,693,000		HK$20,350,000
Change		**+4%**		**+2%**		**+13%**		**–%**

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.

	The period from 1.1.2008 to 30.6.2008	The period from 1.7.2008 to 31.12.2008	Total
	HK$'000	*HK$'000*	*HK$'000*
633 King's Road	18,970	29,544	**48,514**
Shun Ho Tower	6,633	7,731	**14,364**
19-23 Austin Avenue	5,635	under development	**5,635**
Shops	4,795	5,037	**9,832**
Total	**36,033**	**42,312**	**78,345**

Other income amounted to HK$15.5 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.

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

Name of Hotel	*HK$*
Centralized sales office	0.4 million per month
Ramada Hotel Kowloon	2.6 million per month
Ramada Hong Kong Hotel	2.9 million per month
Best Western Hotel Taipa, Macau	1.8 million per month
Magnificent International Hotel, Shanghai	1.0 million per month
Total	**HK$8.7 million per month (HK$104 million per year)**

Administrative expenses of HK$16 million (2007: HK$16 million) per annum or HK$1.3 million per month was for corporate office representing directors' fees, salaries for executive staff and employees, rental, marketing expenses and office expenses.

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.

- At 31st December 2008, the overall debt was HK$1,150 million (2007: HK$1,404 million) of which, HK$1,044 million (2007: HK$ 873 million) was external bank loans and HK$106 million (2007: HK$531 million) was advance from shareholders.

The debt ratio was 18% (2007: 22%) in term of overall debt of HK$1,150,000,000 against the total fully valued assets of HK$6,245,709,000.

The gearing ratio was approximately 41% (2007: 59%) against funds employed of HK$2,829 million (2007: HK$2,361 million).

The overall debts was analysed as follows:

	Interest Paid 2008	2008	2007	Change
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Overall debt	**47**	**1,150**	1,404	-254
– external bank loans	**29**	**1,044**	873	+171
– shareholders' loans	**15**	**106**	531	-425
Debt ratio (based on Fully Revalued Assets)		**18%**	22%	-4%
Mandatorily convertible bonds (The bonds will be mandatorily converted to capital on 13th April, 2011)	**3**	**477**	–	–

The lowering of the overall debts during the year was due to the hotel development acquisitions, construction expenses less the successful issue of the mandatorily convertible bonds:

	HK$ million
Acquisition of 338-346 Queen's Road West	138
Acquisition of 249-251 Queen's Road West	60
Construction cost for 30-40 Bowrington Road	13
Construction cost for 239-251 Queen's Road West	12
	223
Less: Mandatorily convertible bonds	(477)
Total	**(254)**

- Of these loans, the total interest expenses amounted to HK$47 million, of which HK$29 million was paid to bank borrowings, HK$15 million was paid to shareholder loans and HK$3 million was paid to bonds holders.

  Out of these interests totally paid, HK$13 million was capitalized and HK$34 million reflected in the expenses account.

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

(a) The properties of the Group as valued by the independent professional valuer at market value as at 31st December, 2008 and the valuation surplus (before accounting for any deferred taxes) not included in accounts are as follows:

Name of properties	**Independent professional valuation report from Dudley Surveyors Limited At 31.12.2008**	**Carrying amounts in the accounts under accounting standard At 31.12.2008**	**Valuation surplus (before accounting for any deferred taxes) not included in accounts At 31.12.2008**
	HK$'000	*HK$'000*	*HK$'000*
Ramada Hotel Kowloon	726,500	287,933	438,567
Ramada Hong Kong Hotel	986,000	381,618	604,382
Best Western Hotel Taipa, Macau	371,000	258,620	112,380
Magnificent International Hotel, Shanghai	257,300	86,248	171,052
633 King's Road	1,290,000	1,290,000	–
239-251 Queen's Road West	561,600	336,059	225,541
19-23 Austin Avenue	725,000	646,177	78,823
30-40 Bowrington Road	457,200	265,357	191,843
338-346 Queen's Road West	222,600	202,512	20,088
Shun Ho Tower	380,000	360,680	19,320
Properties at Gold Coast	32,500	21,650	10,850
Total	**6,009,700**	**4,136,854**	**1,872,846**

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

	HK$'000
Total net assets (before deferred tax) of the Group	3,103,223
Add: Valuation surplus (before accounting for any related taxes) not recognised in the Account	1,872,846
Adjusted equity attributable to shareholders of the Company	**4,976,069**
Adjusted net asset value per share	**HK$0.83**

(b) Reduction of hotel operating profits due to depreciation of the hotel properties amounting to HK$23 million for the year under review.

FUTURE PROSPECTS

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

Name of Hotel	Avg Room Rates		
	2008	2007	**Change**
	HK$	*HK$*	*%*
Ramada Hotel Kowloon	**777**	743	+5
Ramada Hong Kong Hotel	**680**	659	+3
Best Western Hotel Taipa, Macau	**409**	401	+2
Magnificent International Hotel, Shanghai	**354**	378	-6

  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.

  The hotel turnover for the first three months of 2009 of the four hotels amounted to HK$42,255,000, which represented 18% decrease compared to the same period last year.

	Ramada Hotel Kowloon		**Ramada Hong Kong Hotel**		**Best Western Hotel Taipa, Macau**		**Magnificent International Hotel, Shanghai**	
	Avg Room Occupancy	**Avg Room Rate**	**Avg Room Occupancy**	**Avg Room Rate**	**Avg Room Occupancy**	**Avg Room Rate**	**Avg Room Occupancy**	**Avg Room Rate**
	%	*HK$*	*%*	*HK$*	*%*	*HK$*	*%*	*HK$*
2009								
Jan	96	775	90	643	87	462	52	277
Feb	96	570	92	518	97	326	64	272
Mar	98	621	95	549	99	357	68	309
2009 Total (Jan to Mar)		**HK$12,804,000**		**HK$16,474,000**		**HK$9,775,000**		**HK$3,202,000**
2008 Total (Jan to Mar)		HK$15,090,000		HK$20,087,000		HK$11,426,000		HK$4,771,000
Change		**-15%**		**-18%**		**-14%**		**-33%**

- 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.

The corporate strategy is to build hotels on grade B commercial locations which are most suitable for hotel business in terms of low acquisition costs and high yields. The Group benefits from the development of these hotels from good operating incomes, but most importantly is their capital value gain. The Group presently owns and operates the Ramada Hotel Kowloon, Ramada Hong Kong Hotel, Best Western Hotel, Macau and Magnificent International Hotel, Shanghai with 1,000 rooms together with the hotels under development, the Group will have about 2,200 hotel rooms which will be one of the largest hotel group in Hong Kong. Such strategy has successfully helped to increase the value of the Group substantially:

	2008	2007	2006	2005
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Adjusted Shareholders' Fund	**4,976**	4,729	3,226	2,590
Adjusted Net Asset Value Per Share	**HK$0.83 per share**	HK$0.80 per share	HK$0.62 per share	HK$0.47 per share

Subsequent to the end 2007 and the acquisitions of the four city hotel developments of HK$1.26 billion, the total debts of the Group has amounted to HK$1.6 billion. During the year, mandatorily convertible bonds was successfully issued which help to lower the total debt by HK$477 million to HK$1.15 billion. The management consider the issue of the bonds has successfully lowered the debt ratio to a very conservative level of 18%.

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

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

Looking ahead, significant lowering of bank lending rate from 4% to 0.5%, before bank's 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 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 conservative 18% debt ratio ensures the Company's stability over any further unforeseeable global financial turmoils.

The management will continue to adopt a conservative approach and will not make further asset acquisitions but to make best endeavour to complete the construction of the 4 new hotels in Hong Kong to increase the earning base and value for the 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. As soon as there is hotel business recovery and the office rental incomes continue to be stable, the management will resume annual dividend payments.

Directors' Profiles

Mr. William CHENG Kai Man, *Executive Director*
Aged 47. Appointed to the Board in 1987. He is also a director of Shun Ho Resources Holdings Limited ("Shun Ho Resources") and Shun Ho Technology Holdings Limited ("Shun Ho Technology") which are the Company's intermediate holding company and immediate holding company respectively. He has over twenty years' experience in construction, property investment and development and has over ten years' experience in hotel management. He graduated in the U.K. and holds a bachelor's degree in civil engineering and a master's degree in structural engineering.

Mr. Albert HUI Wing Ho, *Executive Director*
Aged 46. Appointed to the Board in 1990. He is also a director of Shun Ho Resources and Shun Ho Technology. He has over twenty years' experience in construction, property investment and property development and has over ten years' experience in hotel management. He graduated in the U.K. and holds a bachelor's degree in civil engineering.

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 Shun Ho Technology. 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 Shun Ho Technology. 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 Shun Ho Technology. 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 Shun Ho Technology. He holds a master degree in business administration. He runs a accounting firm of Titus K. H. Hui. He has extensive experience in accounting, corporate finance and financial management.

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

CODE OF BEST PRACTICE AND CODE ON CORPORATE GOVERNANCE PRACTICES

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

The Code of Best Practice set out in Appendix 14 to the Listing Rules was replaced by the Code on Corporate Governance Practices ("Code on CG Practices") which has become effective for accounting periods commencing on or after 1st January, 2005. During the year, the Company has applied the principles and complied with all code provisions and to certain extent of the recommended best practices of the Code on CG Practices except the following:

Code Provision A.2.1

The Company does not have separate appointments for Chairman and Chief Executive Officer. Mr. William CHENG Kai Man holds both positions. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person enables the Company to have a stable and consistent leadership. It will also facilitate the planning and execution of the Company's strategy and is hence, for the interests of the Company and its shareholders.

Code Provision A.4.1

Non-executive directors of the Company have no set term of office but retire from office on a rotational basis at least once every three years. Amendment to the articles of association of the Company was proposed and approved by the shareholders at the annual general meeting of the Company held on 27th May, 2005 whereby every director shall be subject to retirement by rotation at least once every three years. The Company considers that sufficient measures have been taken to ensure that its corporate governance practices are no less exacting than those in the Code on CG Practices.

Board Composition and Board Practices

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

The Listing Rules require every listed issuer to have at least three independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. 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 11.

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 20.

AUDITOR'S REMUNERATION

For the year ended 31st December, 2008, the Auditor of the Company received approximately HK$1.4 million for audit service and HK$0.1 million for tax and consultancy services.

AUDIT COMMITTEE

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

The principal duties of the Audit Committee include the review of the Group's financial controls and internal control and risk management, review of the Group's financial information (half-yearly and annual results) and review of the relationship with the Auditor of the Company. Regular meetings have been held by the Audit Committee since its establishment. The Audit Committee held two meetings in 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 acts as an investment holding company and provides management services to its subsidiaries. The principal activities of the Company's principal subsidiaries and associate are set out in notes 18 and 33 to the consolidated financial statements respectively.

RESULTS

The results of the Group for the year ended 31st December, 2008 are set out in the consolidated income statement on page 21.

DIVIDEND

The Board does not recommend the payment of a final dividend in respect of the year ended 31st December, 2008 (2007: HK0.24 cents per share).

SHARE CAPITAL

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

RESERVES

Movements during the year in the reserves of the Group are set out on page 24 and those of the Company are set out in note 26 to the consolidated financial statements.

The Company's reserves available for distribution to shareholders as at 31st December, 2008 represent its retained profits of HK$362,985,000 (2007: HK$346,473,000).

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENT PROPERTIES

All the investment properties of the Group were revalued at 31st December, 2008. The revaluation gave rise to an increase of approximately HK$25 million which has been dealt with in the consolidated income statement.

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

PROPERTIES UNDER DEVELOPMENT

During the year, development expenditure of approximately HK$64 million was incurred on the property under development.

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

MAJOR PROPERTIES

Details of the major properties of the Group at 31st December, 2008 are set out on pages 76 to 77 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 its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS

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

Executive directors
Mr. William Cheng Kai Man
Mr. Albert Hui Wing Ho

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, Ms. 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.

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

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

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

MAJOR CUSTOMERS AND SUPPLIERS

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

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

DIRECTORS' INTERESTS IN LISTED SECURITIES

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

The Company

Name of director	Capacity	Nature of interests	Number of shares/ underlying shares held	Approximate % of shareholding
William Cheng Kai Man	Interest of controlled corporations	Corporate	3,382,465,406 *(Note 1)* 2,978,198,581 *(Note 2)*	71.09 *(Note 3)*

Notes:

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

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

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

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

Associated corporations

Name of director	Name of associated corporation	Capacity	Nature of interests	Number of shares held	Approximate % of shareholding
William Cheng Kai Man	Shun Ho Technology Holdings Limited *(Note 1)*	Interest of controlled corporations	Corporate	350,742,682	65.31
William Cheng Kai Man	Shun Ho Resources Holdings Limited *(Note 2)*	Interest of controlled corporations	Corporate	216,608,825	71.20
William Cheng Kai Man	Trillion Resources Limited *(Note 3)*	Beneficial owner	Personal	1	100

Notes:

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

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

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

Share options

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

Save as disclosed above and save for shares in subsidiaries held by a director in trust for their immediate holding companies, as at 31st December, 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.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND RELATED PARTY TRANSACTIONS

During the year, the Group had transactions with certain related parties, details of which are set out in notes 9 and 32 to the consolidated financial statements. Save as disclosed therein:

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

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

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

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

MANAGEMENT CONTRACTS

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

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 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/ underlying shares	Approximate % of shareholding
Shun Ho Technology Holdings Limited ("Shun Ho Technology")	Beneficial owner and interest of controlled corporations	3,382,465,406 *(Note 1)* 2,978,198,581 *(Note 2)*	71.09 *(Note 6)*
Omnico Company Inc. ("Omnico") *(Note 3)*	Interest of controlled corporations	3,382,465,406 *(Note 1)* 2,978,198,581 *(Note 2)*	71.09 *(Note 6)*
Shun Ho Resources Holdings Limited ("Shun Ho Resources") *(Note 3)*	Interest of controlled corporations	3,382,465,406 *(Note 1)* 2,978,198,581 *(Note 2)*	71.09 *(Note 6)*
Trillion Resources Limited ("Trillion") *(Note 3)*	Interest of controlled corporations	3,382,465,406 *(Note 1)* 2,978,198,581 *(Note 2)*	71.09 *(Note 6)*
Liza Lee Pui Ling *(Note 4)*	Interest of spouse	3,382,465,406 *(Note 1)* 2,978,198,581 *(Note 2)*	71.09 *(Note 6)*
Mackenzie Cundill Recovery Fund	Beneficial owner	500,000,000 *(Note 5)*	8.38
Power Financial Corporation	Interest of controlled corporation	656,146,000 *(Note 5)*	11.00
Power Corporation of Canada	Interest of controlled corporation	656,146,000 *(Note 5)*	11.00
Nordex Inc.	Interest of controlled corporation	656,146,000 *(Note 5)*	11.00
IGM Financial Inc.	Interest of controlled corporation	656,146,000 *(Note 5)*	11.00
Gelco Enterprises Ltd	Interest of controlled corporation	656,146,000 *(Note 5)*	11.00
Desmarais Paul G.	Interest of controlled corporation	656,146,000 *(Note 5)*	11.00

Notes:

1. Shun Ho Technology beneficially owned 2,709,729,423 shares of the Company (the "Shares") (45.43%) and was taken to be interested in 395,656,000 Shares (6.63%) held by Good Taylor Limited, 273,579,983 Shares (4.59%) held by South Point Investments Limited and 3,500,000 Shares (0.06%) held by Shun Ho Technology Developments Limited, representing a total of 3,382,465,406 Shares (56.71%), all of which are wholly-owned subsidiaries of Shun Ho Technology.

2. Shun Ho Technology was deemed to have interest in 2,978,198,581 unit of convertible bonds held by South Point Investments Limited.

3. Shun Ho Technology is directly and indirectly owned as to 65.27% by Omnico, which was in turn owned as to 100% by Shun Ho Resources, which was in turn directly and indirectly owned as to 71.20% by Trillion, which was in turn wholly-owned by Mr. William Cheng Kai Man. So, Omnico, Shun Ho Resources and Trillion were taken to be interested in 3,382,465,406 Shares and 2,978,198,581 unit of convertible bonds by virtue of their direct and indirect interests in Shun Ho Technology.

4. Madam Liza Lee Pui Ling was deemed to be interested in 3,382,465,406 Shares and 2,978,198,581 unit of convertible bonds by virtue of the interest in such Shares and bonds of her spouse, Mr. William Cheng Kai Man, a director of the Company.

5. Mackenzie Cundill Recovery Fund was an investment fund managed by Mackenzie Financial Corporation ("MFC"). MFC was, through its subsidiaries, interested in the total number of 656,146,000 Shares. MFC was an indirect wholly owned subsidiary of IGM Financial Inc. (held as to 100%). IGM Financial Inc. was a non-wholly owned subsidiary of Power Financial Corporation (held as to 56.0%) which was in turn an indirect non-wholly owned subsidiary of Power Corporation of Canada (held as to 66.4%). Power Corporation of Canada was 53.8% owned by Gelco Enterprises Ltd, a 95.0% subsidiary of Nordex Inc. Desmarais Paul G. was holder of 68.0% of the interest in Nordex Inc.

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

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

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

PUBLIC FLOAT

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

AUDITOR

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

On behalf of the Board

William CHENG Kai Man
Chairman of the Meeting

Hong Kong, 14th April, 2009

Deloitte.
德勤

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

We have audited the consolidated financial statements of Magnificent Estates Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 21 to 74 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)**	(94,374)
Depreciation and release of prepaid lease payments for land		**(22,718)**	(22,201)
Gross profit		**153,504**	110,771
Increase in fair value of investment properties/ Revaluation surplus		**24,804**	922,619
Other income	6	**15,532**	15,116
Loss on fair value changes of investments held for trading		**(114)**	(2,218)
Administrative expenses			
– Depreciation		**(4,025)**	(3,181)
– Others		**(16,127)**	(15,768)
		(20,152)	(18,949)
Impairment loss recognised in respect of interest in an associate		**–**	(123)
Other expenses	6	**(11,351)**	(4,652)
Share of loss of an associate	18	**–**	(4)
Finance costs	7	**(33,878)**	(44,335)
Profit before taxation	8	**128,345**	978,225
Income tax expense	10	**(5,230)**	(171,387)
Profit for the year and attributable to shareholders of the Company		**123,115**	806,838
Dividend	11	**14,315**	12,022
		HK cents	*HK cents*
Earnings per share	12		
Basic		**1.91**	14.08

Consolidated Balance Sheet

At 31st December, 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**407,376**	413,847
Prepaid lease payments for land	14	**1,101,064**	821,904
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	**124,371**	208,771
Deposit for acquisition of property, plant and equipment		**167**	–
Deposit for acquisition of land		**–**	4,694
		4,292,472	4,025,184
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	**12,568**	12,223
Trade and other receivables	20	**18,888**	16,882
Other deposits and prepayments		**5,165**	4,506
Amount due from immediate holding company	32(b)	**23**	3
Amount due from intermediate holding company	32(b)	**28**	29
Pledged bank deposits	22	**110**	110
Time deposits	22	**2,500**	–
Bank balances and cash	22	**18,644**	10,965
		80,391	87,639
CURRENT LIABILITIES			
Trade and other payables	23	**40,374**	40,513
Rental and other deposits received		**30,108**	21,489
Advance from immediate holding company	32(a)	**45,408**	530,871
Advance from ultimate holding company	32(c)	**60,427**	–
Advance from a fellow subsidiary	32(d)	**4,746**	–
Tax liabilities		**4,963**	4,553
Bank loans	24	**181,914**	873,550
Mandatory convertible bonds liability	26(b)	**11,280**	–
		379,220	1,470,976
NET CURRENT LIABILITIES		**(298,829)**	(1,383,337)
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,993,643**	2,641,847
CAPITAL AND RESERVES			
Share capital	25	**59,647**	59,647
Share premium and reserves		**2,768,927**	2,301,145
		2,828,574	2,360,792
NON-CURRENT LIABILITIES			
Mandatory convertible bonds liability	26(b)	**27,995**	–
Bank loans	24	**862,425**	–
Deferred tax liabilities	27	**274,649**	281,055
		1,165,069	281,055
		3,993,643	2,641,847

The consolidated financial statements on pages 21 to 74 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			
Property, plant and equipment	*13*	**780**	1,066
Investments in subsidiaries	*17*	**255,568**	233,434
Amounts due from subsidiaries	*17*	**1,664,479**	1,515,755
Available-for-sale investments	*19*	**780**	780
		1,921,607	1,751,035
CURRENT ASSETS			
Other receivables		**827**	849
Other deposits and prepayments		**1,975**	589
Tax recoverable		**433**	–
Amount due from immediate holding company	*32(b)*	**23**	3
Amount due from intermediate holding company	*32(b)*	**28**	29
Bank balances and cash	*22*	**191**	90
		3,477	1,560
CURRENT LIABILITIES			
Other payables		**20,218**	12,755
Advance from immediate holding company	*32(a)*	**45,408**	376,642
Amounts due to subsidiaries	*21*	**2,605**	2,729
Tax liabilities		**–**	469
Mandatory convertible bonds liability	*26(b)*	**11,280**	–
		79,511	392,595
NET CURRENT LIABILITIES		**(76,034)**	(391,035)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,845,573**	1,360,000
CAPITAL AND RESERVES			
Share capital	*25*	**59,647**	59,647
Share premium and reserves	*26*	**1,757,771**	1,300,193
		1,817,418	1,359,840
NON-CURRENT LIABILITIES			
Mandatory convertible bonds liability	*26(b)*	**27,995**	–
Deferred tax liabilities	*27*	**160**	160
		28,155	160
		1,845,573	1,360,000

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 *HK$'000*	**Share premium** *HK$'000*	**Mandatory convertible bonds equity reserve** *HK$'000*	**Special capital reserve** *HK$'000* *(Note a)*	**Property revaluation reserve** *HK$'000* *(Note b)*	**Securities revaluation reserve** *HK$'000*	**Translation reserve** *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*
At 1st January, 2007	54,647	210,640	–	612,477	179	2,411	2,308	416,737	1,299,399
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	2,493	–	2,493
Increase in fair value of available-for-sale investments	–	–	–	–	–	128,481	–	–	128,481
Net income recognised directly in equity	–	–	–	–	–	128,481	2,493	–	130,974
Profit attributable to shareholders of the Company	–	–	–	–	–	–	–	806,838	806,838
Total recognised income for the year	–	–	–	–	–	128,481	2,493	806,838	937,812
Final dividend for the year ended 31st December, 2006 paid	–	–	–	–	–	–	–	(12,022)	(12,022)
Placement of new shares	5,000	134,000	–	–	–	–	–	–	139,000
Expenses incurred in relation to the placement of new shares	–	(3,397)	–	–	–	–	–	–	(3,397)
At 31st December, 2007	59,647	341,243	–	612,477	179	130,892	4,801	1,211,553	2,360,792
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	2,316	–	2,316
Decrease in fair value of available-for-sale investments	–	–	–	–	–	(84,400)	–	–	(84,400)
Net (expense) income recognised directly in equity	–	–	–	–	–	(84,400)	2,316	–	(82,084)
Profit attributable to shareholders of the Company	–	–	–	–	–	–	–	123,115	123,115
Total recognised income and expense for the year	–	–	–	–	–	(84,400)	2,316	123,115	41,031
Issue of mandatorily convertible bonds	–	–	441,066	–	–	–	–	–	441,066
Final dividend for the year ended 31st December, 2007 paid	–	–	–	–	–	–	–	(14,315)	(14,315)
At 31st December, 2008	**59,647**	**341,243**	**441,066**	**612,477**	**179**	**46,492**	**7,117**	**1,320,353**	**2,828,574**

Notes:

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

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

Consolidated Cash Flow Statement

For the Year Ended 31st December, 2008

	2008	2007
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Profit before taxation	**128,345**	978,225
Adjustments for:		
Interest income from bank deposits	**(233)**	(572)
Finance costs	**33,878**	44,335
Share of loss of an associate	**–**	4
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)**	(9,318)
Depreciation of property, plant and equipment	**20,464**	19,103
Release of prepaid lease payments for land	**6,279**	6,279
Operating cash flows before movements in working capital	**163,672**	117,778
Increase in inventories	**(125)**	(74)
Increase in properties for sale	**(116)**	(6,029)
Decrease in investments held for trading	**20,583**	–
Increase in trade and other receivables	**(2,006)**	(4,539)
Increase in other deposits and prepayments	**(659)**	(540)
(Increase) decrease in amount due from immediate holding company	**(20)**	1
Decrease in amount due from an intermediate holding company	**1**	–
Decrease in trade and other payables	**(139)**	(513)
Increase in rental and other deposits received	**8,619**	14,463
Cash generated from operations	**189,810**	120,547
Hong Kong Profits Tax paid	**(9,454)**	(10,030)
Income tax elsewhere paid	**(1,772)**	(302)
Interest from bank deposits received	**233**	572
NET CASH FROM OPERATING ACTIVITIES	**178,817**	110,787
INVESTING ACTIVITIES		
Acquisition of a subsidiary *(Note 34)*	**(198,000)**	–
Prepaid lease payments made	**(89,186)**	(405,501)
Expenditure on property under development	**(44,536)**	(82,427)
Acquisition of property, plant and equipment	**(3,150)**	(12,934)
Addition to investment properties	**(2,994)**	(526,339)
Increase in time deposits	**(2,500)**	–
Deposit for acquisition of property, plant and equipment	**(167)**	–
Proceeds from disposal of property, plant and equipment	**850**	9,389
Deposit for acquisition of land	**–**	(4,694)
Dividends received from an associate	**–**	427
NET CASH USED IN INVESTING ACTIVITIES	**(339,683)**	(1,022,079)

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)
(Repayment to) advances from immediate holding company	**(22,442)**	290,018
Advance from ultimate holding company	**59,000**	–
Advance from a fellow subsidiary	**4,746**	–
Repayment to an associate	**–**	(2,269)
Proceeds from placement of new shares	**–**	139,000
Proceeds from issuing mandatorily convertible bonds	**664**	–
Interest paid	**(28,818)**	(52,229)
Dividend paid	**(14,315)**	(12,022)
Expenses incurred in relation to the placement of new shares	**–**	(3,397)
NET CASH FROM FINANCING ACTIVITIES	**168,670**	915,830
NET INCREASE IN CASH AND CASH EQUIVALENTS	**7,804**	4,538
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**10,965**	6,493
Effect of foreign exchange rate changes	**(125)**	(66)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**18,644**	10,965
Represented by bank balances and cash	**18,644**	10,965

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

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

The consolidated financial statements are presented in Hong Kong 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.

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 27 (Revised)	Consolidated and Separate Financial Statements[3]
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 3 (Revised)	Business Combinations[3]
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 adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1st January, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

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.

Business combinations

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

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

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

Revenue recognition

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

Revenue from the operation of hotels 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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from sale of properties held 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.

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 shareholders' 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 for 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.

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

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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

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

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

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.

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 includes any long-term interests that, in substance, form part of the Group's net investment in the associate) the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Investments in associates *(Continued)*

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

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

Properties held for sale

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

Inventories

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

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.

Financial instruments

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

Financial assets

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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 instruments.

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.

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, amounts due from immediate and intermediate holding company, amounts due from subsidiaries 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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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.

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 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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including trade and other payables, rental and other deposits received, advances from immediate holding company, ultimate holding company and a fellow subsidiary, amounts due to subsidiaries, mandatory convertible bonds liability and bank loans) are subsequently measured at amortised cost, using the effective interest method.

Mandatorily convertible bonds

Mandatorily convertible bonds issued by the Company that contain both financial liability and equity components were classified separately into respective liability and equity components on initial recognition. An instrument that is mandatory convertible into a fixed number of the Company's ordinary shares and the Company does not have contractual obligation to redeem the principal amount is, in substance, a prepaid forward purchase of the Company's equity shares. This component shall be classified as equity of the Group. When the instrument carries an obligation for the Company to make fixed interest payments during the life of the mandatorily convertible bonds, the instrument includes a financial liability component. On initial recognition, the fair value of the liability component was determined of the present value of future interest payment discounted at the prevailing market interest rate of similar debt. The difference between the proceeds of the issue of the instrument and the fair value assigned to the liability component was included in equity (mandatory convertible bonds equity reserve).

In subsequent periods, the liability component of the instrument was carried at amortised cost using the effective interest method. The equity component, represented by the mandatory conversion option to convert into a fixed number of ordinary shares of the Company, will remain in reserve as mandatory convertible bonds equity reserve until the instrument is mandatory converted into shares at maturity date or the mandatory conversion option is exercised by the holders, in which case the balance stated in mandatory convertible bonds equity reserve was transferred to share capital and share premium accounts.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

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.

Financial guarantee contracts

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

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 leasehold land included in investment properties held to earn rentals and/or for capital appreciation. However, for transfer from investment properties to property, plant and equipment, the Group shall continue to account for the lease as a finance lease, even if a subsequent event changes the nature of the lessee's property interest so that it is no longer classified as investment property.

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.

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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

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

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	**78,345**	32,341
Interest from debt securities	**671**	1,348
Dividend	**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

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	**80,690**	**72,103**	**–**	**597**	**153,390**
Increase in fair value of investment properties	**–**	**24,804**	**–**	**–**	**24,804**
	80,690	**96,907**	**–**	**597**	**178,194**
Other income					**15,532**
Other expenses					**(11,351)**
Unallocated corporate expenses					**(20,152)**
Finance costs					**(33,878)**
Profit before taxation					**128,345**
Income tax expense					**(5,230)**
Profit for the year					**123,115**

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	**2,220,545**	**1,929,400**	**21,670**	**124,410**	**4,296,025**
Unallocated corporate assets					**76,838**
Consolidated total assets					**4,372,863**
LIABILITIES					
Segment liabilities	**22,344**	**34,467**	**–**	**2**	**56,813**
Unallocated corporate liabilities					**1,487,476**
Consolidated total liabilities					**1,544,289**

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	**22,681**	**37**	**22,718**

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	79,299	30,044	–	(790)	108,553
Revaluation surplus/increase in fair value of investment properties	–	922,619	–	–	922,619
	79,299	952,663	–	(790)	1,031,172
Other income					15,116
Other expenses					(4,652)
Unallocated corporate expenses					(18,949)
Impairment loss recognised in respect of interest in an associate					(123)
Share of loss of an associate					(4)
Finance costs					(44,335)
Profit before taxation					978,225
Income tax expense					(171,387)
Profit for the year					806,838

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

CONSOLIDATED ASSETS AND LIABILITIES
At 31st December, 2007

	Hospitality services *HK$'000*	Property investment *HK$'000*	Property development *HK$'000*	Securities investment and trading *HK$'000*	Consolidated *HK$'000*
ASSETS					
Segment assets	1,252,766	2,543,037	26,249	230,255	4,052,307
Unallocated corporate assets					60,516
Consolidated total assets					4,112,823
LIABILITIES					
Segment liabilities	20,515	31,630	4,694	56	56,895
Unallocated corporate liabilities					1,695,136
Consolidated total liabilities					1,752,031

OTHER INFORMATION
Year ended 31st December, 2007

	Hospitality services *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
Capital additions			
– property, plant and equipment	1,031	185	1,216
– investment properties	–	526,339	526,339
– property under development	–	93,651	93,651
Depreciation of property, plant and equipment and release of prepaid lease payments for land	22,081	120	22,201

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	**3,939,910**	3,682,047	**68,991**	620,950
Macau	**266,600**	280,902	**224**	94
The PRC	**89,515**	89,358	**201**	162
	4,296,025	4,052,307	**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**	9,318
Management fee income for the provision of property management services	**13,942**	5,211
Interest on bank deposits	**233**	572
Others	**986**	15
	15,532	15,116

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
Effective interest expense on mandatory convertible bonds	**3,165**	–
Advance from ultimate holding company wholly repayable within five years	**1,427**	–
Advance from immediate holding company wholly repayable within five years	**13,491**	22,698
	46,901	52,229
Less: amount capitalised in property under development	**(13,023)**	(7,894)
	33,878	44,335

8. PROFIT BEFORE TAXATION

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	**1,651**	1,462
Staff costs including directors' emoluments	**67,198**	52,410
Depreciation of property, plant and equipment	**20,464**	19,103
Release of prepaid lease payments for land	**12,375**	9,609
Less: amount capitalised and included in property under development	**(6,096)**	(3,330)
	6,279	6,279
Operating lease rental in respect of rented premises and equipment	**1,411**	1,371
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)

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

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

	Year ended 31st December, 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	**–**	**2,700**	**501**	**12**	**3,213**
Mr. Albert Hui Wing Ho	**–**	**1,062**	**376**	**12**	**1,450**
Mr. David Cheng Kai Ho (resigned on 20th March, 2009)	**–**	**–**	**–**	**–**	**–**
Madam Mabel Lui Fung Mei Yee	**17**	**–**	**–**	**–**	**17**
Mr. Vincent Kwok Chi Sun	**33**	**–**	**–**	**–**	**33**
Mr. Chan Kim Fai	**33**	**–**	**–**	**–**	**33**
Mr. Hui Kin Hing	**33**	**–**	**–**	**–**	**33**
	116	**3,762**	**877**	**24**	**4,779**

	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	–	2,592	591	12	3,195
Mr. Albert Hui Wing Ho	–	875	271	12	1,158
Mr. Fung Chi Keung (resigned on 19th March, 2007)	–	123	43	3	169
Mr. David Cheng Kai Ho	–	–	–	–	–
Madam Mabel Lui Fung Mei Yee	17	–	–	–	17
Mr. Vincent Kwok Chi Sun	38	–	–	–	38
Mr. Chan Kim Fai	33	–	–	–	33
Mr. Hui Kin Hing	33	–	–	–	33
	121	3,590	905	27	4,643

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

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

During the years 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.

9. 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

10. INCOME TAX EXPENSE

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
The taxation charge comprises:		
Current tax		
Hong Kong	**9,736**	8,211
The PRC	**1,010**	61
Other jurisdiction	**1,712**	1,457
	12,458	9,729
(Over) underprovision in prior years:		
Hong Kong	**(567)**	609
Other jurisdiction	**(255)**	–
	(822)	609
Deferred tax *(note 27)*		
Current year	**8,774**	161,576
Attributable to a change in tax rate	**(15,180)**	(527)
	(6,406)	161,049
	5,230	171,387

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

10. INCOME TAX EXPENSE *(Continued)*

On 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 at 31st December, 2008 has been adjusted in 2008 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 a subsidiary from 1st January, 2008. The deferred tax liability balance at 31st December, 2007 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.

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

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Profit before taxation	**128,345**	978,225
Tax at the domestic income tax rate of 16.5% (2007: 17.5%)	**21,177**	171,189
Tax effect of share of results of an associate	**–**	1
Tax effect of expenses not deductible for tax purpose	**2,127**	388
Tax effect of income not taxable for tax purpose	**(251)**	(1,831)
(Over) underprovision in prior years	**(822)**	609
Tax effect of tax losses not recognised	**1,731**	3,754
Utilisation of tax losses previously not recognised	**(3,380)**	(1,067)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(174)**	(258)
Decrease in opening deferred tax liability resulting from a decrease in applicable tax rate	**(15,180)**	(527)
Deferred tax liabilities arising on undistributed profits of a PRC subsidiary from 1st January, 2008 onwards	**270**	–
Others	**(268)**	(871)
Taxation charge	**5,230**	171,387

11. DIVIDEND

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Dividend recognised as distribution during the year:		
Final dividend in respect of the year ended 31st December, 2007 of HK0.24 cents (2007: Final dividend in respect of the year ended 31st December, 2006 of HK0.22 cents) per share	**14,315**	12,022

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

12. EARNINGS PER SHARE

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

	2008	2007
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to equity holders of the Company	**123,115**	806,838
Effective interest expense on mandatory convertible bonds	**3,165**	–
Earnings for the purpose of basic earnings per share	**126,280**	806,838

	2008	2007
Number of shares		
Weighted average number of ordinary shares in issue	**5,964,701,000**	5,729,084,000
Effect of ordinary shares to be issued upon the conversion of mandatory convertible bonds*	**643,731,000**	–
Weighted average number of ordinary shares for the purpose of basic earnings per share	**6,608,432,000**	5,729,084,000

* As disclosed in note 26(b), the mandatorily convertible bonds are mandatory convertible into ordinary shares of the Company on the maturity date. Shares that are issuable solely after the passage of time are not contingently issuable shares and are included in the calculation of basic earnings per share.

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

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Hotel buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles and vessels HK$'000	Total HK$'000
THE GROUP					
COST					
At 1st January, 2007	17,040	394,579	45,834	19,358	476,811
Exchange adjustments	–	3,802	93	–	3,895
Additions	–	–	1,648	11,286	12,934
Transferred from investment properties *(note a)*	21,670	–	–	–	21,670
Disposals	–	–	(51)	(13,307)	(13,358)
At 31st December, 2007	38,710	398,381	47,524	17,337	501,952
Exchange adjustments	–	4,165	347	–	4,512
Additions	–	–	1,708	1,442	3,150
Transferred from investment properties *(note a)*	7,927	–	–	–	7,927
Disposals	–	–	–	(898)	(898)
At 31st December, 2008	**46,637**	**402,546**	**49,579**	**17,881**	**516,643**
DEPRECIATION					
At 1st January, 2007	235	42,493	22,792	16,511	82,031
Exchange adjustments	–	211	46	1	258
Provided for the year	732	8,445	7,258	2,668	19,103
Eliminated on disposals	–	–	(48)	(13,239)	(13,287)
At 31st December, 2007	967	51,149	30,048	5,941	88,105
Exchange adjustments	–	875	242	–	1,117
Provided for the year	1,195	8,445	7,819	3,005	20,464
Eliminated on disposals	–	–	–	(419)	(419)
At 31st December, 2008	**2,162**	**60,469**	**38,109**	**8,527**	**109,267**
CARRYING AMOUNTS					
At 31st December, 2008	**44,475**	**342,077**	**11,470**	**9,354**	**407,376**
At 31st December, 2007	37,743	347,232	17,476	11,396	413,847

Notes:

(a) Following the change in use of certain investment properties of the Group during the year and 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) Land and buildings are situated on land in Hong Kong on long leases.

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

Notes: (Continued)

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

	2008	2007
	HK$'000	*HK$'000*
In Hong Kong		
On long leases	**132,772**	135,713
Under medium-term leases	**44,014**	45,553
In Macau under medium-term leases	**108,623**	111,273
In the PRC under medium-term leases	**56,668**	54,693
	342,077	347,232

	Furniture, fixtures and equipment	**Motor vehicles and vessels**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
THE COMPANY			
COST			
At 1st January, 2007	379	3,288	3,667
Additions	255	–	255
At 31st December, 2007	634	3,288	3,922
Additions	20	–	20
At 31st December, 2008	**654**	**3,288**	**3,942**
DEPRECIATION			
At 1st January, 2007	158	2,405	2,563
Provided for the year	97	196	293
At 31st December, 2007	255	2,601	2,856
Provided for the year	110	196	306
At 31st December, 2008	**365**	**2,797**	**3,162**
CARRYING AMOUNTS			
At 31st December, 2008	**289**	**491**	**780**
At 31st December, 2007	379	687	1,066

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

Notes: (Continued)

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

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

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

14. PREPAID LEASE PAYMENTS FOR LAND

The prepaid lease payments comprise:

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Land in Hong Kong on		
Long leases	**701,132**	409,886
Medium-term leases	**354,623**	364,837
	1,055,755	774,723
Land in Macau on medium-term leases	**28,297**	28,987
Land in the PRC on medium-term leases	**29,580**	30,417
	1,113,632	834,127
Analysed for reporting purposes as:		
Non-current asset	**1,101,064**	821,904
Current asset	**12,568**	12,223
	1,113,632	834,127

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

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 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.

15. INVESTMENT PROPERTIES *(Continued)*

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 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		
Unlisted shares, at cost, including deemed capital contribution in subsidiaries	**255,568**	233,434
Amounts due from subsidiaries	**1,690,154**	1,541,430
Less: Impairment loss recognised	**(25,675)**	(25,675)
	1,664,479	1,515,755
AMOUNTS DUE FROM SUBSIDIARIES LESS ALLOWANCE RECOGNISED	**1,664,479**	1,515,755

The amounts due from subsidiaries are unsecured with no fixed repayment terms. In the opinion of the directors, the amounts will not be repayable within next twelve months from the balance sheet date, and accordingly classified as non-current. Such amounts to the extent of HK$506 million (2007: HK$476 million) carry interests chargeable at Hong Kong Interbank Offered Rate ("HIBOR") plus 1% with the remaining balance interest free. The interest-free amount is measured at amortised cost using the effective interest method, less any identified impairment losses. The carrying amounts are reduced by HK$32.6 million (2007: HK$42.3 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 3.3% (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 investment, 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 and has finished the members' 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	**123,591**	207,991	**1**	7
Debt securities listed outside Hong Kong	**–**	–	**–**	20,691
Unlisted equity investments *(note b)*	**780**	780	**–**	–
	124,371	208,771	**1**	20,698

	THE COMPANY	
	Available-for-sale investments	
	2008	2007
	HK$'000	*HK$'000*
Non-current		
Unlisted equity investments *(note b)*	**780**	780

Notes:

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

The Group's non-current equity securities listed in Hong Kong include approximately 15.07% (2007: 15.07%) interest in Shun Ho Technology and approximately 20.57% (2007: 20.57%) interest in Shun Ho Resources, both are public companies incorporated and listed in Hong Kong. The principal activities of Shun Ho Technology and Shun Ho Resources and their respective subsidiaries are operation of hotels, property investment, property development, securities investment and trading, and treasury investment.

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

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

20. TRADE AND OTHER RECEIVABLES

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

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
0-30 days	**16,266**	11,638
31-60 days	**634**	2,304
Over 60 days	**96**	1,300
	16,996	15,242

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Analysed for reporting as:		
Trade receivables	**16,996**	15,242
Other receivables	**1,892**	1,640
	18,888	16,882

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 receivables, as the directors believe the amounts are with good credit quality.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$730,000 (2007: HK$3,604,000) 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

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
31-60 days	**634**	2,304
Over 60 days	**96**	1,300
Total	**730**	3,604

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 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

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Analysed for reporting as:		
Trade payables	**15,643**	13,829
Other payables	**24,731**	26,684
	40,374	40,513

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

	2008		2007	
	Number of shares	**Nominal value**	Number of shares	Nominal value
	'000	***HK$'000***	*'000*	*HK$'000*
Ordinary shares of HK$0.01 each				
Authorised:				
At the beginning and the end of the year	**80,000,000**	**800,000**	80,000,000	800,000
Issued and fully paid:				
At the beginning of the year	**5,964,701**	**59,647**	5,464,701	54,647
Issue of new shares pursuant to a subscription agreement *(note a)*	**–**	**–**	500,000	5,000
At the end of the year	**5,964,701**	**59,647**	5,964,701	59,647

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

26. SHARE PREMIUM AND RESERVES

	Share premium *HK$'000*	Mandatory convertible bonds equity reserve *HK$'000* *(Note b)*	Special capital reserve *HK$'000* *(Note a)*	Retained profits *HK$'000*	Total *HK$'000*
THE COMPANY					
At 1st January, 2007	210,640	–	612,477	316,293	1,139,410
Profit for the year	–	–	–	42,202	42,202
Final dividend for the year ended 31st December, 2006 paid	–	–	–	(12,022)	(12,022)
Placement of new shares	134,000	–	–	–	134,000
Expenses incurred in relation to the placement of new shares	(3,397)	–	–	–	(3,397)
At 31st December, 2007	341,243	–	612,477	346,473	1,300,193
Profit for the year	–	–	–	30,827	30,827
Issue of mandatory convertible bonds	–	441,066	–	–	441,066
Final dividend for the year ended 31st December, 2007 paid	–	–	–	(14,315)	(14,315)
At 31st December, 2008	**341,243**	**441,066**	**612,477**	**362,985**	**1,757,771**

(a) Special Capital Reserve

When sanctioning the reduction in the nominal value of the Company's shares in 1999, the High Court of the Hong Kong Special Administrative Region stipulated that the credit arising on the reduction be transferred to a special capital reserve, and that the reserve, which may be reduced by any increase in the issued share capital and share premium of the Company resulting from an issue of shares for cash or other new consideration or upon a capitalisation of distributable reserves, is not regarded as realised profit and distributable until all of the liabilities of the Company as at 22nd September, 1999, the date on which the reduction of share capital took effect, are settled. The liabilities of the Company at that date have not yet been fully settled at 31st December, 2008, accordingly the special capital reserve was not considered distributable.

(b) Mandatory convertible bonds equity reserve

On 18th September, 2008, the Company approved by the shareholders at an extraordinary general meeting a rights issue of mandatorily convertible bonds ("Bonds") in the aggregate principal amount of approximately HK$477,176,000 at an issue price of HK$0.16 per unit of the Bonds in proportion of one unit of rights bonds for every two existing shares of HK$0.01 each in the share capital of the Company (the "Shares"). The Bonds carried fixed interest of 5% per annum. One unit of Bonds could be converted into one Share.

26. SHARE PREMIUM AND RESERVES *(Continued)*

(b) Mandatory convertible bonds equity reserve *(Continued)*

On 14th October, 2008 ("Issue Date"), the Company allotted 2,982,350,441 units of Bonds which are mandatory convertible into Shares at the maturity date which is 30 months from the Issue Date, i.e. 13th April, 2011 ("Maturity Date") at a conversion price of HK$0.16, subject to anti-dilutive adjustments. The holders of the Bonds are entitled the right to convert the Bonds into Shares commencing from and including the first anniversary of the Issue Date up to and including the Maturity Date. The Company may redeem all or some only of the Bonds at any time prior to Maturity Date subject to giving no less than 30 days nor more than 60 days of advance notice, at 110% of their principal amount, together with accrued interest. On the Maturity Date, each unit of the Bonds not redeemed or repaid by the Company nor converted by the holders on or before the Maturity Date will be mandatory converted into Shares and the holders of the Bonds shall receive interest accrued from and including the last interest payment date to but excluding the date of conversion.

The Bonds are separated into the liability and equity components. For the liability component, fair value is determined at the present value of future interest payment discounted at the prevailing market interest rate of similar debt. The equity component represents the mandatory conversion portion that will be converted into a fixed number of shares and is presented in equity as "Mandatory convertible bonds equity reserve".

Pursuant to the underwriting agreement entered into between the Company and Shun Ho Technology, over 99% of the Bonds were ultimately subscribed and underwritten by Shun Ho Technology. Assuming that no disposal of or acquisition by Shun Ho Technology and its subsidiaries ("SHT Group") of any securities in the Company, the total shareholding of SHT Group in the Company after fully conversion of the Bonds will be 6,360,663,987 Shares, representing approximately 71.09% of the enlarged issued share capital of the Company.

The movement of the liability component of the mandatory convertible bonds for the year is set out below:

	HK$'000
Principal amount	477,176
Liability component	(36,110)
Equity component	441,066
Liability component at the Issue Date	36,110
Effective interest expense charged *(note 7)*	3,165
Liability component at 31st December, 2008	39,275
Analysed for reporting purposes as:	
Current liability	11,280
Non-current liability	27,995
	39,275

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	Fair value of investment properties	Accelerated tax depreciation	Withholding tax	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2007	92,715	22,161	5,894	–	(764)	120,006
(Credit) charge to consolidated income statement	(952)	161,458	7,817	–	(6,747)	161,576
Effect of change in tax rate	–	–	(527)	–	–	(527)
At 31st December, 2007	91,763	183,619	13,184	–	(7,511)	281,055
(Credit) charge to consolidated income statement	(952)	4,093	10,953	270	(5,590)	8,774
Effect of change in tax rate	(5,244)	(10,204)	(161)	–	429	(15,180)
At 31st December, 2008	**85,567**	**177,508**	**23,976**	**270**	**(12,672)**	**274,649**

At the balance sheet date, the Group had unused tax losses of HK$105,922,000 (2007: HK$62,048,000) 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$29,123,000 (2007: HK$19,128,000) due to the unpredictability of future profit streams. All the unrecognised tax losses may be carried forward indefinitely.

THE COMPANY

At the balance sheet date, the Company has recognised deferred tax liabilities amounting to HK$160,000 (2007: HK$160,000) in respect of the temporary differences arising from the accelerated tax depreciation.

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. CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

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

(a) Pledge of assets

(i) 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), HK$742 million (2007: HK$40 million), and HK$180 million (2007: HK$185 million), respectively;

(ii) pledge of shares in and subordination of loans due from subsidiaries with an aggregate carrying amount of approximately HK$840 million (2007: HK$345 million);

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

(iv) 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.

(b) Contingent liabilities

Guarantees issued by the Company amounted to approximately HK$1,485 million (2007: HK$1,260 million); which were utilised to the extent of approximately HK$1,044 million (2007: HK$874 million), of which HK$15,294,000 (2007: HK$9,234,000) was recognised in the Company's balance sheet as financial guarantee contracts included in trade and other payables.

31. RETIREMENT BENEFIT PLANS

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

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

The contributions paid and payable to the schemes by the Group in respect of the year which were charged to the consolidated income statement amounted to HK$1,777,000 (2007: HK$1,747,000). The forfeited contributions under the Group's defined contribution retirement scheme is immaterial.

32. RELATED PARTY TRANSACTIONS

Other than those disclosed in notes 7, 17, 21, 26(b) and 37 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 Technology and its subsidiaries*		
Rental expenses	**1,200**	1,040
Interest expenses on advance to the Group *(note a)*	**13,491**	22,698
Effective interest expense on mandatorily convertible bonds	**3,161**	–
Corporate management fee income for administrative facilities provided	**1,720**	1,608
Advance due by the Group at the end of the year *(note a)*	**45,408**	530,871
Amount due to the Group at the end of the year *(note b)*	**23**	3
Advance due by the Group at the end of the year *(note d)*	**4,746**	–
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 b)*	**28**	29
Compensation of key management personnel *(note e)*	**4,779**	4,643

* exclude Magnificent Estates Limited and its subsidiaries

32. RELATED PARTY TRANSACTIONS *(Continued)*

	2008	2007
	HK$'000	*HK$'000*
THE COMPANY		
Shun Ho Technology and its subsidiaries*		
Advance due by the Company at the end of the year *(note a)*	**45,408**	376,642
Amount due to the Company at the end of the year *(note b)*	**23**	3
Shun Ho Resources		
Amount due to the Company at the end of the year *(note b)*	**28**	29

* exclude Magnificent Estates Limited and its subsidiaries

Notes:

(a) The amount is unsecured, carries interest at HIBOR plus 1% and is repayable on demand. The effective interest rate is 1.2% (2007: 5.3%) per annum.

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

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

(d) The amount is unsecured, interest-free and repayable on demand.

(e) 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	**4,755**	4,616
Post-employment benefits	**24**	27
	4,779	4,643

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

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES

All the principal subsidiaries are incorporated and operating principally in Hong Kong except otherwise indicated. None of the subsidiaries had any debt securities outstanding at 31st December, 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 Subsidiaries %	2007 Company %	2007 Subsidiaries %	Principal activities
Babenna Limited	2	HK$10	**100**	**–**	100	–	Investment holding
Beautiful Sky Investment Limited	2	HK$1	**100**	**–**	100	–	Property development
City Wealth Limited	2	HK$1	**–**	**100**	–	100	Property investment
Claymont Services Limited *(i)*	1	US$1	**100**	**–**	100	–	Investment holding
Grand-Invest & Development Company Limited *(ii)*	100,000	MOP1	**–**	**100**	–	100	Hotel investment and operation
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 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
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 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
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 operation and investment holding

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

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

34. 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.

35. 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 the advances from immediate holding company, ultimate holding company and a fellow subsidiary disclosed in note 32(a), (c) and (d), bank loans disclosed in note 24 (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.

36. 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)	**42,050**	29,500
Investments held for trading	**1**	20,698
Available-for-sale investments	**124,371**	208,771
	166,422	258,969
Financial liabilities		
Amortised cost	**1,252,641**	1,457,022

	THE COMPANY	
	2008	2007
	HK$'000	*HK$'000*
Financial assets		
Available-for-sale investments	**780**	780
Loans and receivables (including cash and cash equivalents)	**1,665,621**	1,516,808
	1,666,401	1,517,588
Financial liabilities		
Amortised cost	**88,164**	378,479
Financial guarantee contracts	**15,294**	9,234
	103,458	387,713

(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 Company's exposure to market risks or the manner in which it manages and measures.

36. FINANCIAL INSTRUMENTS *(Continued)*

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

(i) Foreign currency risk management

Certain subsidiaries of the Company had investments held for trading in the prior year which was denominated in United State 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 in the table 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 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	
	Strengthen (weaken) in foreign currencies	**Effect on profit or (loss)** *HK$'000*	Strengthen (weaken) in foreign currencies	Effect on profit or (loss) *HK$'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 a 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.

36. FINANCIAL INSTRUMENTS *(Continued)*

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

(ii) Interest rate risk management

The Group and the Company have exposures to cash flow interest rate risk as its amounts due from subsidiaries, pledged bank deposits, bank balances and advances from immediate holding company/ultimate holding company and bank loans are subject to floating interest rate. All bank loans bear interests on floating rates. 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 advances from immediate holding company/ultimate holding company and bank loans.

The Group is also subject to fair value interest rate risk as its time deposits are 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 advances from immediate holding company and ultimate holding company 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$5,751,000 (2007: decrease/increase by HK$7,022,000). 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 taken into account in preparing the sensitivity analysis because the effect involved is not significant.

The Company

The sensitivity analyses for the Company below have been determined based on the exposure to interest rates for non-derivative instruments including amount due from subsidiaries and advance from immediate holding company 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.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's profit for the year ended 31st December, 2008 would increase/decrease by HK$227,000 (2007: HK$1,883,000). This is mainly attributable to the Company's exposure to interest rates on its floating rate amounts due from subsidiaries is greater than that from advance from immediate holding company at the balance sheet date.

36. FINANCIAL INSTRUMENTS *(Continued)*

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

(iii) 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 available-for-sale investments (excluding the available-for-sale investments carried at cost less impairment) and investments held for trading had been 10% higher/lower while all other variables were held constant:

- profit for the year ended 31st December, 2007 would increase/decrease by HK$1,708,000 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$12,400,000 (2007: increase/decrease by HK$20,800,000) for the Group, principally as a result of the changes in fair value of available-for-sale shares.

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

(iv) Credit risk management

The Group's and the Company's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31st December, 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. For the Company's maximum exposure to credit risk, exposure also arising from the amount of contingent liabilities as detailed in note 30(b).

The Group's and the Company's credit risk is primarily attributable to trade receivables, other receivables and amounts due from subsidiaries. In order to minimise the credit risk, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group and the Company 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 credit risk on the financial guarantee issued by the Company in respect of the facilities granted to its subsidiaries is minimal because the directors of the Company consider that the banking facilities are secured by the pledged prepaid lease payments for land, investment properties, properties under development and property, plant and equipment of the Group.

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

36. FINANCIAL INSTRUMENTS *(Continued)*

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

(v) Liquidity risk management

The Group had net current liabilities of approximately HK$299 million at 31st December, 2008 which include bank loans and advances from immediate and ultimate holding companies of approximately HK$182 million, HK$45 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 Company's liquidity risk is minimal.

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

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*
2008							
Non-interest bearing	–	32,448	638	30,106	–	63,192	63,192
Variable interest rate instruments	3.57	117,935	4,696	199,648	886,170	1,208,449	1,150,174
Mandatory convertible bond liability	25.42	5,916	5,916	11,831	35,887	59,550	39,275
		156,299	11,250	241,585	922,057	1,331,191	1,252,641

36. FINANCIAL INSTRUMENTS *(Continued)*

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

(v) Liquidity risk management (Continued)

	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	–	29,685	1,427	21,489	–	52,601	52,601
Variable interest rate instruments	5.12	1,288,773	119,480	–	–	1,408,253	1,404,421
		1,318,458	120,907	21,489	–	1,460,854	1,457,022

The Company had net current liabilities of approximately HK$76 million at 31st December, 2008, which include advance from immediate holding company of approximately HK$45 million. 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	**–**	**3,481**	**–**	**–**	**–**	**3,481**	**3,481**
Variable interest rate instruments	**1.2**	**45,408**	**–**	**–**	**–**	**45,408**	**45,408**
Mandatory convertible bond liability	**25.42**	**5,916**	**5,916**	**11,831**	**35,887**	**59,550**	**39,275**
		54,805	**5,916**	**11,831**	**35,887**	**108,439**	**88,164**

	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	–	1,837	–	–	–	1,837	1,837
Variable interest rate instruments	5.02	377,860	–	–	–	377,860	376,642
		379,697	–	–	–	379,697	378,479

At the year end, it was not probable that the counterparty to the financial guarantee contracts will claim under the contract. Consequently, the carrying amount of financial guarantee contracts of HK$15,294,000 (2007: HK$9,234,000) has not been presented above.

36. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value of financial instruments

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

- the fair values 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 values 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.

37. NON-CASH TRANSACTION WITH A RELATED PARTY

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

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

After allotment, Shun Ho Technology and its subsidiaries 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 the Company to Shun Ho Technology.

Upon full conversion, Shun Ho Technology and its subsidiaries will hold an additional 2,978,198,581 shares in the Company.

Financial Summary

CONSOLIDATED RESULTS

	For the year ended 31st December,				
	2004 HK$'000 (restated)	2005 HK$'000	2006 HK$'000	2007 HK$'000	**2008** **HK$'000**
Revenue	186,243	232,738	188,771	231,427	**286,191**
Operating profit	165,185	59,185	133,028	978,229	**128,345**
Share of profits (losses) of associates	51,245	(232)	(195)	(4)	**–**
Profit before taxation	216,430	58,953	132,833	978,225	**128,345**
Income tax (expense) credit	(28,243)	8,919	(22,377)	(171,387)	**(5,230)**
Profit for the year	188,187	67,872	110,456	806,838	**123,115**

CONSOLIDATED NET ASSETS

	At 31st December				
	2004 HK$'000 (restated)	2005 HK$'000	2006 HK$'000	2007 HK$'000	**2008** **HK$'000**
Property, plant and equipment	255,803	387,189	394,780	413,847	**407,376**
Prepaid lease payments for land	586,106	608,304	596,487	821,904	**1,101,064**
Investment properties	616,200	560,000	634,330	2,536,250	**1,917,580**
Properties under development	70,536	85,927	234,897	39,718	**741,914**
Interests in associates	591	359	554	–	**–**
Other non-current assets	98,120	73,738	80,290	213,465	**124,538**
Net current liabilities	(63,961)	(419,545)	(521,933)	(1,383,337)	**(298,829)**
Non-current mandatory convertible bonds liability	–	–	–	–	**(27,995)**
Long-term bank loans	(315,785)	–	–	–	**(862,425)**
Deferred lax liabilities	(112,069)	(105,138)	(120,006)	(281,055)	**(274,649)**
Net assets	1,135,541	1,190,834	1,299,399	2,360,792	**2,828,574**

Note:

The results for all periods prior to 2004 are stated on the basis of the Group's former accounting policies, which were changed with effect from 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%

Summary of Major Properties Valuation

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

捷利行測量師有限公司
DUDLEY SURVEYORS LIMITED

Chartered Surveyors • Valuers • Estate Agents
Auctioneers • Plant & Machinery Valuer
Development Consultants • Property Management
香港皇后大道中一百五十三號
兆英商業大廈九樓

9/F Siu Ying Commercial Building
153 Queen's Road Central
Hong Kong

23rd March, 2009

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

Dear Sirs,

Re.:
1. Shun Ho Tower, Nos. 24-30 Ice House Street, Central, Hong Kong
2. Ramada Hotel Kowloon, Nos. 73-75 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong
3. Ramada Hong Kong Hotel, No. 308 Des Voeux Road West, Hong Kong
4. Magnificent International Hotel, No. 381 Xizang Road South (Lot No. 5-1), Huang Pu District, Shanghai, The PRC
5. Best Western Hotel Taipa, Macau situated at Estrada Governador Nobre Carvalho, No.822, Taipa, The Macau Special Administrative Region of the PRC
6. Proposed Hotel Development at Nos. 19, 21 & 23 Austin Avenue, Kowloon, Hong Kong
7. Proposed Hotel Development at Nos. 239-251 Queen's Road West, Hong Kong
8. Proposed Hotel Development at Nos. 30-40 Bowrington Road, Hong Kong
9. Proposed Hotel Development at Nos. 338-346 Queen's Road West, Hong Kong
10. No. 633 King's Road, North Point, Hong Kong
11. D.D. 251 Lot 64, Sai Kung, New Territories, Hong Kong
12. House No. 3, Aegean Villa, No. 5 Silver Cape Road, Sai Kung, New Territories, Hong Kong
13. The Remaining Portion of Section A of Lot No. 665 in D.D. 379, Tuen Mun, New Territories, Hong Kong

In accordance with your instruction for us to give our opinion of the Market Value of the property interests of **Magnificent Estates Limited** ("the Company") and its subsidiaries (together referred to as the "Group") in the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong"), Macau Special Administrative Region of the People's Republic of China ("Macau") and the People's Republic of China ("the PRC") as at **31st December, 2008** "the relevant date" for the Group's management reference purposes, we attach herewith a summary of values of the above 13 property interests for your easy reference.

Yours faithfully,
For and on behalf of
Dudley Surveyors Limited

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

Note: Ms. Ellen Y.T. Lo is a Member of the Hong Kong Institute of Surveyors, a Member of the Royal Institution of Chartered Surveyors and a Registered Professional Surveyor in General Practice as well as an individual member of China Institute of Real Estate Appraisers, has over 27 years' of experience in valuing various types of properties in Hong Kong, Macau and the PRC.

Summary of Values

No.	Property	Market Value as at 31st December, 2008
1.	Shun Ho Tower, Nos. 24-30 Ice House Street, Central, Hong Kong	HK$380,000,000
2.	Ramada Hotel Kowloon, Nos. 73-75 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong	HK$726,500,000
3.	Ramada Hong Kong Hotel, No. 308 Des Voeux Road West, Hong Kong	HK$986,000,000
4.	Magnificent International Hotel, No. 381 Xizang Road South (Lot No. 5-1), Huang Pu District, Shanghai, The PRC	HK$257,300,000
5.	Best Western Hotel Taipa, Macau situated at Estrada Governador Nobre Carvalho No. 822, Taipa, The Macau Special Administrative Region of the PRC	HK$371,000,000
6.	Proposed Hotel Development at Nos. 19, 21 & 23 Austin Avenue, Kowloon, Hong Kong	HK$725,000,000
7.	Proposed Hotel Development at Nos. 239-251 Queen's Road West, Hong Kong	HK$561,600,000
8.	Proposed Hotel Development at Nos. 30-40 Bowrington Road, Hong Kong	HK$457,200,000
9.	Proposed Hotel Development at Nos. 338-346 Queen's Road West, Hong Kong	HK$222,600,000
10.	No. 633 King's Road, North Point, Hong Kong	HK$1,290,000,000
11.	D.D. 251 Lot 64, Sai Kung, New Territories, Hong Kong	HK$7,200,000
12.	House No. 3, Aegean Villa, No. 5 Silver Cape Road, Sai Kung, New Territories, Hong Kong	HK$15,000,000
13.	The Remaining Portion of Section A of Lot No. 665 in D.D. 379, Tuen Mun, New Territories, Hong Kong	HK$32,500,000

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

順豪商業大廈
位於香港中環雪廠街二十四至三十號之順豪集團總部。

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

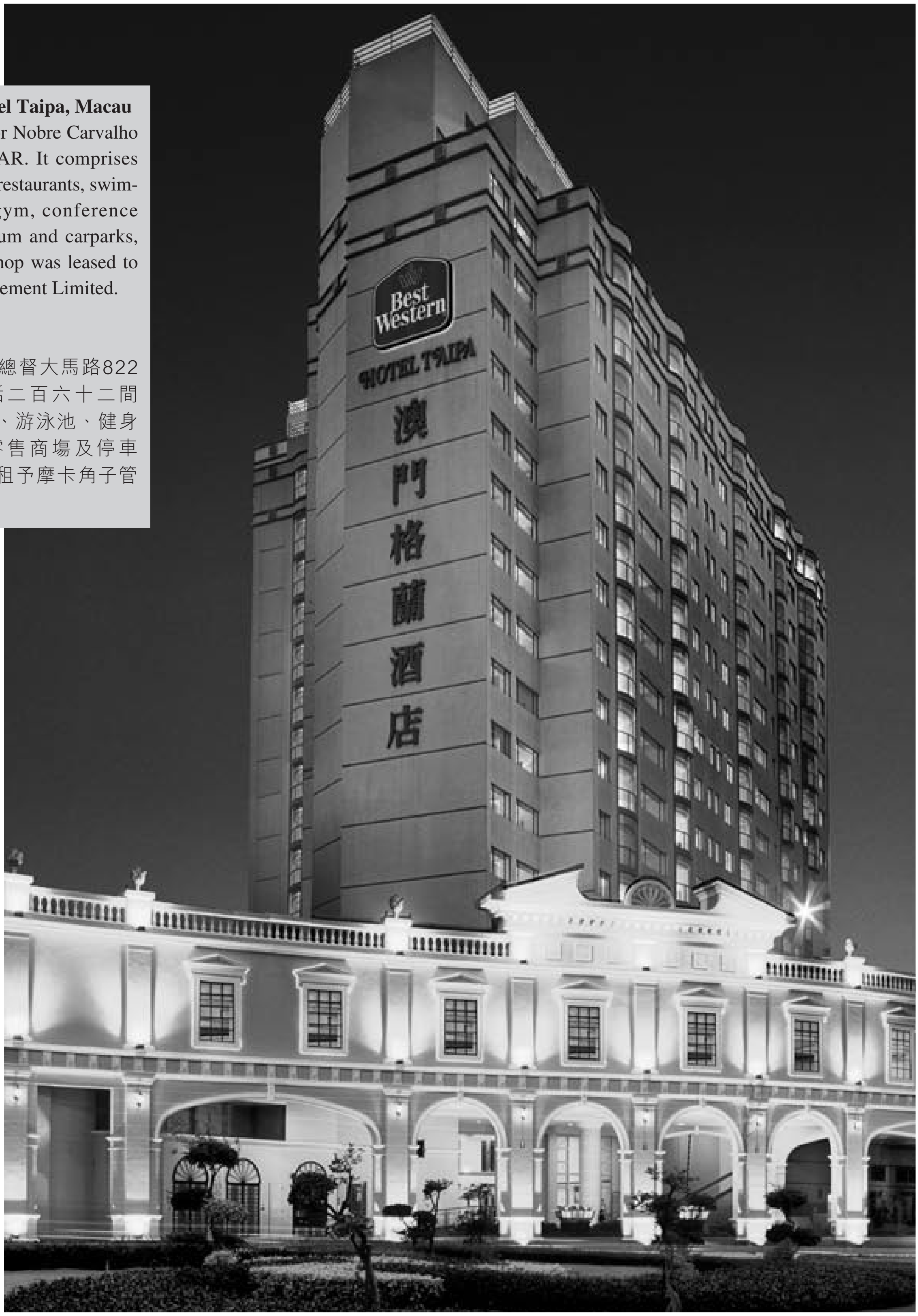
九龍華美達酒店
位於尖沙咀購物中心之優越地帶，擁有二百零五間（已獲批准增加至三百零五間）客房並提供良好經常性收入。

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

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

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

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



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

華美國際酒店
位於上海西藏南路繁忙地帶，擁有二百三十四個單位及購物中心。

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

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

香港英皇道六百三十三號
最近落成之甲級商廈。

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

九龍尖沙咀柯士甸路十九至二十三號重建為四星級酒店之項目。

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

香港銅鑼灣寶靈頓道三十至四十號重建為四星級酒店之項目。

435 Rooms
Hotel Development Project,
239-251 Queen's Road West,
Hong Kong.

位於香港皇后大道西擁有
四百三十五間酒店客房
之酒店發展項目。

214 Rooms
Hotel Development Project,
338-346 Queen's Road West,
Hong Kong.

位於香港皇后大道西擁有
二百一十四間酒店客房
之酒店發展項目。

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

位於新界黃金海岸經已完成之五
間豪華房屋。

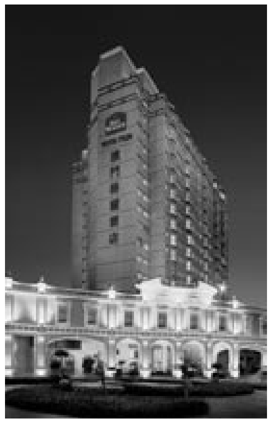
Central
Shun Ho Tower

MAGNIFICENT ESTATES LIMITED
(Stock Code: 201)

North Point
633 King's Road

Kowloon
Ramada Hotel

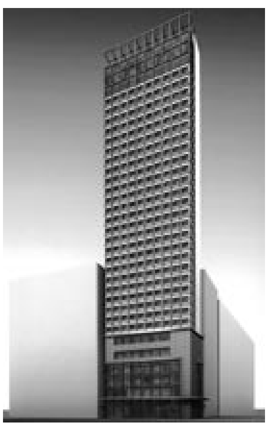
Hong Kong
Ramada Hotel



Macau
Best Western
Hotel, Taipa

Shanghai
Magnificent
International Hotel

300 Hotel Rooms
of Hotel
Development
Project
Austin Avenue



265 Hotel Rooms
of Hotel
Development
Project
Bowrington Road

435 Hotel Rooms
of Hotel
Development
Project
Queen's Road West

214 Rooms
of Hotel
Development
Project
Queen's Road West