MAGNIFICENT ESTATES LIMITED

（華大地產投資有限公司）

(Stock Code 股份代號: 201)

ANNUAL REPORT 2009

二零零九年年報

MAGNIFICENT ESTATES LIMITED

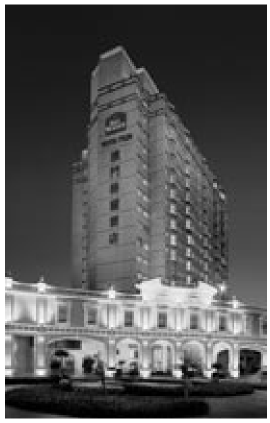
(Stock Code: 201)

Central
Shun Ho Tower

North Point
633 King's Road

Kowloon
Ramada Hotel

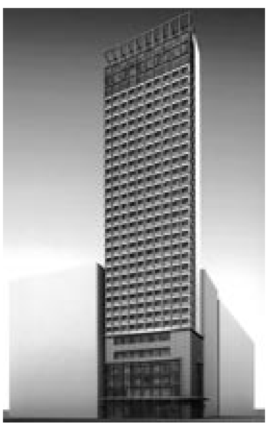
Hong Kong
Ramada Hotel



Macau
Best Western
Hotel, Taipa

Shanghai
Magnificent
International Hotel

400 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

Contents

Corporate Information

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

Non-Executive Director
Madam Mabel Lui Fung Mei Yee

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

Company Secretary
Mr. Huen Po Wah

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

Solicitors
DLA Piper
17th Floor, Edinburgh Tower
15 Queen's 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 Thursday, the 3rd day of June, 2010 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, 2009.

2. To declare a final dividend.

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

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

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

By Order of the Board

HUEN Po Wah
Secretary

Hong Kong, 29th April, 2010

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, 31st May, 2010 to Thursday, 3rd June, 2010, both dates inclusive, during which period no share transfers will be effected. In order to qualify for the proposed final dividend and determine the identity of members who are entitled to attend and vote at the meeting, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 28th May, 2010 and all conversion of bonds must be lodged with the Company's Share Registrars, Tricor Tengis Limited, at the above address in accordance with the terms and conditions of the bonds not later than 4:30 p.m. on Friday, 28th May, 2010.

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

   (a) Mr. Albert HUI Wing Ho, aged 47, was appointed to the Board in 1990. He is also an 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"). 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. He is also a director of a number of subsidiaries of the Company. Save as disclosed above, Mr. Albert HUI Wing Ho did not hold any directorship in other listed public companies in the last three years or any position with the Company or other members of the Company's group.

   There is no service contract between Mr. Albert HUI Wing Ho and the Company. He has no fixed term of service with the Company and will be subject to the rotational retirement and re-election requirements at annual general meetings pursuant to the Articles of Association of the Company. The Director's fee payable to Mr. Albert HUI Wing Ho as executive Director is determined by shareholders in annual general meeting. At the annual general meeting of the Company held on 5th June, 2009, it was approved that the Director's fee for the year ended 31st December, 2009 be determined by the Board. Mr. Albert HUI Wing Ho did not receive Director's fee and other emoluments paid to Mr. Albert HUI Wing Ho for the year ended 31st December, 2009 was determined at HK$1,265,000 with reference to his duties and responsibility with the Company, the Company's performance and current market situation. Save as disclosed above, Mr. Albert HUI Wing Ho is and was not connected with any Directors, senior management or substantial or controlling Shareholders of the Company. As at the date of this notice, Mr. Albert HUI Wing Ho 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. CHAN Kim Fai ACCA, CPA (Practising), aged 50, was appointed to the Board in 2004. 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. He holds a bachelor degree in science from The Chinese University of Hong Kong. He has extensive experience in accounting, corporate finance and financial management. He is a partner of Ivan Chan & Co, CPA. Save as disclosed above, Mr. CHAN Kim Fai 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. CHAN Kim Fai 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. CHAN Kim Fai as independent non-executive Director is determined by shareholders in annual general meeting. At the annual general meeting of the Company held on 5th June, 2009, it was approved that the Director's fee for the year ended 31st December, 2009 be determined by the Board. The Director's fee paid to Mr. CHAN Kim Fai for the Company was determined at HK$33,000 for the year ended 31st December, 2009 with reference to his duties and responsibility with the Company, the Company's performance and current market situation. Save as disclosed above, Mr. CHAN Kim Fai 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. CHAN Kim Fai 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 Mr. Albert HUI Wing Ho and Mr. CHAN Kim Fai 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, 2009.

RESULTS

The Group's audited consolidated profit for the year ended 31st December, 2009 amounted to HK$143,560,000 (2008: HK$123,115,000), increased by 17%.

DIVIDEND

The Board recommend the payment of a final dividend of HK0.1 cent per share for the year ended 31st December, 2009 (2008: Nil) payable on 18th June, 2010 to shareholders whose names appear on the register of members of the Company on 3rd June, 2010.

In view of the substantial construction costs outlay for 2010 to 2011, the management is trying best endeavour to streamline cash flow in order to ensure the Group's future obligations are met.

BOOK CLOSURE

The register of members will be closed from Monday, 31st May, 2010 to Thursday, 3rd June, 2010, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend and determine the identity of members who are entitled to attend and vote at the Annual General Meeting to be held on Thursday, 3rd June, 2010, 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, 28th May, 2010 and all conversions of the bonds must be lodged with the Company's Share Registrars, Tricor Tengis Limited, at the above address in accordance with the terms and conditions of the bonds not later than 4:30 p.m. on Friday, 28th May, 2010.

Bondholders are advised to take note that those conversion of bonds into shares during the period from Monday, 31st May, 2010 to Thursday, 3rd June, 2010, both dates inclusive will be entered into the register of members on or after Friday, 4th June 2010 .

By Order of the Board

William CHENG Kai Man
Chairman

Hong Kong, 9th April, 2010

MANAGEMENT DISCUSSION AND ANALYSIS

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 owners of the Company for the year ended 31st December, 2009 amounted to HK$143,560,000 (2008: HK$123,115,000), increased by 17%.

Before revaluation surplus of all investment properties and its related deferred taxation, depreciation and release of prepaid lease payment for land, the operating profit attributable to owners of the Company for year ended 31st December, 2009 is HK$112 million (2008: HK$115 million). The 2.6% fall in operating profit is considered minimal despite unprecedented financial turmoil, global recession and the flu epidemic.

The net assets before deferred tax and before revaluation on all asset properties of the Group amounted to HK$3,254 million (HK$0.55 per ordinary share) as at 31st December, 2009.

The net assets before deferred tax and after revaluation on all asset properties of the Group amounted to **HK$5,187 million (HK$0.87 per ordinary share)** as at 31st December, 2009.

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 Taipa, Macau and Magnificent International Hotel, Shanghai with 1,000 rooms together with four new hotels under development, the Group will have about 2,300 hotel rooms which will be one of the largest hotel group in Hong Kong. Such strategy has successfully helped to increase the value of the Group substantially:–

	2006	2007	2008	**2009**
	HK$ million	*HK$ million*	*HK$ million*	***HK$ million***
Adjusted Shareholders' Fund	3,226	4,729	4,976	**5,187**
Adjusted Net Asset Value Per Ordinary Share	HK$0.62	HK$0.80	HK$0.83	**HK$0.87**

- For the year ended 31st December, 2009, the Group's income was mostly derived from the aggregate of income from operation of hotels and properties rental income, which was analysed as follows:

Revenue	2008	**2009**	Change
	HK$'000	***HK$'000***	*%*
Income from operation of hotels	207,135	**162,397**	-22
Properties rental	78,345	**87,109**	+11
Interest from debt securities	671	**–**	–
Dividend	40	**–**	–
	286,191	**249,506**	-13
Other income	15,532	**15,186**	-2
Total	301,723	**264,692**	-12

The total income for the Group decreased by 12% from HK$302 million to HK$265 million compared with last year. The decrease of revenue for the year was due to 22% drop in hotel revenue but there was 11% increase in rental income.

The income from operation of hotels decreased by 22% to HK$162 million (2008: HK$207 million). Despite continuous high occupancy, the decrease of hotel turnover for the whole year was due to lower room rates due to loss of business travelers suffering from the global recession which affected 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$*	*%*	*HK$*
2009								
Jan	96	775	90	643	87	462	52	277
Feb	96	570	92	518	97	326	64	272
Mar	98	621	95	557	99	326	68	286
Apr	96	658	92	560	98	360	78	281
May	95	538	80	440	93	319	67	277
Jun	95	481	80	431	91	297	58	283
Jul	96	475	90	400	95	296	71	270
Aug	97	520	94	434	97	378	67	282
Sep	91	588	83	457	92	360	59	291
Oct	97	772	92	653	97	469	69	314
Nov	98	661	95	600	99	403	68	301
Dec	98	781	95	678	98	475	65	293
Avg/yr	96	565	90	535	95	388	66	286
2009 Total	**HK$49,095,000**		**HK$60,994,000**		**HK$38,213,000**		**HK$14,095,000**	
2008 Total	HK$61,504,000		HK$80,294,000		HK$45,004,000		HK$20,333,000	

The properties rental income was derived from office buildings of Shun Ho Tower, 633 King's Road and shops from Ramada Hotel Kowloon, Ramada Hong Kong Hotel and Best Western Hotel Taipa, Macau amounted to HK$87 million (2008: HK$78 million). The growth was derived from 633 King's Road. At the date of this report, it provided an annual rental income of HK$71 million (excluding rates and management fee). However, rental income was affected by the demolition of Swire & Maclaine House.

The properties rental income was analysed as follows:–

	2008 *HK$'000*	**2009** ***HK$'000***	**Change** *%*
633 King's Road	48,514	**61,264**	**+26**
Shun Ho Tower	14,364	**16,952**	**+18**
Shops	9,832	**8,893**	**-10**
Swire & Maclaine House	5,635	**demolished**	**-100**
Total	**78,345**	**87,109**	**+11**

Other income amounted to HK$15 million (2008: HK$15.5 million) which was mostly property management fee income of HK$14 million (2008: HK$14 million).

- Overall service costs for the Group for the year was HK$95 million (2008: HK$110 million), which HK$94 million (2008: HK$104 million) was for the hotel operations including food and beverage and costs of sales and HK$1 million (2008: 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	2.2 million per month
Ramada Hong Kong Hotel	2.6 million per month
Best Western Hotel Taipa, Macau	1.8 million per month
Magnificent International Hotel, Shanghai	0.8 million per month
Total	**HK$7.8 million per month (HK$94 million per year)**

  Administrative expenses of HK$15 million (2008: HK$16 million) for the year or HK$1.25 million (2008: HK$1.33 million) per month was for corporate management office including directors' fees, salaries for executive staff and employees, rental, marketing expenses and office expenses.

  Other expenses were property management expenses of HK$12 million (2008: HK$11 million).

- At 31st December, 2009, the overall debt was HK$1,159 million (2008: HK$1,150 million), of which HK$1,043 million (2008: HK$1,044 million) was bank borrowings and HK$116 million (2008: HK$106 million) was advance from shareholders.

  The debt ratio was 18% (2008: 18%) in term of overall debt of HK$1,159 million (2008: HK$1,150 million) against the fully revalued assets of HK$6,442 million (2008: HK$6,246 million).

  The gearing ratio was approximately 39% (2008: 41%) against funds employed of HK$2,968 million (2008: HK$2,829 million).

  The overall debts was analysed as follows:–

	2008 *HK$ million*	**2009** ***HK$ million***	**Change** *HK$ million*	**Interest Paid 2009** ***HK$ million***
Overall debt	1,150	**1,159**	+9	**32**
– bank loans	1,044	**1,043**	-1	**18**
– shareholders' loans	106	**116**	+10	**1**
Debt ratio (based on Fully Revalued Assets)	18%	**18%**	–	**–**
Mandatorily convertible bonds (The bonds will be mandatorily converted to share capital on 13th April 2011)	477	**477**	–	**13**

Of these loans, the total interest expenses amounted to HK$32 million (2008: HK$47 million), of which HK$18 million (2008: HK$29 million) was paid to bank borrowings, HK$1 million (2008: HK$15 million) was paid to shareholder loans and HK$13 million (2008: HK$3 million) was paid to bondholders.

Out of these interests totally paid, HK$11 million (2008: HK$13 million) was capitalized and HK$21 million (2008: HK$34 million) reflected in the expenses account.

Regarding the cash flow of the Group for the year, the gross income of the Group was HK$264,692,000 with operating expenses of HK$138,408,000 and interests paid out of the Group of HK$42,283,000, the positive cash flow was therefore HK$84 million which was spent on various construction expenses.

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

- 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 the following significant impact:

(a) The properties of the Group as valued by the independent professional valuer at market value as at 31st December, 2009 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 31.12.2009**	**Carrying amounts (in the accounts under accounting standard) at 31.12.2009**	**Valuation surplus not included in accounts (before accounting for any deferred taxes) at 31.12.2009**
	HK$'000	*HK$'000*	*HK$'000*
Ramada Hotel Kowloon	733,000	287,294	445,706
Ramada Hong Kong Hotel	975,000	379,925	595,075
Best Western Hotel Taipa, Macau	362,000	263,681	98,319
Magnificent International Hotel, Shanghai	267,000	89,154	177,846
633 King's Road	1,310,000	1,310,000	–
239-251 Queen's Road West	578,000	351,497	226,503
338-346 Queen's Road West	244,000	205,972	38,028
19-23 Austin Avenue	795,000	690,042	104,958
30-40 Bowrington Road	523,000	297,692	225,308
Shun Ho Tower	417,000	410,985	6,015
Properties at Gold Coast	37,000	21,650	15,350
Total	**6,241,000**	**4,307,892**	**1,933,108**

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	3,253,843
Add: Valuation surplus (before accounting for any related taxes) not recognised in the accounts	1,933,108
Adjusted equity attributable to owners of the Company	**5,186,951**
Adjusted net asset value per ordinary share	**HK$0.87**

(b) Reduction of hotel operating profits due to depreciation of the hotel properties amounting to HK$23 million (2008: 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 have modest increase in 2010.

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

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

- For the year under review, the hotel market experienced major difficulties such as global financial turmoils and the flu epidemic, the turnover for the four hotels was amounted to HK$162 million, decreased by 22%.

Name of Hotel	**Avg Room Rates**		
	2008	**2009**	Change
	HK$	***HK$***	*%*
Ramada Hotel Kowloon	777	**565**	-27
Ramada Hong Kong Hotel	680	**535**	-21
Best Western Hotel Taipa, Macau	409	**388**	-5
Magnificent International Hotel, Shanghai	354	**286**	-19

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

The hotel turnover for the first three months of 2010 of the four hotels amounted to HK$46,647,000, representing 10% improvement compared with 2009 (The turnover for the first three months of 2009 of the four hotels was 18% down compared with 2008).

	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$*	*%*	*HK$*
2010								
Jan	98	731	94	621	97	424	64	277
Feb	95	684	90	593	95	600	52	300
Mar	98	759	97	648	97	397	76	330
2010 Total (Jan to Mar)		**HK$13,985,000**		**HK$18,037,000**		**HK$11,236,000**		**HK$3,389,000**
Change		**+10%**		**+11%**		**+22%**		**+7%**

With the positive cash flow surplus of HK$84 million for the year ended 31st December, 2009, the forecasted increase of rental incomes and steady hotel operations will ensure stronger future annual cash flow surplus which will help to ease the construction costs required to build the new hotels that will increase the incomes and value of the Group.

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

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

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

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

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

Nos. 19-23 Austin Avenue, Tsimshatsui

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

Nos. 30-40 Bowrington Road, Causeway Bay

A 265 rooms hotel development has been approved by the relevant authorities. Superstructure construction is in progress and completion expected in Summer 2010. The new hotel will be named as the Best Western Hotel, Causeway Bay.

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

Looking ahead, significant lowering of bank lending rate from 4% to 0.05%, before bank's interest spreads, will reduce the Group's interest expenses.

Looking ahead, the management expects 2010 will be a much improved year for hotel operation. The hotels occupancy remain high because of the increasing leisure travelling from the PRC and their further visa relaxation. The hotels room rates will increase due to the return of higher yield commercial travellers because of the global economic recovery. The first three months of 2010 of the hotels revenue have increased by 10% compared with last year 2009. With the signs of many global economic recovery, the world's economic activities should resume normal at later part of this year. Thus, the management expects higher yield commercial travellers will return in trade fair seasons that will compliment the already busy leisure travelling market which will result in room rates and revenue recovery.

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

The rental incomes of the commercial buildings and shops are expected to enjoy modest increase since most leases are due for renewal in 2010/2011.

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 hotel developments.

The low interest rate environment and tight land supply government policy back the demand in the local property market that benefits the Group's property portfolio especially the office buildings in Central and North Point. The conservative 18% debt ratio ensures the Group's stability over any further unforeseeable global financial turmoils.

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

Directors' Profiles

Mr. William CHENG Kai Man, *Executive Director*
Aged 48. 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 47. 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 58. 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 DLA Piper.

Mr. Vincent KWOK Chi Sun, *Independent Non-Executive Director*
Aged 47. 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 50. 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 42. 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, 2009, the Board of the Company comprises a total of six Directors, with two Executive Directors, one Non-executive Director and three Independent Non-executive Directors. All the Independent Non-Executive Directors have appropriate professional qualifications, or accounting or related financial management expertise.

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 2009 and the attendance of each director is set out below:

	Number of board meetings attended in 2009	Attendance rate
Executive Directors		
William Cheng Kai Man *(Chairman)*	4/4	100%
Albert Hui Wing Ho	4/4	100%
Non-executive Directors		
Mabel Lui Fung Mei Yee	2/4	50%
David Cheng Kai Ho (Resigned on 20th March, 2009)	0/0	0%
Independent Non-executive Directors		
Vincent Kwok Chi Sun	2/4	50%
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, 2009.

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, 2009, the Auditor of the Company received approximately HK$1.3 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 and 14th April, 2009 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 2009, the attendance of each member is set out below:

	Number of Audit Committee meetings attended in 2009	Attendance rate
Vincent Kwok Chi Sun	2/2	100%
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 2009;
- reviewed the interim report and the interim results announcement for the six months ended 30th June, 2009;
- reviewed the audit plan for year 2009 to assess the general scope of audit work; and
- reviewed the audited accounts and final results announcement for year 2008.

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, 2009 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 and considered the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting functions and their training programmes and budget on an annual basis. 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 2009.

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, 2009.

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 are set out in note 34 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31st December, 2009 are set out in the consolidated statement of comprehensive income on page 21.

DIVIDEND

The Board recommends a final dividend of HK0.1 cent per share in respect of the year ended 31st December, 2009 (2008: Nil) payable on 18th June, 2010 to shareholders whose names appear on the register of members of the Company on 3rd June, 2010.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 26 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 27 to the consolidated financial statements.

The Company's reserves available for distribution to shareholders as at 31st December, 2009 represent its retained profits of HK$378,404,000 (2008: HK$362,985,000).

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 14 to the consolidated financial statements.

INVESTMENT PROPERTIES

All the investment properties of the Group were revalued at 31st December, 2009. The revaluation gave rise to an increase of approximately HK$70 million which has been dealt with in the consolidated statement of comprehensive income.

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

PROPERTIES UNDER DEVELOPMENT

During the year, development expenditure of approximately HK$101 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 17 to the consolidated financial statements.

MAJOR PROPERTIES

Details of the major properties of the Group at 31st December, 2009 are set out on pages 78 to 79 of the Annual Report.

BORROWINGS

An analysis of the repayment schedule of bank loans is set out in note 25 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, Mr. Hui Wing Ho, Albert and Mr. Chan Kim Fai 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 10% 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, 2009, 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 *(Notes 3 & 4)*

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. 2,978,198,581 unit of convertible bonds were held by Fastgrow Engineering & Construction Company Limited, Shun Ho Technology was deemed to have interest in the said bonds.

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, 2009 (i.e. 8,947,051,324 Shares).

4. 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, 2009 (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, 2009, 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 10 and 33 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, 2009, 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&7)*
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&7)*
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&7)*
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&7)*
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&7)*
Fastgrow Engineering & Construction Company Limited	Beneficial owner	2,978,198,581 *(Note2)*	33.29 *(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. 2,978,198,581 unit of convertible bonds were held by Fastgrow Engineering & Construction Company Limited, Shun Ho Technology was deemed to have interest in the said bonds.

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, 2009 (i.e. 8,947,051,324 Shares).

7. 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, 2009 (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

Hong Kong, 9th April, 2010

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 76 which comprise the consolidated and the Company's statements of financial position as at 31st December, 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 2009 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
9th April, 2010

Consolidated Statement of Comprehensive Income

For the Year Ended 31st December, 2009

	Notes	2009 HK$'000	2008 HK$'000
Revenue	5	**249,506**	286,191
Cost of sales		**(3,818)**	(4,164)
Other service costs		**(91,327)**	(105,805)
Depreciation of property, plant and equipment and release of prepaid lease payments for land		**(22,833)**	(22,718)
Gross profit		**131,528**	153,504
Increase in fair value of investment properties	16	**70,210**	24,804
Other income	7	**15,186**	15,532
Gain on disposal of available-for-sale investments		**3,617**	–
Gain (loss) on fair value changes of investments held for trading		**6**	(114)
Administrative expenses			
– Depreciation		**(4,099)**	(4,025)
– Others		**(15,346)**	(16,127)
		(19,445)	(20,152)
Other expenses	7	**(12,314)**	(11,351)
Finance costs	8	**(21,358)**	(33,878)
Profit before taxation	9	**167,430**	128,345
Income tax expense	11	**(23,870)**	(5,230)
Profit for the year attributable to owners of the Company		**143,560**	123,115
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**5,333**	2,316
Reclassification adjustment upon disposal of available-for-sale investments		**(3,617)**	–
Fair value loss on available-for-sale investments		**(5,824)**	(84,400)
Other comprehensive expense for the year		**(4,108)**	(82,084)
Total comprehensive income for the year attributable to owners of the Company		**139,452**	41,031
		HK cents	*HK cents*
Earnings per share	13		
Basic		**1.74**	1.91
Diluted		**N/A**	N/A

Consolidated Statement of Financial Position

At 31st December, 2009

	Notes	**2009** **HK$'000**	2008 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*14*	**384,239**	407,376
Prepaid lease payments for land	*15*	**1,093,857**	1,101,064
Investment properties	*16*	**1,987,790**	1,917,580
Property under development	*17*	**843,299**	741,914
Available-for-sale investments	*19*	**108,559**	124,371
Deposit for acquisition of property, plant and equipment		**–**	167
		4,417,744	4,292,472
CURRENT ASSETS			
Inventories		**647**	814
Properties held for sale		**21,650**	21,650
Investments held for trading	*19*	**7**	1
Prepaid lease payments for land	*15*	**12,542**	12,568
Trade and other receivables	*20*	**11,262**	18,888
Other deposits and prepayments		**4,323**	5,165
Amount due from immediate holding company	*33(b)*	**26**	23
Amount due from an intermediate holding company	*33(b)*	**29**	28
Pledged bank deposits	*22*	**110**	110
Time deposits	*22*	**–**	2,500
Bank balances and cash	*22*	**35,377**	18,644
		85,973	80,391
Assets classified as held for sale	*23*	**4,853**	–
		90,826	80,391
CURRENT LIABILITIES			
Trade and other payables	*24*	**23,382**	40,374
Rental and other deposits received		**12,709**	4,053
Advance from immediate holding company	*33(a)*	**55,141**	45,408
Advance from ultimate holding company	*33(c)*	**60,917**	60,427
Advance from a fellow subsidiary	*33(d)*	**4,745**	4,746
Tax liabilities		**7,958**	4,963
Bank loans	*25*	**567,425**	181,914
Mandatory convertible bonds liability	*27(b)*	**16,802**	11,280
		749,079	353,165
Liabilities associated with assets classified as held for sale	*23*	**353**	–
		749,432	353,165
NET CURRENT LIABILITIES		**(658,606)**	(272,774)
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,759,138**	4,019,698
CAPITAL AND RESERVES			
Share capital	*26*	**59,647**	59,647
Share premium and reserves		**2,908,379**	2,768,927
		2,968,026	2,828,574
NON-CURRENT LIABILITIES			
Rental deposits received		**18,102**	26,055
Mandatory convertible bonds liability	*27(b)*	**11,193**	27,995
Bank loans	*25*	**476,000**	862,425
Deferred tax liabilities	*28*	**285,817**	274,649
		791,112	1,191,124
		3,759,138	4,019,698

The consolidated financial statements on pages 21 to 76 were approved and authorised for issue by the Board of Directors on 9th April, 2010 and are signed on its behalf by:

Albert HUI Wing Ho
Director

William CHENG Kai Man
Director

Statement of Financial Position

At 31st December, 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*14*	**478**	780
Investments in subsidiaries	*18*	**283,617**	255,568
Amounts due from subsidiaries	*18*	**1,651,459**	1,664,479
Available-for-sale investments	*19*	**780**	780
Deferred tax assets	*28*	**2,080**	–
		1,938,414	1,921,607
CURRENT ASSETS			
Other receivables		**105**	827
Other deposits and prepayments		**1,255**	1,975
Tax recoverable		**433**	433
Amount due from immediate holding company	*33(b)*	**26**	23
Amount due from an intermediate holding company	*33(b)*	**29**	28
Bank balances and cash	*22*	**430**	191
		2,278	3,477
CURRENT LIABILITIES			
Other payables		**11,072**	10,780
Advance from immediate holding company	*33(a)*	**55,141**	45,408
Amounts due to subsidiaries	*21*	**2,674**	2,605
Mandatory convertible bonds liability	*27(b)*	**16,802**	11,280
		85,689	70,073
NET CURRENT LIABILITIES		**(83,411)**	(66,596)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,855,003**	1,855,011
CAPITAL AND RESERVES			
Share capital	*26*	**59,647**	59,647
Share premium and reserves	*27*	**1,773,190**	1,757,771
		1,832,837	1,817,418
NON-CURRENT LIABILITIES			
Other payable		**10,973**	9,438
Mandatory convertible bonds liability	*27(b)*	**11,193**	27,995
Deferred tax liabilities	*28*	**–**	160
		22,166	37,593
		1,855,003	1,855,011

Albert HUI Wing Ho
Director

William CHENG Kai Man
Director

Consolidated Statement of Changes in Equity

For the Year Ended 31st December, 2009

	Attributable to owners 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, 2008	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
Fair value loss on available-for-sale investments	–	–	–	–	–	(84,400)	–	–	(84,400)
Other comprehensive (expense) income for the year	–	–	–	–	–	(84,400)	2,316	–	(82,084)
Profit for the year	–	–	–	–	–	–	–	123,115	123,115
Total comprehensive (expense) income for the year	–	–	–	–	–	(84,400)	2,316	123,115	41,031
Issue of mandatory convertible bonds	–	–	441,066	–	–	–	–	–	441,066
Final dividend for the year ended 31st December, 2007 paid *(note 12)*	–	–	–	–	–	–	–	(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
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	5,333	–	5,333
Reclassification adjustment upon disposal of available-for-sale investments	–	–	–	–	–	(3,617)	–	–	(3,617)
Fair value loss on available-for-sale investments	–	–	–	–	–	(5,824)	–	–	(5,824)
Other comprehensive (expense) income for the year	–	–	–	–	–	(9,441)	5,333	–	(4,108)
Profit for the year	–	–	–	–	–	–	–	143,560	143,560
Total comprehensive (expense) income for the year	–	–	–	–	–	(9,441)	5,333	143,560	139,452
At 31st December, 2009	**59,647**	**341,243**	**441,066**	**612,477**	**179**	**37,051**	**12,450**	**1,463,913**	**2,968,026**

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 27.

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

Consolidated Statement of Cash Flows

For the Year Ended 31st December, 2009

	2009	2008
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Profit before taxation	**167,430**	128,345
Adjustments for:		
Interest income from bank deposits	**(45)**	(233)
Finance costs	**21,358**	33,878
(Gain) loss on fair value changes of investments held for trading	**(6)**	114
Increase in fair value of investment properties	**(70,210)**	(24,804)
Gain on disposal of available-for-sale investments	**(3,617)**	–
Gain on disposal of properties held for sale	**(458)**	–
Gain on disposal of property, plant and equipment	**–**	(371)
Depreciation of property, plant and equipment	**20,679**	20,464
Release of prepaid lease payments for land	**6,253**	6,279
Operating cash flows before movements in working capital	**141,384**	163,672
Decrease (increase) in inventories	**167**	(125)
Increase in properties held for sale	**–**	(116)
Decrease in investments held for trading	**–**	20,583
Decrease (increase) in trade and other receivables	**7,613**	(2,006)
Decrease (increase) in other deposits and prepayments	**842**	(659)
Increase in amount due from immediate holding company	**(3)**	(20)
(Increase) decrease in amount due from an intermediate holding company	**(1)**	1
Decrease in trade and other payables	**(16,983)**	(139)
Increase in rental and other deposits received	**703**	8,619
Cash generated from operations	**133,722**	189,810
Hong Kong Profits Tax paid	**(7,342)**	(9,454)
Income tax elsewhere paid	**(2,021)**	(1,772)
Interest from bank deposits received	**45**	233
NET CASH FROM OPERATING ACTIVITIES	**124,404**	178,817
INVESTING ACTIVITIES		
Expenditure on property under development	**(84,142)**	(44,536)
Acquisition of properties held for sale	**(4,108)**	–
Acquisition of property, plant and equipment	**(2,223)**	(3,150)
Net proceeds from disposal of available-for-sale investments	**9,990**	–
Proceeds from disposal of properties held for sale	**4,566**	–
Decrease (increase) in time deposits	**2,500**	(2,500)
Proceeds from disposal of property, plant and equipment	**8**	850
Acquisition of a subsidiary *(Note 35)*	**–**	(198,000)
Prepaid lease payments made	**–**	(89,186)
Addition to investment properties	**–**	(2,994)
Deposit for acquisition of property, plant and equipment	**–**	(167)
NET CASH USED IN INVESTING ACTIVITIES	**(73,409)**	(339,683)

Consolidated Statement of Cash Flows *(Continued)*

For the Year Ended 31st December, 2009

	2009	2008
	HK$'000	*HK$'000*
FINANCING ACTIVITIES		
Interest paid	**(42,283)**	(28,818)
Repayments of bank loans	**(914)**	(133,025)
(Repayment to) advance from ultimate holding company	**(214)**	59,000
(Repayment to) advance from a fellow subsidiary	**(1)**	4,746
Advances from (repayment to) immediate holding company	**9,128**	(22,442)
New bank loans raised	**–**	302,860
Proceeds from issuing mandatorily convertible bonds	**–**	664
Dividend paid	**–**	(14,315)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(34,284)**	168,670
NET INCREASE IN CASH AND CASH EQUIVALENTS	**16,711**	7,804
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**18,644**	10,965
Effect of foreign exchange rate changes	**22**	(125)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**35,377**	18,644
Represented by bank balances and cash	**35,377**	18,644

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 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.

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

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

In the current year, the Group and the Company have applied the following new and revised Hong Kong Accounting Standards ("HKAS"), amendments and Hong Kong (IFRIC) Interpretations ("HK (IFRIC) – Int") ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1st July, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers

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

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

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) *"Presentation of Financial Statements"*

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

HKFRS 8 *"Operating Segments"*

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see note 6). However, there are no changes in the basis of measurement of segment revenue, segment profit or loss, segment assets and segment liabilities.

Improving Disclosures about Financial Instruments
(Amendments to HKFRS 7 *"Financial Instruments: Disclosures"*)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Effective for annual periods beginning on or after 1st July, 2009
2 Amendments that are effective for annual periods beginning on or after 1st July, 2009 and 1st January, 2010, as appropriate
3 Effective for annual periods beginning on or after 1st January, 2010
4 Effective for annual periods beginning on or after 1st February, 2010
5 Effective for annual periods beginning on or after 1st July, 2010
6 Effective for annual periods beginning on or after 1st January, 2011
7 Effective for annual periods beginning on or after 1st January, 2013

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

The application 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.

HKFRS 9 *"Financial Instruments"* introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 *"Financial Instruments: Recognition and Measurement"* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's and the Company's financial assets.

In addition, as part of *"Improvements to HKFRSs"* issued in 2009, HKAS 17 *"Leases"* has been amended in relation to the classification of leasehold land. The amendments will be effective from 1st January, 2010, with earlier application permitted. Before the amendments to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

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

The significant accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31st December each year. 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 statement of comprehensive income from the effective date of acquisition and 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 into line with those used by other members of the Group.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

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

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

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

Revenue recognition

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

Revenue from the operation of hotels and building management services are recognised when services are rendered.

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

Revenue from sale of properties held for sale in the ordinary course of business is recognised when the respective properties have been delivered to the buyers.

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' rights to receive payment have been established.

Interest income 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 on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

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

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

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 other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

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

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).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

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 loss on tangible assets

At the end of each reporting period, 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 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. SIGNIFICANT 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 to the net carrying amount on initial recognition.

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

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; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, other deposits, amount due from immediate holding company and amount due from an intermediate holding company, amounts due from subsidiaries, pledged bank deposits, time deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale investments are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in securities revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in securities revaluation reserve is reclassified to profit or loss (see accounting policy on impairment of financial assets below).

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 the end of the reporting period (see accounting policy on impairment of financial assets below).

3. SIGNIFICANT 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 the end of the reporting period. 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 affected.

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.

For all other financial assets, objective evidence of impairment could include:

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

For certain categories of financial 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, 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 other comprehensive income and accumulated in securities revaluation reserve.

3. SIGNIFICANT 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 (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

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

Financial liabilities

Financial liabilities (including trade and other payables, 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.

Mandatory convertible bonds

Mandatory convertible bonds issued by the Company that contain both financial liability and equity components are 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 mandatory convertible bonds, the instrument includes a financial liability component. On initial recognition, the fair value of the liability component is determined using prevailing market interest rate of similar non-convertible debts. The difference between the gross 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 is carried at amortised cost using the effective interest method. The equity component, representing 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 will be transferred to share capital and share premium accounts.

Equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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 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"*.

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 in other comprehensive income 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.

Assets classified as held for sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

Assets classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

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 profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense 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. SIGNIFICANT 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 and amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

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 the 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 the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that 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 end of the reporting period, 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 in other comprehensive income and accumulated in 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 statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary 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. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those 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. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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, 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 assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly to equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Borrowing costs

Borrowing costs directly attribute to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as 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. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Critical judgments in applying the entity's accounting policies

The following are the key assumptions concerning the future, and other key sources of estimate on uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value of investment properties situated in Hong Kong, the valuers have used direct comparison method which involves estimates with reference to current market conditions as at the end of the reporting period. In relying on those valuation reports, the directors of the Company have exercised their judgments and are satisfied that the methods of valuations are reflective of the current market conditions.

Impairment assessment of available-for-sale investments

For the Group's investment in Shun Ho Resources and Shun Ho Technology of HK$107,779,000 (2008: HK$123,591,000), the management takes into consideration of their financial position at the end of the reporting period, the sustainability of its dividend, the liquidity of its shares and observable data such as net asset value per share of Shun Ho Resources and Shun Ho Technology which is in excess of the Group's cost of investment. Based on these considerations, the Group concluded that no objective evidence exists as at 31st December, 2009 that the investment in Shun Ho Resources and Shun Ho Technology is impaired.

Taxation

At 31st December, 2009, a deferred tax asset of HK$12,132,000 in relation to unused tax losses has been recognised as set out in note 28. No deferred tax asset has been recognised on the remaining tax losses of HK$26,149,000 as it is not probable that taxable profit will be available against which the tax losses can be utilised. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

Allowance for bad and doubtful debts

The policy for allowance for bad and doubtful debts of the Group and the Company is based on the evaluation of collectability and aging analysis of accounts receivables and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer and borrower. If the financial positions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, allowances may be required.

5. REVENUE

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

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Income from operation of hotels	**162,397**	207,135
Property rental	**87,109**	78,345
Interest from debt securities	**–**	671
Dividend	**–**	40
	249,506	286,191

6. SEGMENT INFORMATION

The Group has adopted HKFRS 8 *"Operating Segments"* with effect from 1st January, 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 *"Segment Reporting"*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

In prior years, segment information reported externally was analysed on the basis of the operation of the Group's businesses, including hospitality services, property investment, securities investment and trading and property development. However, information reported to the chief operating decision maker, Chairman of the Company, for the purposes of resources allocation and performance assessment specifically focuses on the performance of each hotel for hospitality services, each investment property for property investment operation and each hotel property under development. The Group's operating and reportable segments under HKFRS 8 are therefore as follows:

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

Note: In prior year, the property situated at 19-23 Austin Avenue previously held as investment properties was transferred to the balance of property under development for the redevelopment into a hotel.

Information regarding the above segments is reported below. Amounts reported for the prior year have been restated to conform to the requirements of HKFRS 8.

6. SEGMENT INFORMATION *(Continued)*

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment for the years:

	Segment revenue Year ended 2009 HK$'000	Segment revenue Year ended 2008 HK$'000	Segment profit (loss) Year ended 2009 HK$'000	Segment profit (loss) Year ended 2008 HK$'000
Hospitality services	**162,397**	207,135	**45,691**	80,690
– Ramada Hotel Kowloon	**49,095**	61,504	**10,523**	19,623
– Ramada Hong Kong Hotel	**60,994**	80,294	**22,262**	37,731
– Best Western Hotel Taipa, Macau	**38,213**	45,004	**12,767**	18,451
– Magnificent International Hotel, Shanghai	**14,095**	20,333	**139**	4,885
Property investment	**87,109**	78,345	**156,047**	96,907
– 633 King's Road	**61,264**	48,514	**80,223**	72,021
– Shun Ho Tower	**16,952**	14,364	**51,631**	23,181
– 19-23 Austin Avenue *(Note)*	**–**	5,635	**–**	8,073
– Shops	**8,893**	9,832	**24,193**	(6,368)
Securities investment and trading	**–**	711	**3,623**	597
Property development	**–**	–	**–**	–
– 239-251 Queen's Road West	**–**	–	**–**	–
– 19-23 Austin Avenue	**–**	–	**–**	–
– 30-40 Bowrington Road	**–**	–	**–**	–
– 338-346 Queen's Road West	**–**	–	**–**	–
	249,506	286,191	**205,361**	178,194
Other income			**15,186**	15,532
Other expenses			**(12,314)**	(11,351)
Unallocated administration costs and directors' salaries			**(19,445)**	(20,152)
Finance costs			**(21,358)**	(33,878)
Profit before taxation			**167,430**	128,345

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. The adoption of HKFRS 8 has not changed the basis of measurement of segment revenue and segment profit. Segment profit/loss represents the profit earned/loss incurred by each segment without allocation of central administration costs, directors' salaries, other income and other expenses that are not directly related to core business and finance costs. This is the measure reported to the chief operating decision maker, Chairman of the Company, for the purposes of resources allocation and performance assessment.

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2008: Nil).

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Segment assets		
Hospitality services	**751,833**	770,125
– Ramada Hotel Kowloon	**174,414**	183,235
– Ramada Hong Kong Hotel	**348,849**	355,841
– Best Western Hotel Taipa, Macau	**137,656**	141,695
– Magnificent International Hotel, Shanghai	**90,914**	89,354
Property investment	**1,993,190**	1,929,400
– 633 King's Road	**1,315,099**	1,301,095
– Shun Ho Tower	**395,890**	361,404
– Shops	**282,201**	266,901
Securities investment and trading	**108,605**	124,410
Property development	**1,545,438**	1,450,420
– 239-251 Queen's Road West	**351,528**	336,059
– 19-23 Austin Avenue *(Note)*	**690,113**	646,437
– 30-40 Bowrington Road	**297,771**	265,357
– 338-346 Queen's Road West	**206,026**	202,567
	4,399,066	4,274,355
Unallocated assets	**109,504**	98,508
	4,508,570	4,372,863

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Segment liabilities		
Hospitality services	**15,322**	14,460
– Ramada Hotel Kowloon	**4,953**	3,947
– Ramada Hong Kong Hotel	**4,622**	4,389
– Best Western Hotel Taipa, Macau	**4,420**	4,593
– Magnificent International Hotel, Shanghai	**1,327**	1,531
Property investment	**27,764**	34,467
– 633 King's Road	**22,248**	28,287
– Shun Ho Tower	**5,516**	6,180
– Shops	**–**	–
Securities investment and trading	**12**	2
Property development	**5,693**	7,884
– 239-251 Queen's Road West	**592**	4,215
– 19-23 Austin Avenue *(Note)*	**1,475**	884
– 30-40 Bowrington Road	**3,626**	2,785
– 338-346 Queen's Road West	**–**	–
	48,791	56,813
Unallocated liabilities	**1,491,753**	1,487,476
	1,540,544	1,544,289

Note: In prior year, the property situated at 19-23 Austin Avenue previously held as investment properties was transferred to the balance of property under development for the redevelopment into a hotel.

The adoption of HKFRS 8 has not changed the basis of measurement of segment assets and liabilities. For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than the Group head office's corporate assets, deposit for acquisition of corporate property, plant and equipment, and assets classified as held for sale; and

- all liabilities are allocated to reportable segments other than the Group head office's corporate liabilities, bank loans, mandatory convertible bonds liability, deferred tax liabilities and liabilities associated with assets classified as held for sale.

6. SEGMENT INFORMATION *(Continued)*

Other segment information

	Depreciation of property, plant and equipment and release of prepaid lease payments for land Year ended		Additions to non-current assets *(Note 2)* Year ended		Increase (decrease) in fair value of investment properties Year ended		Gain on disposal of available-for-sale investments Year ended		Fair value changes of investments held for trading Year ended	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:										
Hospitality services	**22,795**	22,681	**595**	2,767	**–**	–	**–**	–	**–**	–
– Ramada Hotel Kowloon	**7,625**	7,641	**60**	1,768	**–**	–	**–**	–	**–**	–
– Ramada Hong Kong Hotel	**7,068**	7,010	**27**	574	**–**	–	**–**	–	**–**	–
– Best Western Hotel Taipa, Macau	**4,245**	4,520	**11**	224	**–**	–	**–**	–	**–**	–
– Magnificent International Hotel, Shanghai	**3,857**	3,510	**497**	201	**–**	–	**–**	–	**–**	–
Property investment	**38**	37	**40**	2,994	**70,210**	24,804	**–**	–	**–**	–
– 633 King's Road	**38**	37	**40**	2,994	**20,000**	29,133	**–**	–	**–**	–
– Shun Ho Tower	**–**	–	**–**	–	**34,910**	9,330	**–**	–	**–**	–
– 19-23 Austin Avenue *(Note 1)*	**–**	–	**–**	–	**–**	2,541	**–**	–	**–**	–
– Shops	**–**	–	**–**	–	**15,300**	(16,200)	**–**	–	**–**	–
Securities investment and trading	**–**	–	**–**	–	**–**	–	**3,617**	–	**6**	(114)
Property development	**–**	–	**101,385**	152,841	**–**	–	**–**	–	**–**	–
– 239-251 Queen's Road West	**–**	–	**15,778**	113,878	**–**	–	**–**	–	**–**	–
– 19-23 Austin Avenue *(Note 1)*	**–**	–	**43,865**	7,636	**–**	–	**–**	–	**–**	–
– 30-40 Bowrington Road	**–**	–	**38,049**	26,737	**–**	–	**–**	–	**–**	–
– 338-346 Queen's Road West	**–**	–	**3,693**	4,590	**–**	–	**–**	–	**–**	–
	22,833	22,718	**102,020**	158,602	**70,210**	24,804	**3,617**	–	**6**	(114)

Notes:

1. In prior year, the property situated at 19-23 Austin Avenue previously held as investment properties was transferred to the balance of property under development for the redevelopment into a hotel.

2. Additions to non-current assets excluded available-for-sale investments and deposit for acquisition of corporate property, plant and equipment.

6. SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's operations are located in Hong Kong, Macau and the People's Republic of China (the "PRC").

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

	2009	2008
	HK$'000	*HK$'000*
Hong Kong	**194,763**	218,419
Macau	**40,648**	47,439
The PRC	**14,095**	20,333
	249,506	286,191

Note: Sales reported above represents revenue generated from external customers.

The following is an analysis of the Group's non-current assets by geographical location of the assets:

	Non-current assets	
	2009	2008
	HK$'000	*HK$'000*
Hong Kong	**3,956,358**	3,821,376
Macau	**263,383**	259,217
The PRC	**89,444**	87,508
	4,309,185	4,168,101

Note: Non-current assets excluded available-for-sale investments.

Information about major customers

The five largest customers accounted for less than 10% of the Group's total revenue for both years.

Revenue from major services and investments

Analysis of the Group's revenue from its major services and investments are set out in note 5.

7. OTHER INCOME/OTHER EXPENSES

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Other income comprises:		
Gain on disposal of properties held for sale	**458**	–
Gain on disposal of property, plant and equipment	**–**	371
Management fee income for the provision of property management services	**14,392**	13,942
Interest on bank deposits	**45**	233
Others	**291**	986
	15,186	15,532

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

8. FINANCE COSTS

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Interests on:		
Bank loans wholly repayable within five years	**18,489**	28,818
Effective interest expense on mandatory convertible bonds	**12,514**	3,165
Advance from ultimate holding company wholly repayable within five years *(note 33(c))*	**704**	1,427
Advance from immediate holding company wholly repayable within five years *(note 33(a))*	**605**	13,491
	32,312	46,901
Less: amount capitalised in property under development	**(10,954)**	(13,023)
	21,358	33,878

9. PROFIT BEFORE TAXATION

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	**1,681**	1,651
Staff costs including directors' emoluments	**63,744**	67,198
Depreciation of property, plant and equipment	**20,679**	20,464
Release of prepaid lease payments for land	**12,542**	12,375
Less: amount capitalised and included in property under development	**(6,289)**	(6,096)
	6,253	6,279
Operating lease rental in respect of rented premises and equipment	**1,238**	1,371
Gross rental income from investment properties	**(87,109)**	(78,345)
Less: Direct operating expenses from investment properties that generated rental income during the year	**1,272**	6,242
	(85,837)	(72,103)

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

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

	Year ended 31st December, 2009				
	Directors' fees	**Basic salaries, allowances and benefits-in-kind**	**Performance related incentive payments**	**Contributions to retirement benefits schemes**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Mr. William Cheng Kai Man	**–**	**2,735**	**530**	**12**	**3,277**
Mr. Albert Hui Wing Ho	**–**	**1,084**	**169**	**12**	**1,265**
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**
Mr. David Cheng Kai Ho (resigned on 20th March, 2009)	**–**	**–**	**–**	**–**	**–**
	116	**3,819**	**699**	**24**	**4,658**

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

(a) Directors' emoluments *(Continued)*

	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
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
Mr. David Cheng Kai Ho	–	–	–	–	–
	116	3,762	877	24	4,779

No directors waived any emoluments in the years ended 31st December, 2009 and 31st December, 2008.

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, 2009 and 31st December, 2008, no emolument was paid to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) Employees' emoluments

Of the five individuals in the Group with the highest emoluments, two (2008: two) were directors of the Company whose emoluments are included above. The emoluments of the remaining three individuals (2008: three individuals), whose emoluments are individually below HK$1,000,000, are as follows:

	THE GROUP	
	2009 ***HK$'000***	2008 *HK$'000*
Basic salaries, allowances and benefits-in-kind	**1,905**	1,881
Contributions to retirement benefits schemes	**36**	36
Performance related incentive payments	**571**	645
	2,512	2,562

11. INCOME TAX EXPENSE

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
The taxation charge comprises:		
Current tax		
Hong Kong	**11,377**	9,736
The PRC	**–**	1,010
Other jurisdiction	**1,030**	1,712
	12,407	12,458
Overprovision in prior years		
Hong Kong	**(49)**	(567)
Other jurisdiction	**–**	(255)
	(49)	(822)
Deferred tax *(note 28)*		
Current year	**11,512**	8,774
Attributable to a change in tax rate	**–**	(15,180)
	11,512	(6,406)
	23,870	5,230

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1st January, 2008 onwards.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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$237,000 (2008: HK$270,000) were provided as at 31st December, 2009.

11. INCOME TAX EXPENSE *(Continued)*

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

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Profit before taxation	**167,430**	128,345
Tax at the Hong Kong Profits Tax rate of 16.5% (2008: 16.5%)	**27,626**	21,177
Tax effect of expenses not deductible for tax purpose	**32**	2,127
Tax effect of income not taxable for tax purpose	**(605)**	(251)
Overprovision in prior years	**(49)**	(822)
Tax effect of tax losses not recognised	**39**	1,731
Utilisation of tax losses previously not recognised	**(530)**	(3,380)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(2,727)**	(174)
Decrease in opening deferred tax liability resulting from a decrease in applicable tax rate	**–**	(15,180)
Deferred tax liabilities arising on undistributed profits of a PRC subsidiary from 1st January, 2008 onwards	**(33)**	270
Others	**117**	(268)
Taxation charge	**23,870**	5,230

12. DIVIDEND

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Dividend recognised as distribution during the year:		
No final dividend in respect of the year ended 31st December, 2008 was declared to shareholders (2008: Final dividend in respect of the year ended 31st December, 2007 of HK0.24 cents) per share	**–**	14,315

The final dividend in respect of the year ended 31st December, 2009 of HK$0.1 cent per share amounting to HK$5,965,000 has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

13. EARNINGS PER SHARE

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

	2009	2008
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to owners of the Company	**143,560**	123,115
Effective interest expense on mandatory convertible bonds	**12,514**	3,165
Earnings for the purpose of basic earnings per share	**156,074**	126,280

	2009	2008
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares in issue	**5,964,701**	5,964,701
Effect of ordinary shares to be issued upon the conversion of mandatory convertible bonds*	**2,982,350**	643,731
Weighted average number of ordinary shares for the purpose of basic earnings per share	**8,947,051**	6,608,432

* As disclosed in note 27(b), the mandatory converted bonds are mandatorily 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.

14. 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, 2008	38,710	398,381	47,524	17,337	501,952
Exchange realignment	–	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
Additions	1,717	–	673	–	2,390
Transferred to assets classified as held for sale	(5,170)	–	–	–	(5,170)
Disposals	–	–	(10)	–	(10)
At 31st December, 2009	**43,184**	**402,546**	**50,242**	**17,881**	**513,853**
DEPRECIATION					
At 1st January, 2008	967	51,149	30,048	5,941	88,105
Exchange realignment	–	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
Provided for the year	1,247	8,720	7,693	3,019	20,679
Transferred to assets classified as held for sale	(330)	–	–	–	(330)
Eliminated on disposals	–	–	(2)	–	(2)
At 31st December, 2009	**3,079**	**69,189**	**45,800**	**11,546**	**129,614**
CARRYING AMOUNTS					
At 31st December, 2009	**40,105**	**333,357**	**4,442**	**6,335**	**384,239**
At 31st December, 2008	44,475	342,077	11,470	9,354	407,376

Notes:

(a) Following the change in use of certain investment properties of the Group during the year ended 31st December, 2008, such properties with a carrying amount of HK$7,927,000, 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.

14. 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:

	2009	2008
	HK$'000	*HK$'000*
In Hong Kong		
On long leases	**129,833**	132,772
Under medium-term leases	**42,473**	44,014
In Macau under medium-term leases	**105,974**	108,623
In the PRC under medium-term leases	**55,077**	56,668
	333,357	342,077

	Furniture, fixtures and equipment	**Motor vehicles and vessels**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
THE COMPANY			
COST			
At 1st January, 2008	634	3,288	3,922
Additions	20	–	20
At 31st December, 2008	654	3,288	3,942
Additions	3	–	3
At 31st December, 2009	**657**	**3,288**	**3,945**
DEPRECIATION			
At 1st January, 2008	255	2,601	2,856
Provided for the year	110	196	306
At 31st December, 2008	365	2,797	3,162
Provided for the year	110	195	305
At 31st December, 2009	**475**	**2,992**	**3,467**
CARRYING AMOUNTS			
At 31st December, 2009	**182**	**296**	**478**
At 31st December, 2008	289	491	780

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%

15. PREPAID LEASE PAYMENTS FOR LAND

The prepaid lease payments comprise:

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Land in Hong Kong on		
Long leases	**700,305**	701,132
Medium-term leases	**344,410**	354,623
	1,044,715	1,055,755
Land in Macau on medium-term leases	**27,607**	28,297
Land in the PRC on medium-term leases	**34,077**	29,580
	1,106,399	1,113,632
Analysed for reporting purposes as:		
Non-current asset	**1,093,857**	1,101,064
Current asset	**12,542**	12,568
	1,106,399	1,113,632

16. INVESTMENT PROPERTIES

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
FAIR VALUE		
At the beginning of the year	**1,917,580**	2,536,250
Additions	**–**	2,994
Transferred to property, plant and equipment *(note 14(a))*	**–**	(7,927)
Transferred to property under development *(note 17)*	**–**	(638,541)
Increase in fair value recognised in profit or loss	**70,210**	24,804
At the end of the year	**1,987,790**	1,917,580

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

	2009	2008
	HK$'000	*HK$'000*
Land and buildings in Hong Kong on land held:		
On long leases	**1,741,090**	1,684,680
Under medium-term leases	**116,600**	111,200
Land and buildings in Macau held under medium-term leases	**130,100**	121,700
	1,987,790	1,917,580

16. INVESTMENT PROPERTIES *(Continued)*

In prior 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.

The fair value of the Group's investment properties at 31st December, 2009 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 Surveyors ("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$1,988 million (2008: HK$1,918 million) were rented out under operating leases at the end of the reporting period.

17. PROPERTY UNDER DEVELOPMENT

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
At cost		
At the beginning of the year	**741,914**	39,718
Additions	**101,385**	63,655
Transferred from investment properties *(note 16)*	**–**	638,541
At the end of the year	**843,299**	741,914

Included in the carrying amount of the property under development at the end of the year are interest expenses of HK$28,805,000 (2008: HK$17,851,000) capitalised. The Group's property under development is situated in Hong Kong on long leases and is mainly held for hotel redevelopment purpose.

18. INVESTMENTS IN/AMOUNTS DUE FROM SUBSIDIARIES

	THE COMPANY	
	2009	2008
	HK$'000	*HK$'000*
INVESTMENTS IN SUBSIDIARIES		
Unlisted shares, at cost, including deemed capital contribution in subsidiaries	**283,617**	255,568
AMOUNTS DUE FROM SUBSIDIARIES LESS ALLOWANCE RECOGNISED		
Amounts due from subsidiaries	**1,677,134**	1,690,154
Less: Impairment loss recognised	**(25,675)**	(25,675)
	1,651,459	1,664,479

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 the next twelve months from the end of the reporting period, and accordingly classified as non-current. Such amounts to the extent of HK$445 million (2008: HK$506 million) carry interests chargeable at Hong Kong Interbank Offered Rate ("HIBOR") plus 1% with the remaining balance interest free. The interest-free amount is measured at amortised cost using the effective interest method, less any identified impairment losses. The carrying amounts of amounts due from subsidiaries are reduced by HK$20.1 million (2008: HK$32.6 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 1.2% (2008: 3.3%) per annum.

Particulars regarding the principal subsidiaries at 31st December, 2009 and 31st December, 2008 are set out in note 34.

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

	THE GROUP			
	Available-for-sale investments Non-current		**Investments held for trading Current**	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Listed equity securities in Hong Kong at fair value *(note a)*	**107,779**	123,591	**7**	1
Unlisted equity investments *(note b)*	**780**	780	**–**	–
	108,559	124,371	**7**	1

19. AVAILABLE-FOR-SALE INVESTMENTS/INVESTMENTS HELD FOR TRADING *(Continued)*

	THE COMPANY Available-for-sale investments	
	2009	2008
	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 price from the Hong Kong Stock Exchange.

The Group's non-current equity securities listed in Hong Kong include approximately 12.69% (2008: 15.07%) interest in Shun Ho Technology and approximately 20.57% (2008: 20.57%) interest in Shun Ho Resources, both are public companies incorporated and listed in Hong Kong. During the year, the Group has disposed 2.38% interest in Shun Ho Technology to Shun Ho Resources at consideration of HK$10,000,000. 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 Technology and Shun Ho Resources, accordingly, the results of Shun Ho Technology and Shun Ho Resources have not been accounted for on an equity basis.

(b) The unlisted equity investments are measured at cost less impairment at the end of each reporting period 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 presented based on the invoice date at the end of the reporting period:

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Not yet due	**3,729**	9,494
0 – 30 days	**5,556**	6,772
31 – 60 days	**960**	634
Over 60 days	**6**	96
	10,251	16,996

20. TRADE AND OTHER RECEIVABLES *(Continued)*

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Analysed for reporting as:		
Trade receivables	**10,251**	16,996
Other receivables	**1,011**	1,892
	11,262	18,888

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit rating limits. 91% (2008: 96%) 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$966,000 (2008: HK$730,000) 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.

The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors of the Company believe that there is no further credit provision required.

Aging of trade receivables which are past due but not impaired

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
31-60 days	**960**	634
Over 60 days	**6**	96
Total	**966**	730

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 interest at prevailing deposit interest rate at 0.01% (2008: 0.01% to 1%) per annum and represent deposits pledged to a bank to secure short-term banking facilities granted to the Group.

Time deposits in prior year carried fixed interest which range from 0.475% to 0.70% per annum.

Bank balances carry interest at prevailing deposit interest rates ranging from 0.001% to 0.01% (2008: 0.01% to 1.5%) per annum.

THE COMPANY

Bank balances carry interest at prevailing deposit interest rate at 0.001% (2008: 0.01% to 1.5%) per annum.

23. ASSETS CLASSIFIED AS HELD FOR SALE

On 15th June, 2009, Shun Ho Construction (Holdings) Limited, a wholly-owned subsidiary of the Company, entered into an agreement with an independent third party for the disposal of the entire issued share capital of City Wealth Limited ("City Wealth"), its wholly-owned subsidiary, together with the shareholder's loan of City Wealth due to the Company for an aggregate consideration of HK$4,500,000 (the "Disposal"). The principal activity of City Wealth is property holding in Hong Kong. The Disposal is expected to be completed on or before 30th June, 2010.

Upon completion of the Disposal, it is estimated that the proceeds of the Disposal would exceed the carrying amount of the net assets, accordingly, no impairment loss has been recognised on the assets which were classified as assets held for sale at 31st December, 2009.

The major classes of assets and liabilities of City Wealth classified as held for sale are as follows:

	2009
	HK$'000
Property, plant and equipment	**4,840**
Trade and other receivables	**13**
Total assets classified as held for sale	**4,853**
Trade and other payables	**(9)**
Deferred taxation	**(344)**
Total liabilities associated with assets classified as held for sale	**(353)**

24. TRADE AND OTHER PAYABLES

The following is an aged analysis of the Group's trade payables presented based on the invoice date at the end of the reporting period:

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
0 – 30 days	**7,826**	8,522
31 – 60 days	**1,237**	633
Over 60 days	**369**	6,488
	9,432	15,643

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Analysed for reporting as:		
Trade payables	**9,432**	15,643
Other payables	**13,950**	24,731
	23,382	40,374

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.

25. BANK LOANS

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Secured		
Bank loans	**1,043,425**	1,044,339
Carrying amount repayable:		
On demand or within one year	**567,425**	181,914
More than one year, but not exceeding two years	**476,000**	763,425
More than two years but not more than five years	**–**	99,000
	1,043,425	1,044,339
Less: Amounts due within one year shown under current liabilities	**(567,425)**	(181,914)
	476,000	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 years presented. The bank loans are secured over certain of the Group's properties. Interest rates on the Group's bank loans are repriced according to the HIBOR monthly. Effective interest rate is 1% (2008: 2.9%) per annum.

At the end of the reporting period, the undrawn bank loan facilities of the Group amounted to an aggregate of approximately HK$397 million (2008: HK$450 million).

26. SHARE CAPITAL

	2009		2008	
	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 and the end of the year	**5,964,701**	**59,647**	5,964,701	59,647

27. 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, 2008	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
Profit for the year	–	–	–	15,419	15,419
At 31st December, 2009	**341,243**	**441,066**	**612,477**	**378,404**	**1,773,190**

(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, 2009, 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 mandatory 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 payable quarterly in arrears. One unit of Bonds could be converted into one share.

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 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 mandatorily 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.

27. SHARE PREMIUM AND RESERVES *(Continued)*

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

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 will be 6,360,663,987of the Company's shares, immediately after the issuance of the Bonds, representing approximately 71.09% of the enlarged issued share capital of the Company pursuant to the full exercise of conversion rights of the Bonds.

The movement of the liability component of the mandatory convertible bonds for the years 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 8)*	3,165
Liability component at 31st December, 2008	39,275
Effective interest expense charged *(note 8)*	12,514
Interest paid	(23,794)
Liability component at 31st December, 2009	27,995

	2009	2008
	HK$'000	*HK$'000*
Analysed for reporting purposes as:		
Current liability	**16,802**	11,280
Non-current liability	**11,193**	27,995
	27,995	39,275

28. 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, 2008	91,763	183,619	13,184	–	(7,511)	281,055
(Credit) charge to profit or loss	(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
(Credit) charge to profit or loss	(952)	11,585	372	(33)	540	11,512
Transfer to liabilities associated with assets classified as held for sale	–	–	(344)	–	–	(344)
At 31st December, 2009	**84,615**	**189,093**	**24,004**	**237**	**(12,132)**	**285,817**

At the end of the reporting period, the Group had unused tax losses of HK$99,682,000 (2008: HK$105,922,000) available to offset against future profits. A deferred tax asset has been recognised in respect of such losses to the extent of HK$73,533,000 (2008: HK$76,799,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK$26,149,000 (2008: HK$29,123,000) due to the unpredictability of future profit streams. All the unrecognised tax losses may be carried forward indefinitely.

THE COMPANY

	Accelerated tax depreciation	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1st January, 2008 and 31st December, 2008	160	–	160
Credit to profit or loss	(104)	(2,136)	(2,240)
At 31st December, 2009	**56**	**(2,136)**	**(2,080)**

29. PROJECT/CAPITAL COMMITMENTS

At the end of the reporting period, the Group had outstanding commitments contracted for but not provided in the consolidated financial statements in respect of the following:

	2009	2008
	HK$'000	*HK$'000*
(a) Property development expenditure	**123,416**	12,958
(b) Acquisition of property, plant and equipment	**–**	1,503

The Company had no material commitments at the end of the reporting period.

30. OPERATING LEASE COMMITMENTS

The Group as lessor

Rental income from investment properties earned during the year amounted to HK$87,109,000 (2008: HK$78,345,000). The properties under leases have committed tenants for one to five years from the end of the reporting period without termination options granted to tenants.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases:

	2009	2008
	HK$'000	*HK$'000*
Within one year	**83,419**	85,604
More than one year but not more than five years	**21,986**	87,095
	105,405	172,699

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due within one year amounted to HK$8,000 (2008: HK$25,000).

Other than as disclosed above, the Group and the Company had no material lease commitments outstanding at the end of the reporting period.

31. CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

At the end of the reporting period, 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$1,045 million (2008: HK$1,083 million), HK$1,462 million (2008: HK$1,435 million), HK$843 million (2008: HK$742 million), and HK$174 million (2008: HK$180 million), respectively;

(ii) pledge of shares in and subordination of loans due from subsidiaries with an aggregate carrying amount of approximately HK$903 million (2008: HK$840 million);

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

(iv) bank deposits with a carrying amount of HK$110,000 (2008: HK$110,000).

(b) Contingent liabilities

Guarantees issued by the Company amounted to approximately HK$1,480 million (2008: HK$1,485 million), which were utilised to the extent of approximately HK$1,043 million (2008: HK$1,044 million), of which HK$17,345,000 (2008: HK$15,294,000) was recognised in the Company's statement of financial position as financial guarantee contracts included in other payables.

32. 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 profit or loss amounted to HK$1,652,000 (2008: HK$1,777,000). The forfeited contributions under the Group's defined contribution retirement scheme is not significant for the year.

33. RELATED PARTY TRANSACTIONS

Other than those disclosed in notes 8, 10, 18, 19, 21, 27(b), 31 and 38 to the consolidated financial statements, the Group and the Company had the following transactions and balances with related parties during the year:

	2009	2008
	HK$'000	*HK$'000*
THE GROUP		
Shun Ho Technology and its subsidiaries*		
Rental expenses	**1,040**	1,200
Interest expenses on advance to the Group *(note a)*	**605**	13,491
Effective interest expense on mandatorily convertible bonds	**12,496**	3,161
Corporate management fee income for administrative facilities provided	**1,706**	1,720
Advance due by the Group at the end of the year *(note a)*	**55,141**	45,408
Amount due to the Group at the end of the year *(note b)*	**26**	23
Advance due by the Group at the end of the year *(note d)*	**4,745**	4,746
Shun Ho Resources		
Corporate management fee income for administrative facilities provided	**100**	100
Amount due to the Group at the end of the year *(note b)*	**29**	28
Consideration on disposal of available-for-sale investments	**10,000**	–
Compensation of key management personnel *(note e)*	**4,658**	4,779

* exclude Magnificent Estates Limited and its subsidiaries

33. RELATED PARTY TRANSACTIONS *(Continued)*

	2009	2008
	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)*	**55,141**	45,408
Amount due to the Company at the end of the year *(note b)*	**26**	23
Shun Ho Resources		
Amount due to the Company at the end of the year *(note b)*	**29**	28

* 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% (2008: 1.2%) 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 end of the reporting period.

(c) The amount is unsecured, carries interest at HIBOR plus 1% and is repayable on demand. The effective interest rate is 1.2% (2008: 1.2%) 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:

	2009	2008
	HK$'000	*HK$'000*
Short-term benefits	**4,634**	4,755
Post-employment benefits	**24**	24
	4,658	4,779

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

34. 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, 2009 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 2009 Company %	2009 Subsidiaries %	2008 Company %	2008 Subsidiaries %	Principal activities
Babenna Limited	2	HK$10	**100**	**–**	100	–	Investment holding
Beautiful Sky Investment Limited	2	HK$1	**100**	**–**	100	–	Property development
Boutique Hotel Limited (formerly known as Shun Ho Real Estate 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	MOP$1	**–**	**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, property investment 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
Sino Money Investments Limited	10,000	HK$1	**–**	**100**	–	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.

35. 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 had 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 end of the reporting period of prior year is not significant.

36. 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 Group's overall strategy remains unchanged from prior year.

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 33(a), (c) and (d), bank loans disclosed in note 25 (net of bank balances and cash), and equity attributable to owners 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 uses long term funding to finance its acquisition of investment properties, expenditure on prepaid lease payments and property 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.

37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**49,111**	42,050
Investments held for trading	**7**	1
Available-for-sale investments	**108,559**	124,371
	157,677	166,422
Financial liabilities		
Amortised cost	**1,206,382**	1,224,229

	THE COMPANY	
	2009	2008
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**1,652,123**	1,665,621
Available-for-sale investments	**780**	780
	1,652,903	1,666,401
Financial liabilities		
Amortised cost	**87,835**	88,164
Financial guarantee contracts	**17,345**	15,294
	105,180	103,458

(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 risks), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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

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

37. FINANCIAL INSTRUMENTS *(Continued)*

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

(i) Foreign currency risk management

The Group is 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 end of the reporting period 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 end of the next annual reporting period. 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 2008.

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

	2009		2008	
	Strengthen (weaken) in foreign currencies	**Effect on profit or (loss)**	Strengthen (weaken) in foreign currencies	Effect on profit or (loss)
		HK$'000		*HK$'000*
Hong Kong dollars *(Note)*	**5%**	**(404)**	5%	(588)
	(5%)	**404**	(5%)	588

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.

37. FINANCIAL INSTRUMENTS *(Continued)*

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

(ii) Interest rate risk management

The Company is exposed to fair value interest rate risk in relation to interest-free amounts due from its subsidiaries.

The Group and the Company are exposed to cash flow interest rate risk in relation to its amounts due from subsidiaries, pledged bank deposits, bank balances and advances from immediate holding company/ultimate holding company and bank loans which are subject to floating interest rate. The Group and the Company currently do not have any interest rate hedging policy. However, from time to time, if interest rate fluctuates significantly, appropriate measures would be taken to manage interest rate exposure. The Group's interest rate risk is mainly concentrated on the fluctuation of HIBOR on advances from immediate holding company/ ultimate holding company and bank loans.

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 end of the reporting period. For floating-rate financial instruments, the analysis is prepared assuming the amount of financial instruments are outstanding for the whole year. A 50 basis points 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, 2009 would decrease/increase by HK$2,066,000 (2008: decrease/ increase by HK$2,029,000). This is mainly attributable to the Group's exposure to interest rates on its floating-rate borrowings.

The effect on pledged bank deposits, time 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 amounts due from subsidiaries and advance from immediate holding company at the end of the reporting period. 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, 2009 would increase/decrease by HK$1,629,000 (2008: HK$1,968,000). 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 end of the reporting period.

37. 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:

- the impact of changes in fair value of investments held for trading for both years is insignificant.

- securities revaluation reserve for the year ended 31st December, 2009 would increase/decrease by HK$10,778,000 (2008: increase/decrease by HK$12,400,000) for the Group, principally as a result of the changes in fair value of available-for-sale listed equity securities.

The Company does not have other significant price risk exposure at the end of the reporting period.

(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, 2009 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position and the Company's statement of financial position, respectively. For the Company's maximum exposure to credit risk, exposure is also arising from the amount of contingent liabilities as detailed in note 31(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 the end of each reporting period 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 also secured by the pledged prepaid lease payments for land, investment properties, property 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.

37. FINANCIAL INSTRUMENTS *(Continued)*

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

(v) Liquidity risk management

The Group had net current liabilities of approximately HK$659 million at 31st December, 2009 which include bank loans and advances from immediate and ultimate holding companies of approximately HK$567 million, HK$55 million and HK$61 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 end of the reporting period, the available banking facilities of the Group amounted to approximately HK$1,440 million, which was utilised to the extent of approximately HK$1,043 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 held for sale is higher than the existing available banking facilities, the directors of the Company considered that additional banking 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 based on agreed repayment terms. 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. To the extent that interest flows are floating rate, the undiscounted amount is derived from existing interest rate at the end of the reporting period.

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*
2009							
Non-interest bearing (others)	–	18,905	–	–	–	18,905	18,905
Variable interest rate instruments	1.02	117,275	1,729	573,601	480,293	1,172,898	1,159,482
Mandatory convertible bond liability	5	6,014	–	17,845	11,897	35,756	27,995
		142,194	1,729	591,446	492,190	1,227,559	1,206,382
Non-interest bearing (rental deposits received)	–	556	–	10,615	18,102	29,273	29,273
		142,750	1,729	602,061	510,292	1,256,832	1,235,655

37. 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	1-3 months	3 months to 1 year	1-5 years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2008							
Non-interest bearing (others)	–	34,780	–	–	–	34,780	34,780
Variable interest rate instruments	3.57	117,935	4,696	199,648	886,170	1,208,449	1,150,174
Mandatory convertible bond liability	5	5,916	5,916	11,831	35,887	59,550	39,275
		158,631	10,612	211,479	922,057	1,302,779	1,224,229
Non-interest bearing (rental deposits received)	–	1,244	66	1,046	26,055	28,411	28,411
		159,875	10,678	212,525	948,112	1,331,190	1,252,640

The Company had net current liabilities of approximately HK$83 million at 31st December, 2009, which include advance from immediate holding company of approximately HK$55 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.

37. FINANCIAL INSTRUMENTS *(Continued)*

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

(v) Liquidity risk management (Continued)

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*
2009							
Non-interest bearing	–	**4,699**	–	–	–	**4,699**	**4,699**
Variable interest rate instruments	**1.2**	**55,141**	–	–	–	**55,141**	**55,141**
Mandatory convertible bond liability	**5**	**6,014**	–	**17,845**	**11,897**	**35,756**	**27,995**
Financial guarantee	–	**1,043,425**	–	–	–	**1,043,425**	**17,345**
		1,109,279	–	**17,845**	**11,897**	**1,139,021**	**105,180**

	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	5	5,916	5,916	11,831	35,887	59,550	39,275
Financial guarantee	–	1,044,339	–	–	–	1,044,339	15,294
		1,099,144	5,916	11,831	35,887	1,152,778	103,458

The amounts included above for financial guarantee contracts are the maximum amounts the Company could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee immediately after the end of the reporting period. Based on expectations at the end of the reporting period, the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

37. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair values 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 in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;

- 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 from observable current market transactions and dealer quotes for similar instruments as inputs; and

- the fair values of financial guarantee contracts are determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default.

Except as for certain available-for-sale investments which are stated at cost, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated and Company's financial statements approximate their fair values.

Fair value measurements recognised in the consolidated statement of financial position

All of the Group's financial instruments that are measured subsequent to initial recognition at fair value, including listed equity securities which are classified as available-for-sale financial assets and investments held for trading, amounting to HK$107,779,000 and HK$7,000, respectively are grouped under Level 1 fair value measurements. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

38. NON-CASH TRANSACTION WITH A RELATED PARTY

On 1st August, 2008, the Company and Shun Ho Technology had 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, the Company allotted the Bonds in the principal amount of HK$477,176,000 for a total of 2,982,350,441 units of the Bonds. Shun Ho Technology and its subsidiaries had subscribed for HK$238,945,000 for 1,493,404,703 units of the Bonds and had 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,				
	2005	2006	2007	2008	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Revenue	232,738	188,771	231,427	286,191	**249,506**
Operating profit	59,185	133,028	978,229	128,345	**167,430**
Share of losses of associates	(232)	(195)	(4)	–	**–**
Profit before taxation	58,953	132,833	978,225	128,345	**167,430**
Income tax (expense) credit	8,919	(22,377)	(171,387)	(5,230)	**(23,870)**
Profit for the year	67,872	110,456	806,838	123,115	**143,560**

CONSOLIDATED NET ASSETS

	At 31st December				
	2005	2006	2007	2008	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Property, plant and equipment	387,189	394,780	413,847	407,376	**384,239**
Prepaid lease payments for land	608,304	596,487	821,904	1,101,064	**1,093,857**
Investment properties	560,000	634,330	2,536,250	1,917,580	**1,987,790**
Properties under development	85,927	234,897	39,718	741,914	**843,299**
Interests in associates	359	554	–	–	**–**
Other non-current assets	73,738	80,290	213,465	124,538	**108,559**
Net current liabilities	(419,545)	(521,933)	(1,383,337)	(272,774)	**(658,606)**
Non-current rental deposits received	–	–	–	(26,055)	**(18,102)**
Non-current mandatory convertible bonds liability	–	–	–	(27,995)	**(11,193)**
Long-term bank loans	–	–	–	(862,425)	**(476,000)**
Deferred lax liabilities	(105,138)	(120,006)	(281,055)	(274,649)	**(285,817)**
Net assets	1,190,834	1,299,399	2,360,792	2,828,574	**2,968,026**

Particulars of Major Properties

At 31st December, 2009

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, 2009	Expected date of completion	Lease term	Group's attributable interest
30-40 Bowrington Road Causeway Bay Hong Kong	Hotel	63,135	4,209	Superstructure construction in progress	2010	Medium-term lease	100%
239-251 Queen's Road West Hong Kong	Hotel	96,000	6,371	Pending commencement of superstructure construction	2011	Long lease	100%
19-23 Austin Avenue Tsimshatsui Kowloon, Hong Kong	Hotel	92,000	7,327	Under pile cap	2012	Medium-term lease	100%
338-346 Queen's Road West Hong Kong	Hotel	60,000	4,890	Under foundation work	2012	Long lease	100%

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, 2010

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 assess the Market Value of the above 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, 2009** ("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 28 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, 2009
1.	Shun Ho Tower, Nos. 24-30 Ice House Street, Central, Hong Kong	HK$417,000,000
2.	Ramada Hotel Kowloon, Nos. 73-75 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong	HK$733,000,000
3.	Ramada Hong Kong Hotel, No. 308 Des Voeux Road West, Hong Kong	HK$975,000,000
4.	Magnificent International Hotel, No. 381 Xizang Road South (Lot No. 5-1), Huang Pu District, Shanghai, The PRC	HK$267,000,000
5.	Best Western Hotel Taipa, Macau situated at Estrada Governador Nobre Carvalho No. 822, Taipa, The Macau Special Administrative Region of the PRC	HK$362,000,000
6.	Proposed Hotel Development at Nos. 19, 21 & 23 Austin Avenue, Kowloon, Hong Kong	HK$795,000,000
7.	Proposed Hotel Development at Nos. 239-251 Queen's Road West, Hong Kong	HK$578,000,000
8.	Proposed Hotel Development at Nos. 30-40 Bowrington Road, Hong Kong	HK$523,000,000
9.	Proposed Hotel Development at Nos. 338-346 Queen's Road West, Hong Kong	HK$244,000,000
10.	No. 633 King's Road, North Point, Hong Kong	HK$1,310,000,000
11.	D.D. 251 Lot 64, Sai Kung, New Territories, Hong Kong	HK$8,000,000
12.	House No. 3, Aegean Villa, No. 5 Silver Cape Road, Sai Kung, New Territories, Hong Kong	HK$21,900,000
13.	The Remaining Portion of Section A of Lot No. 665 in D.D. 379, Tuen Mun, New Territories, Hong Kong	HK$37,000,000

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

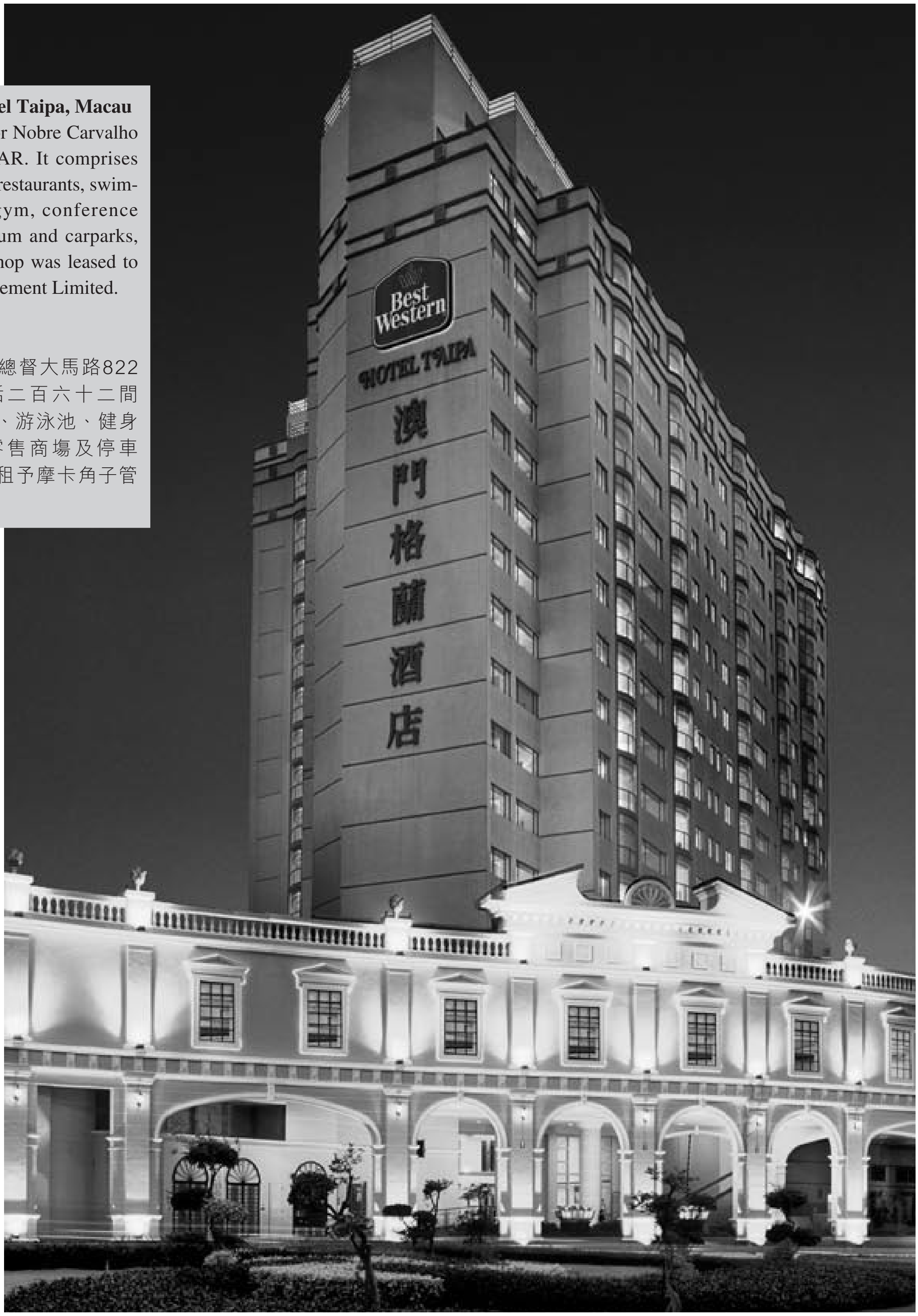
順豪商業大廈
位於香港中環雪廠街二十四至三十號之順豪集團總部。

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

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

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

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



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

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

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

Best Western Hotel
at 30-40 Bowrington Road, Causeway Bay, Hong Kong.

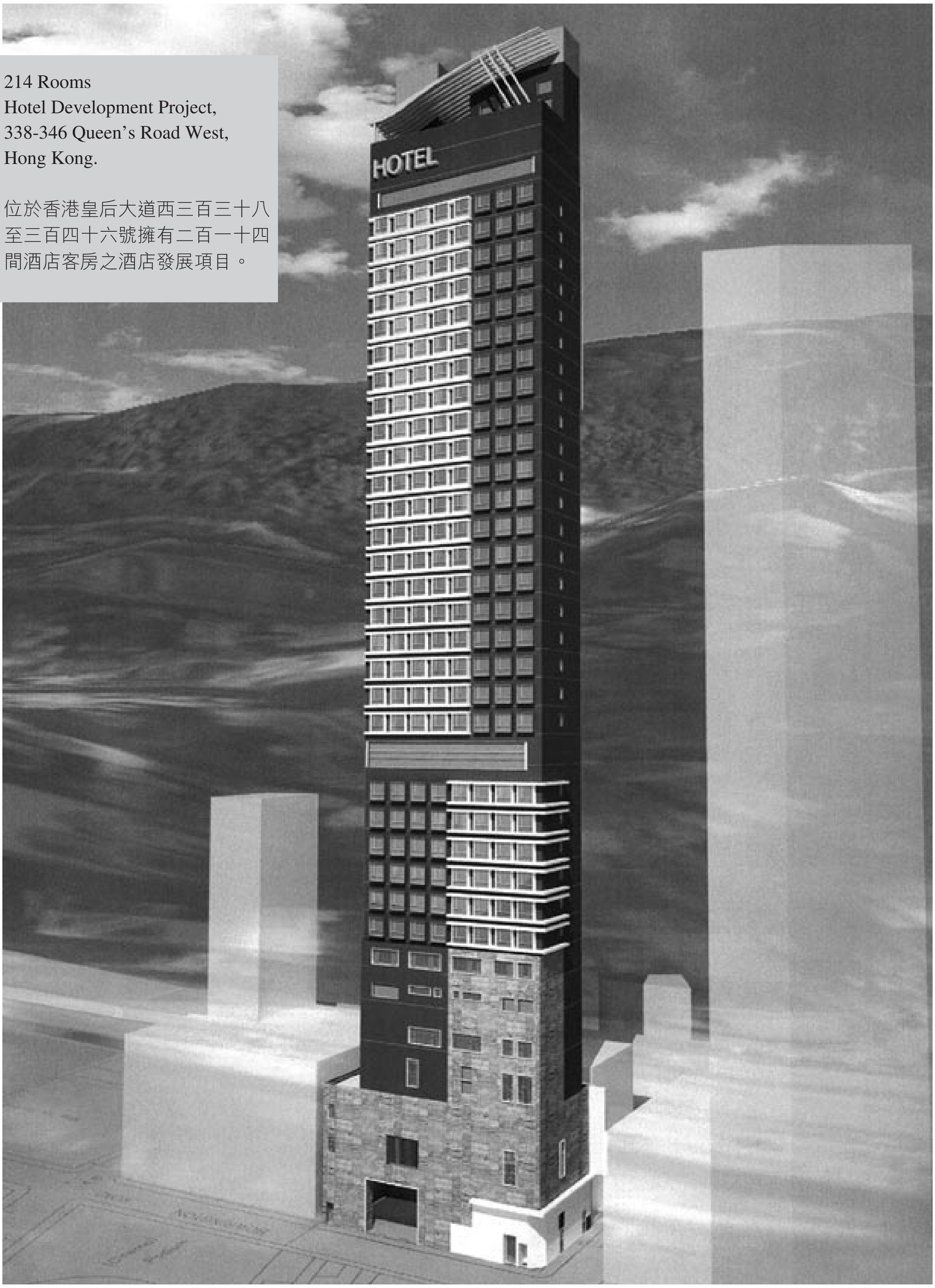
華麗精品酒店
位於香港銅鑼灣寶靈頓道
三十至四十號。

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

位於香港皇后大道西二百三十九至二百五十一號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三百三十八至三百四十六號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。