MAGNIFICENT ESTATES LIMITED

（華 大 地 產 投 資 有 限 公 司）

(Stock Code 股份代號: 201)

ANNUAL REPORT 2010

二零一零年年報

Property Portfolio
物 業 組 合

Central
Shun Ho Tower

MAGNIFICENT ESTATES LIMITED
(Stock Code: 201)

TOTAL ASSETS : HK$7,661 million
總 資 產 值 ： 76.61 億 港 元

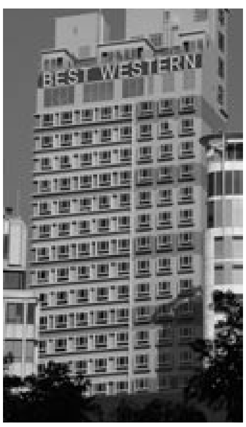
633 King's Road
North Point

Ramada Hotel
Kowloon

Ramada Hotel
Hong Kong

Best Western Hotel
Taipa, Macau

Magnificent
International Hotel
Shanghai



Best Western Hotel
Causeway Bay

397 Hotel Rooms
Hotel Development
Project
Austin Avenue

435 Hotel Rooms
Best Western Hotel
Harbour View
Queen's Road West

214 Rooms
Service Apartment
Building 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 Directors
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 Hong Kong
17th Floor, Edinburgh Tower
15 Queen's Road Central
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

Company's Website
www.magnificentestatesltd.com

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Magnificent Estates Limited (the "Company") will be held at 6th Floor, Best Western Hotel, 38 Bowrington Road, Causeway Bay, Hong Kong on Friday, the 24th day of June, 2011 at 10:30 a.m. for the following purposes:

1. To receive and consider the audited Financial Statements for the year ended 31st December, 2010 together with the Report of the Directors and the Independent Auditor's Report.

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, 28th April, 2011

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, 20th June, 2011 to Friday, 24th June, 2011, 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, 17th June, 2011.

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

   (a) Mr. William CHENG Kai Man, Executive Director, aged 49, was appointed as Director of the Company in 1987. 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 and a master's degree in structural engineering. He is also a director of a number of subsidiaries of the Company. Save as disclosed above, Mr. William CHENG Kai Man did not hold any directorship in other listed public companies in the last three years or any position with the Company or other members of the Company's group.

   There is no service contract between Mr. William CHENG Kai Man and the Company. He has no fixed term of service with the Company and will be subject to the rotational retirement and re-election requirements at annual general meetings pursuant to the Articles of Association of the Company. The Director's fee payable to Mr. William CHENG Kai Man as executive Director is determined by shareholders in annual general meeting. At the annual general meeting of the Company held on 3rd June, 2010, it was approved that the Director's fee for the year ended 31st December, 2010 be determined by the Board. Mr. William CHENG Kai Man did not receive Director's fee and other emoluments paid to Mr. William CHENG Kai Man for the year ended 31st December, 2010 was determined at HK$3,310,000 with reference to his duties and responsibility with the Company, the Company's performance and current market situation. Save as disclosed above, Mr. William CHENG Kai Man is and was not connected with any Directors, senior management or substantial or controlling shareholders of the Company. As at the date of this notice, Mr. William CHENG Kai Man was deemed to have interest in 3,382,465,406 shares and convertible bonds to subscribe for 2,978,198,581 shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

   (b) Mr. HUI Kin Hing, Independent Non-executive Director, aged 43, FCCA, CPA (Practising), was appointed as Director of the Company in 2005. 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 master's degree in business administration. He runs an accounting firm of Titus K.H. Hui. He has extensive experience in accounting, corporate finance and financial management. Save as disclosed above, Mr. HUI Kin Hing did not hold any directorship in other listed public companies in the last three years or any position with the Company or other members of the Company's group.

There is no service contract between Mr. HUI Kin Hing and the Company. He has no fixed term of service with the Company and will be subject to the rotational retirement and re-election requirements at annual general meetings pursuant to the Articles of Association of the Company. The Director's fee payable to Mr. HUI Kin Hing as independent non-executive Director is determined by shareholders in annual general meeting. At the annual general meeting of the Company held on 3rd June, 2010, it was approved that the Director's fee for the year ended 31st December, 2010 be determined by the Board. The Director's fee paid to Mr. HUI Kin Hing for the Company was determined at HK$33,000 for the year ended 31st December, 2010 with reference to his duties and responsibility with the Company, the Company's performance and current market situation. Save as disclosed above, Mr. HUI Kin Hing is and was not connected with any Directors, senior management or substantial or controlling shareholders of the Company.

As at the date of this notice, Mr. HUI Kin Hing did not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Save as disclose above, both Mr. William CHENG Kai Man and Mr. HUI Kin Hing have confirmed that there are no other matters relating to their re-election that need to be brought to the attention of the shareholders and there is no other information which is required to be disclosed pursuant to any of the requirements of 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.

Mr. Hu Jintao, President of the PRC, greeting Mr. William Cheng Kai Man, the chairman of Magnificent Estates in Beijing

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, 2010.

RESULTS

The Group's audited consolidated profit for the year ended 31st December, 2010 amounted to HK$418,420,000 (2009: HK$143,560,000), increased by 191%.

DIVIDEND

The Board recommend the payment of a final dividend of HK0.3 cents per share for the year ended 31st December, 2010 (2009: HK0.1 cent per share), which is equivalent to about 1% of the closing price of the Company's shares immediately before the date of this report, payable on 25th July, 2011 to shareholders whose names appear on the register of members of the Company on 24th June, 2011.

The annual dividend for the year 2005, 2006, 2007, 2009 received by shareholders was 1% of the last closing price of the date of results announcement at that time.

BOOK CLOSURE

The register of members will be closed from Monday, 20th June, 2011 to Friday, 24th June, 2011, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend and determine the identity of members who are entitled to attend and vote at the Annual General Meeting to be held on Friday, 24th June, 2011, 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, 17th June, 2011.

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, 2010 amounted to HK$418,420,000 (2009: HK$143,560,000), increased by 191%.

Before gain on revaluation of 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, 2010 is HK$156 million (2009: HK$112 million), increased by 39%.

The net assets before deferred tax and before revaluation on all asset properties of the Group amounted to HK$3,776 million (HK$0.63 per ordinary share) as at 31st December, 2010.

The net assets before deferred tax and after revaluation on all asset properties of the Group amounted to **HK$6,397 million (HK$1.07 per ordinary share)** as at 31st December, 2010.

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 Causeway Bay, Best Western Hotel, Macau and Magnificent International Hotel, Shanghai with 1,258 rooms together with three new hotels under development in Tsimshatsui and Sheung Wan, the Group will have about 2,300 hotel rooms which will be one of the largest hotel groups in Hong Kong. Such strategy has successfully helped to increase the value of the Group substantially:–

	2007	2008	2009	**2010**
	HK$ million	*HK$ million*	*HK$ million*	***HK$ million***
Net Assets Value	4,729	4,976	5,187	**6,397**

- For the year ended 31st December, 2010, the Group's income was mostly derived from the aggregate of income from operation of hotels and properties rental income, which is analysed as follows:–

Revenue	2009	**2010**	Change
	HK$'000	***HK$'000***	*%*
Income from operation of hotels	162,397	**214,213**	+32
Properties rental	87,109	**90,382**	+4
Other income	15,186	**16,011**	+5
Total	264,692	**320,606**	+21

The total income for the Group increased by 21% from HK$265 million to HK$321 million compared with last year. The increase of group revenue for the year was due to substantial hotel improvement in hotel revenue.

The income from operation of hotels increased by 32% to HK$214 million (2009: HK$162 million).

	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	99	731	94	621	97	424	64	283
Feb	95	684	90	594	95	600	52	285
Mar	98	760	97	654	97	399	76	318
Apr	95	864	93	752	98	459	85	335
May	97	654	89	569	97	448	87	542
Jun	97	622	92	510	97	415	95	581
Jul	98	679	97	568	96	443	97	591
Aug	96	730	94	623	97	494	93	572
Sep	93	768	91	653	91	458	94	573
Oct	97	1,053	95	916	97	528	89	597
Nov	99	938	96	796	99	490	71	338
Dec	99	1,040	94	861	98	584	58	322
Avg/yr	97	795	93	678	97	478	80	466
2010 Total		**HK$61,538,000**		**HK$78,876,000**		**HK$46,667,000**		**HK$27,132,000**
2009 Total		HK$49,095,000		HK$60,994,000		HK$38,213,000		HK$14,095,000
Increased %		+25		+29		+22		+92

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$90 million (2009: HK$87 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).

The properties rental income was analysed as follows:–

	2009 *HK$'000*	**2010** ***HK$'000***	Change *%*
633 King's Road	61,264	**64,790**	+6
Shun Ho Tower	16,952	**16,474**	-3
Shops	8,893	**9,118**	+3
Total	87,109	**90,382**	+4

Other income amounted to HK$16 million (2009: HK$15 million) which was mostly property management fee income of HK$15 million (2009: HK$14 million).

- Overall service costs for the Group for the year was HK$99 million (2009: HK$95 million).

  HK$98 million (2009: HK$94 million) was for the hotel operations including food and beverage and costs of sales and property improvements. Increase in operating expenses was result of Best Western Hotel, Macau and Magnificent International Hotel, Shanghai and due to implementation of minimum wages in Macau and doubling of business turnover in Shanghai. HK$1 million was professional architecture fee for additional rooms renovation of Ramada Hotel Kowloon.

  HK$1 million (2009: HK$1 million) was mainly 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	**2010** ***HK$/month***	2009 *HK$/month*
Centralized sales office	**0.4 million**	0.4 million
Ramada Hotel Kowloon	**2.2 million**	2.2 million
Ramada Hong Kong Hotel	**2.6 million**	2.6 million
Best Western Hotel, Macau	**1.9 million**	1.8 million
Magnificent International Hotel, Shanghai	**1.0 million**	0.8 million
Total	**HK$8.1 million per month (HK$97 million per year)**	HK$7.8 million per month (HK$94 million per year)

  Administrative expenses of HK$17 million (2009: HK$15 million) for the year of which HK$1.4 million was for pre-opening expense of the Best Western Hotel Causeway Bay, and HK$1.3 million (2009: HK$1.25 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$13 million (2009: HK$12 million).

- At 31st December, 2010, the overall debt was HK$1,175 million (2009: HK$1,159 million) of which, HK$1,035 million (2009: HK$1,043 million) was bank borrowings and HK$140 million (2009: HK$116 million) was advance from shareholders.

  The debt ratio was 15% (2009: 18%) in term of overall debt of HK$1,175 million (2009: HK$1,159 million) against the fully revalued assets of HK$7,661 million (2009: HK$6,442 million).

  The gearing ratio was approximately 34% (2009: 39%) against funds employed of HK$3,432 million (2009: HK$2,968 million).

The overall debts was analysed as follows:–

	2009 HK$ million	**2010 HK$ million**	Change HK$ million	**Interest Paid 2010 HK$ million**
Overall debt	1,159	**1,175**	+16	**21**
– bank loans	1,043	**1,035**	-8	**12**
– shareholders' loans	116	**140**	+24	**2**
Debt ratio (Based on Fully Revalued Assets)	18%	**15%**	-3%	**–**
Mandatorily convertible bonds (The maturity date will be on 13th April 2011)	477	**477**	–	**7**

- Of these loans, the total interest expenses amounted to HK$21 million (2009: HK$32 million), of which HK$12 million (2009: HK$18 million) was paid to bank borrowings, HK$2 million (2009: HK$1 million) was paid to shareholder loans and HK$7 million (2009: HK$13 million) was paid to bondholders.

  Out of these interests totally paid, HK$8 million (2009: HK$11 million) was capitalized and HK$13 million (2009: HK$21 million) reflected in the expenses account.

  Regarding the cash flow of the Group for the year, the gross income of the Group was HK$321 million (2009: HK$265 million) with operating expenses of HK$142 million (2009: HK$138 million), repayment of bank loan of HK$9 million and interests and dividend paid out of the Group of HK$42 million (2009: HK$42 million), the positive cash flow was therefore HK$128 million (2009: HK$84 million) which was spent on various construction expenses.

  All the Group's bank loans are floating rate borrowings, which carry interests at HIBOR plus 0.8% to 1.2% (2009: 0.65% to 1.2%) per annum. The bank loans are secured over certain of the Group's properties.

  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, 2010 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 31.12.2010** *HK$'000*	**Carrying amounts (in the accounts under accounting standard) at 31.12.2010** *HK$'000*	**Valuation surplus not included in accounts (before accounting for any deferred taxes) at 31.12.2010** *HK$'000*
Ramada Hotel Kowloon	818,000	317,454	500,546
Ramada Hong Kong Hotel	1,086,000	387,233	698,767
Best Western Hotel Taipa, Macau	409,000	267,341	141,659
Magnificent International Hotel, Shanghai	317,000	91,425	225,575
633 King's Road	1,540,000	1,540,000	–
239-251 Queen's Road West	800,000	376,300	423,700
338-346 Queen's Road West	281,000	212,152	68,848
19-23 Austin Avenue	865,000	709,722	155,278
30-40 Bowrington Road	750,000	382,507	367,493
Shun Ho Tower	477,000	467,875	9,125
Properties at Gold Coast	51,000	21,650	29,350
Total	**7,394,000**	**4,773,659**	**2,620,341**

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	3,776,214
Add: Valuation surplus (before accounting for any related taxes) not recognised in the accounts	2,620,341
Net Assets Value of the Company	**6,396,555**

(b) Reduction of hotel operating profits due to non-cash depreciation of the hotel properties amounted to HK$18 million (2009: HK$23 million) for the year under review.

	Land and buildings	**Hotel buildings**	**Furniture, fixture and equipment**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Depreciation	6,253	8,791	2,864	17, 908

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%

FUTURE PROSPECTS

- For the year under review, the investment properties such as Shun Ho Tower, 633 King's Road and shops in Ramada Hotel Kowloon, Ramada Hong Kong Hotel and Best Western Hotel Taipa, Macau remained almost fully let. It is expected that the rental revenue from these properties will have modest increase in 2011.

  The slight drop in rental of 3% of Shun Ho Tower was due to time taken to refill many expired tenancy.

  As at the date of this report, the leasing of the grade A office building at 633 King's Road achieved rental income of HK$71 million (excluding rates and management fee) per annum. The management envisages the office building will have modest rental increase in 2011.

  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 turnover for the four hotels amounted to HK$214 million, increased by 32%.

Name of Hotel	**Avg Room Rates**		
	2009	**2010**	Change
	HK$	***HK$***	%
Ramada Hotel Kowloon	565	**795**	+41
Ramada Hong Kong Hotel	535	**678**	+27
Best Western Hotel Taipa, Macau	388	**478**	+23
Magnificent International Hotel, Shanghai	286	**466**	+63

In the coming year, the Hong Kong Tourism Board forecast 40 million visitors are expected to visit Hong Kong +12%, up from 36 million last year. In the first 2 months of 2011, the actual increase of visitors has been 22% year on year, including 30% more mainlanders. The introduction of the multiple-entry visa arrangement for Shenzhen residents to visit Hong Kong, as well as the expanded scope for non-Guangdong residents in Shenzhen to apply for individual visit endorsement and prospects of extending to other cities in China, coupled with economic recovery in USA could bring even greater momentum to the growth of Mainland and Western arrivals.

The hotel turnover for the first three months of 2011 from the four hotels amounted to HK$55,879,000, representing 20% improvement compared with 2010 (The turnover for the first three months of 2010 of the four hotels was 10% increase compared with 2009).

	Ramada Hotel Kowloon		Ramada Hong Kong Hotel		Best Western Hotel Taipa, Macau		Magnificent International Hotel, Shanghai	
	Avg Room Occpancy	Avg Room Rate	Avg Room Occpancy	Avg Room Rate	Avg Room Occpancy	Avg Room Rate	Avg Room Occpancy	Avg Room Rate
	%	*HK$*	*%*	*HK$*	*%*	*HK$*	*%*	*HK$*
2011								
Jan	98	938	91	779	97	491	51	319
Feb	97	843	92	703	97	719	54	307
Mar	97	927	93	839	98	480	73	363
2011 Total (Jan to Mar)		**HK$18,989,000**		**HK$21,901,000**		**HK$13,825,000**		**HK$3,566,000**
Change %		**+22**		**+21**		**+19**		**+5**

With the positive cash flow surplus of HK$128 million for the year ended 31st December, 2010, the forecasted increase of rental incomes and steady hotel operations will ensure stronger future annual cash flow surplus which will help to ease the construction costs required to build the new hotels that will increase the incomes and value of the Group.

It is the intention of the Group to build a portfolio of 3-4 stars hotels with significant market shares in Hong Kong. The expected annual operating return on these hotels will be about 10% on development cost and substantial real estate capital gain potential. The Board believes these opportunities are readily available. The current five hotels owned by the Group offer about 1,258 rooms and the new hotels under development in Tsimshatsui and Sheung Wan will provide an additional 1,042 rooms. The number of hotel rooms will soon be about 2,300 rooms. The Group will 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.

Best Western Hotel, Causeway Bay

Hotel Occupation Permit has been issued in January 2011 and is awaiting issuance of hotel operation permit for commencement of business. The 258 rooms hotel has been luxuriously decorated for commercial visitors. The excellent shopping location will ensure future high occupancy and room rates at about HK$1,000/night. Management is confident with its future business prospect.

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

The Hotel has been named Best Western Hotel Harbour View. Superstructure construction reached the 25th floor on the date of this report. The construction of the Western MTR Line will improve future value of this property significantly.

Nos. 19-23 Austin Avenue, Tsimshatsui Hotel Development

The 400 rooms hotel development in the excellent shopping location in Tsimshatsui, superstructure construction has commenced.

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 construction of the Western MTR Line will improve future value of this property significantly.

Looking ahead, the management expects 2011 will be a much improved year for hotel operation. The hotels occupancy will remain high because of the increasing leisure travellers from China with their further visa relaxation. The hotels room rates will increase due to the return of higher yield commercial travellers resulting from global economic recovery. The first three months of 2011 of the hotels revenue have increased by 20% compared with last year 2010. Further substantial growth from USA economic recovery, and prospects of further multiple visa relaxation in China and rapid middle class population growth in China. 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 improvement in 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 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 15% 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 will endeavour to streamline cashflow in order to ensure the Group's future obligations are met.

By Order of the Board

William Cheng Kai Man
Chairman

Hong Kong, 22nd March, 2011

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

Directors' Profiles

Mr. William CHENG Kai Man, *Executive Director*
Aged 49. 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 48. 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 59. 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 48. 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 51. FCCA, 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 43. FCCA, 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 not set term of office but retire from office on a rotational basis at least once every three years. According to the articles of association of the Company, every director shall be subject to retirement by rotation at least once every three years. The Company considers that sufficient measures have been taken to ensure that its corporate governance practices are no less exacting than those in the Code 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, 2010, 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 12.

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 2010 and the attendance of each director is set out below:

	Number of board Meetings attended in 2010	**Attendance rate**
Executive Directors		
William Cheng Kai Man *(Chairman)*	4/4	100%
Albert Hui Wing Ho	4/4	100%
Non-executive Director		
Mabel Lui Fung Mei Yee	1/4	25%
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, 2010.

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 21.

AUDITOR'S REMUNERATION

For the year ended 31st December, 2010, the Auditor of the Company received approximately HK$1.4 million for audit service and HK$0.1 million for tax and consultancy services.

AUDIT COMMITTEE

The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Company established an audit committee ("Audit Committee") in 1995 with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants). In accordance with the requirements of the Code on CG Practices, the terms of reference of the Audit Committee were revised on 20th April, 2005 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 2010, the attendance of each member is set out below:

	Number of Audit Committee Meetings attended in 2010	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 2010;
- reviewed the interim report and the interim results announcement for the six months ended 30th June, 2010;
- reviewed the audit plan for year 2010 to assess the general scope of audit work; and
- reviewed the audited accounts and final results announcement for year 2009.

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, 2010 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 2010.

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 Board present their annual report and the audited consolidated financial statements for the year ended 31st December, 2010.

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, 2010 are set out in the consolidated statement of comprehensive income on page 22.

DIVIDEND

The Board recommends a final dividend of HK0.3 cents per share in respect of the year ended 31st December, 2010 (a final dividend of HK0.1 cent per share in respect of the year ended 31st December, 2009) payable on 25th July, 2011 to shareholders whose names appear on the register of members of the Company on 24th June, 2011.

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 26 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, 2010 represent its retained profits of HK$411,242,000 (2009: HK$378,404,000).

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, 2010. The revaluation gave rise to an increase of approximately HK$341 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$135 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, 2010 are set out on pages 83 to 84 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*

* *independent non-executive directors*

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

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

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

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

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate amount of purchases and sales attributable to the five largest suppliers and customers of the Group accounted for less than 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, 2010, 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 had 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 had 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, 2010 (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 106.63% to the total issued share capital of the Company as at 31st December, 2010 (i.e. 5,965,063,489 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, 2010, 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.

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, 2010, 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)*
Power Financial Corporation	Interest of controlled corporation	801,000,000 *(Note 5)*	13.43
Power Corporation of Canada	Interest of controlled corporation	801,000,000 *(Note 5)*	13.43
Nordex Inc.	Interest of controlled corporation	801,000,000 *(Note 5)*	13.43
IGM Financial Inc.	Interest of controlled corporation	801,000,000 *(Note 5)*	13.43
Gelco Enterprises Ltd	Interest of controlled corporation	801,000,000 *(Note 5)*	13.43
Desmarais Paul G.	Interest of controlled corporation	801,000,000 *(Note 5)*	13.43

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 Financial Corporation ("MFC") was, through its subsidiaries, interested in the total number of 801,000,000 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 56.60%) which was in turn an indirect non-wholly owned subsidiary of Power Corporation of Canada (held as to 66.08%). Power Corporation of Canada was 53.72% owned by Gelco Enterprises Ltd, a 94.95% 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, 2010 (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 106.63% to the total issued share capital of the Company as at 31st December, 2010 (i.e. 5,965,063,489 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, 22nd March, 2011

Deloitte.
德勤

TO THE MEMBERS 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 22 to 81, which comprise the consolidated and the Company's statements of financial position as at 31st December, 2010, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 of the consolidated financial statements that give a true and fair view 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, 2010, 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
22nd March, 2011

Consolidated Statement of Comprehensive Income

For the Year Ended 31st December, 2010

	Notes	**2010**	2009
		HK$'000	*HK$'000*
Revenue	*5*	**304,595**	249,506
Cost of sales		**(3,575)**	(3,818)
Other service costs		**(95,490)**	(91,327)
Depreciation of property, plant and equipment and release of prepaid lease payments for land		**(17,953)**	(22,833)
Gross profit		**187,577**	131,528
Increase in fair value of investment properties	*16*	**341,060**	70,210
Other income	*7*	**16,011**	15,186
Gain on disposal of available-for-sale investments		**–**	3,617
(Loss) gain on fair value changes of investments held for trading		**(1)**	6
Loss on disposal of a subsidiary	*23*	**(19)**	–
Administrative expenses			
– Depreciation		**(4,020)**	(4,099)
– Others		**(17,009)**	(15,346)
		(21,029)	(19,445)
Other expenses	*7*	**(12,971)**	(12,314)
Finance costs	*8*	**(12,783)**	(21,358)
Profit before taxation	*9*	**497,845**	167,430
Income tax expense	*11*	**(79,425)**	(23,870)
Profit for the year attributable to owners of the Company		**418,420**	143,560
Other comprehensive income (expense)			
Exchange differences arising on translation of foreign operations		**3,892**	5,333
Reclassification adjustment upon disposal of available-for-sale investments		**–**	(3,617)
Fair value on gain (loss) on available-for-sale investments		**47,860**	(5,824)
Other comprehensive income (expense) for the year		**51,752**	(4,108)
Total comprehensive income for the year attributable to owners of the Company		**470,172**	139,452
		HK cents	*HK cents*
Earnings per share	*13*		
Basic		**4.76**	1.74
Diluted		**N/A**	N/A

Consolidated Statement of Financial Position
At 31st December, 2010

	Notes	**31st December, 2010** *HK$'000*	31st December, 2009 *HK$'000* (Restated)	1st January, 2009 *HK$'000* (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	*14*	**730,392**	727,051	754,939
Prepaid lease payments for land	*15*	**60,767**	60,182	56,375
Investment properties	*16*	**2,328,850**	1,987,790	1,917,580
Properties under development	*17*	**1,680,680**	1,545,202	1,450,106
Available-for-sale investments	*19*	**156,419**	108,559	124,371
Deposit for acquisition of property, plant and equipment		**2,591**	–	167
		4,959,699	4,428,784	4,303,538
CURRENT ASSETS				
Inventories		**520**	647	814
Properties held for sale		**21,650**	21,650	21,650
Investments held for trading	*19*	**6**	7	1
Prepaid lease payments for land	*15*	**1,502**	1,502	1,502
Trade and other receivables	*20*	**12,909**	11,291	18,916
Other deposits and prepayments		**4,026**	4,323	5,165
Pledged bank deposits	*22*	**110**	110	110
Time deposits	*22*	**–**	–	2,500
Bank balances and cash	*22*	**40,586**	35,377	18,644
		81,309	74,907	69,302
Assets classified as held for sale	*23*	**–**	4,853	–
		81,309	79,760	69,302
CURRENT LIABILITIES				
Trade and other payables	*24*	**28,398**	23,382	40,374
Rental and other deposits received		**16,711**	12,709	4,053
Advance from immediate holding company	*33(a)*	**79,354**	55,115	45,385
Advance from ultimate holding company	*33(a)*	**61,211**	60,917	60,427
Advance from a fellow subsidiary	*33(b)*	**4,745**	4,745	4,746
Tax liabilities		**9,502**	7,958	4,963
Bank loans	*25*	**1,034,792**	1,043,425	1,044,339
Mandatory convertible bonds liability	*27(b)*	**11,193**	16,802	11,280
		1,245,906	1,225,053	1,215,567
Liabilities associated with assets classified as held for sale	*23*	**–**	353	–
		1,245,906	1,225,406	1,215,567
NET CURRENT LIABILITIES		**(1,164,597)**	(1,145,646)	(1,146,265)
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,795,102**	3,283,138	3,157,273

	Notes	31st December, 2010 HK$'000	31st December, 2009 HK$'000 (Restated)	1st January, 2009 HK$'000 (Restated)
CAPITAL AND RESERVES				
Share capital	*26*	**59,651**	59,647	59,647
Share premium and reserves		**3,372,582**	2,908,379	2,768,927
		3,432,233	2,968,026	2,828,574
NON-CURRENT LIABILITIES				
Rental deposits received		**18,888**	18,102	26,055
Mandatory convertible bonds liability	*27(b)*	**–**	11,193	27,995
Deferred tax liabilities	*28*	**343,981**	285,817	274,649
		362,869	315,112	328,699
		3,795,102	3,283,138	3,157,273

The consolidated financial statements on pages 22 to 81 were approved and authorised for issue by the Board of Directors on 22nd March, 2011 and are signed on its behalf by:

Albert HUI Wing Ho
Director

William CHENG Kai Man
Director

Statement of Financial Position

At 31st December, 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*14*	**349**	478
Investments in subsidiaries	*18*	**316,959**	283,617
Amounts due from subsidiaries	*18*	**1,660,120**	1,651,459
Available-for-sale investments	*19*	**780**	780
Deferred tax asset	*28*	**4,572**	2,080
		1,982,780	1,938,414
CURRENT ASSETS			
Other receivables		**142**	134
Other deposits and prepayments		**740**	1,255
Tax recoverable		**–**	433
Bank balances and cash	*22*	**326**	430
		1,208	2,252
CURRENT LIABILITIES			
Other payables		**13,654**	11,072
Advance from immediate holding company	*33(a)*	**79,354**	55,115
Amounts due to subsidiaries	*21*	**2,165**	2,674
Mandatory convertible bonds liability	*27(b)*	**11,193**	16,802
		106,366	85,663
NET CURRENT LIABILITIES		**(105,158)**	(83,411)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,877,622**	1,855,003
CAPITAL AND RESERVES			
Share capital	*26*	**59,651**	59,647
Share premium and reserves	*27*	**1,806,024**	1,773,190
		1,865,675	1,832,837
NON-CURRENT LIABILITIES			
Other payable		**11,947**	10,973
Mandatory convertible bonds liability	*27(b)*	**–**	11,193
		11,947	22,166
		1,877,622	1,855,003

Albert HUI Wing Ho
Director

William CHENG Kai Man
Director

Consolidated Statement of Changes in Equity

For the Year Ended 31st December, 2010

	Attributable to owners of the Company								
	Share capital	**Share premium**	**Mandatory convertible bonds equity reserve**	**Special capital reserve**	**Property revaluation reserve**	**Securities revaluation reserve**	**Translation reserve**	**Retained profits**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Note a)*	*HK$'000* *(Note b)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2009	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
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	3,892	–	3,892
Fair value gain on available-for-sale investments	–	–	–	–	–	47,860	–	–	47,860
Other comprehensive income for the year	–	–	–	–	–	47,860	3,892	–	51,752
Profit for the year	–	–	–	–	–	–	–	418,420	418,420
Total comprehensive income for the year	–	–	–	–	–	47,860	3,892	418,420	470,172
Conversion of mandatory convertible bonds	4	50	(54)	–	–	–	–	–	–
Final dividend for year ended 31st December, 2009 paid *(note 12)*	–	–	–	–	–	–	–	(5,965)	(5,965)
At 31st December, 2010	**59,651**	**341,293**	**441,012**	**612,477**	**179**	**84,911**	**16,342**	**1,876,368**	**3,432,233**

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, 2010

	2010 *HK$'000*	2009 *HK$'000*
OPERATING ACTIVITIES		
Profit before taxation	**497,845**	167,430
Adjustments for:		
Interest income from bank deposits	**(12)**	(45)
Finance costs	**12,783**	21,358
Loss (gain) on fair value changes of investments held for trading	**1**	(6)
Loss on disposal of a subsidiary	**19**	–
Increase in fair value of investment properties	**(341,060)**	(70,210)
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	**(3)**	–
Depreciation of property, plant and equipment	**20,471**	25,430
Release of prepaid lease payments for land	**1,502**	1,502
Operating cash flows before movements in working capital	**191,546**	141,384
Decrease in inventories	**127**	167
(Increase) decrease in trade and other receivables	**(1,618)**	7,612
Decrease in other deposits and prepayments	**297**	842
Increase (decrease) in trade and other payables	**5,016**	(16,983)
Increase in rental and other deposits received	**4,788**	703
Cash generated from operations	**200,156**	133,725
Hong Kong Profits Tax paid	**(17,680)**	(7,342)
Income tax elsewhere paid	**(2,102)**	(2,021)
Interest from bank deposits received	**12**	45
NET CASH FROM OPERATING ACTIVITIES	**180,386**	124,407
INVESTING ACTIVITIES		
Expenditure on properties under development	**(127,582)**	(84,142)
Acquisition of property, plant and equipment	**(22,828)**	(2,223)
Deposit for acquisition of property, plant and equipment	**(2,591)**	–
Net proceeds from disposal of a subsidiary	**4,500**	–
Proceeds from disposal of property, plant and equipment	**1,695**	8
Acquisition of properties held for sale	**–**	(4,108)
Net proceeds from disposal of available-for-sale investments	**–**	9,990
Proceeds from disposal of properties held for sale	**–**	4,566
Increase in time deposits	**–**	2,500
NET CASH USED IN INVESTING ACTIVITIES	**(146,806)**	(73,409)

Consolidated Statement of Cash Flows *(Continued)*

For the Year Ended 31st December, 2010

	2010	2009
	HK$'000	*HK$'000*
FINANCING ACTIVITIES		
Interest paid	**(36,004)**	(42,283)
Repayments of bank loans	**(8,805)**	(914)
Dividend paid to shareholders	**(5,965)**	–
Repayment to ultimate holding company	**(426)**	(214)
Advance from immediate holding company	**23,482**	9,125
Repayment to a fellow subsidiary	**–**	(1)
NET CASH USED IN FINANCING ACTIVITIES	**(27,718)**	(34,287)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**5,862**	16,711
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**35,377**	18,644
Effect of foreign exchange rate changes	**(653)**	22
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	**40,586**	35,377

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

In the current year, the Group has applied, for the first time, the following new and revised Hong Kong Accounting Standards ("HKAS(s)"), Hong Kong Financial Reporting Standards ("HKFRS(s)"), amendments and interpretations (hereinafter collectively referred to as the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of these new and revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

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

Improvements to HKFRS issued in 2009 relating to HKAS 17

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

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1st January, 2010 based on information that existed at the inception of the leases. Leasehold lands that qualify for finance lease classification have been reclassified from prepaid lease payments for land to property, plant and equipment and properties under development retrospectively. This resulted in a reclassification from prepaid lease payments for land with a previous carrying amount of HK$1,055,755,000 and HK$1,044,715,000 at 1st January, 2009 and 31st December, 2009 respectively to property, plant and equipment and properties under development that are measured at cost model.

As at 31st December, 2010, leasehold lands that qualify for finance lease classification with the carrying amount of HK$338,060,000 and HK$695,614,000 have been included in property, plant and equipment and property under development respectively. The application of the amendments to HKAS 17 has had no impact on the reported profits or loss for the current and prior years.

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

	As at 31st December, 2009 (Originally stated)	Adjustments	As at 31st December, 2009 (Restated)
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	384,239	342,812	727,051
Properties under development	843,299	701,903	1,545,202
Prepaid lease payments for land	1,106,399	(1,044,715)	61,684
Total effects on net assets	2,333,937	–	2,333,937

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

	As at 1st January, 2009 (Originally stated)	Adjustments	As at 1st January, 2009 (Restated)
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	407,376	347,563	754,939
Properties under development	741,914	708,192	1,450,106
Prepaid lease payments for land	1,113,632	(1,055,755)	57,877
Total effects on net assets	2,262,922	–	2,262,922

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

HKAS 27 (as revised in 2008) and HKFRS 3 (as revised in 2008)

The Group applies HKFRS 3 (as revised in 2008) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1st January, 2010. The requirements in HKAS 27 (as revised in 2008) "Consolidated and Separate Financial Statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1st January, 2010.

As there was no significant transaction during the year in which HKFRS 3 (as revised in 2008) and HKAS 27 (as revised in 2008) are applicable, the application of HKFRS 3 (as revised in 2008), HKAS 27 (as revised in 2008) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (as revised in 2008), HKAS 27 (as revised in 2008) and the consequential amendments to the other HKFRSs are applicable.

HK Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

HK Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" ("HK – Int 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK – Int 5 for the first time in the current year. HK – Int 5 requires retrospective application.

In order to comply with the requirements set out in HK – Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK – Int 5, term loans with a repayment on demand clause are classified as current liabilities.

As a result, bank loans that contain a repayment on demand clause with the aggregate carrying amounts of HK$476,000,000 and HK$862,425,000 have been reclassified from non-current liabilities to current liabilities as at 31st December, 2009 and 1st January, 2009 respectively. As at 31st December, 2010, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of HK$379,625,000 have been classified as current liabilities. The application of HK – Int 5 has had no impact on the reported profit or loss for the current and prior years.

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities that reflects the remaining contracted maturities (see note 36(b) for details).

The adoption of the other new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

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

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[6]
HKAS 24 (as revised in 2009)	Related Party Disclosures[4]
HKAS 32 (Amendments)	Classification of Rights Issues[2]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[5]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirment[4]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1st July, 2010 and 1st January, 2011, as appropriate
2 Effective for annual periods beginning on or after 1st February, 2010
3 Effective for annual periods beginning on or after 1st July, 2010
4 Effective for annual periods beginning on or after 1st January, 2011
5 Effective for annual periods beginning on or after 1st July, 2011
6 Effective for annual periods beginning on or after 1st January, 2012
7 Effective for annual periods beginning on or after 1st January, 2013

HKFRS 9 "Financial Instruments" (Issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 (Revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. The directors anticipate that the application of HKFRS 9 will affect the classification and measurement of the Group's available-for-sale investments and may affect the classification and measurement of other financial assets.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual period beginning on or after 1st January, 2013, with earlier application permitted.

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

The amendments to HKAS 12 titled Deferred Tax: Recovery of Underlying Assets mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. If the presumption is not rebutted, the directors anticipate that the application of the amendments to HKAS 12 may have a significant impact on deferred tax recognised for investment properties that are measured using the fair value model. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review had been completed.

Except those mentioned above, the directors of the Company anticipate that the application of other new and revised standards, amendments or interpretation will have no material impact on the consolidated financial statements of the Group.

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. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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 in full on consolidation.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1st January, 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries on or after 1st January, 2010

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combination

Business combinations that took place on or after 1st January, 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combination *(Continued)*

Business combinations that took place on or after 1st January, 2010 *(Continued)*

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another standard.

Where the consideration the Group transfers in business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combination *(Continued)*

Business combinations that took place on or after 1st January, 2010 *(Continued)*

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

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 property 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. 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 recognised so as 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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss.

Property under development, which includes leasehold land and buildings under construction are carried at cost, less any identified impairment losses. Depreciation 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 tangible 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 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, 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 considered to be impaired when 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
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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. 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. Changes in the carrying amount of the allowance account are recognised in 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 premiums 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 as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

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

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments for land" in the consolidated statement of financial position and is released 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. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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.

The carrying amount of deferred tax assets is reviewed at the end of the 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. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies described in note 3, the directors make various estimates based on past experiences, expectations of the future and other information. The key sources of estimation uncertainty that may significantly affect the amounts recognised in the consolidated financial statements are disclosed below:

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Taxation

At 31st December, 2010, a deferred tax asset of HK$14,586,000 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$27,351,000 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 more or less than expected, a material recognition or reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a changes take place.

Allowance for bad and doubtful debts

The policy for allowance for bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of trade 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 and property rental, and is analysed as follows:

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
Income from operation of hotels	**214,213**	162,397
Property rental	**90,382**	87,109
	304,595	249,506

6. SEGMENT INFORMATION

HKFRS 8 "Operating Segments" requires operating and reportable 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.

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 – Shops
8. Securities investment and trading
9. Property development for hotel – 239-251 Queen's Road West
10. Property development for hotel – 19-23 Austin Avenue
11. Property development for hotel – 30-40 Bowrington Road
12. Property development for hotel – 338-346 Queen's Road West

Information regarding the above segments is reported below.

6. SEGMENT INFORMATION *(Continued)*

Segment revenue and results

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

	Segment revenue		Segment profit/loss	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hospitality services	**214,213**	162,397	**97,795**	45,691
– Ramada Hotel Kowloon	**61,538**	49,095	**22,739**	10,523
– Ramada Hong Kong Hotel	**78,876**	60,994	**42,434**	22,262
– Best Western Hotel Taipa, Macau	**46,667**	38,213	**20,865**	12,767
– Magnificent International Hotel, Shanghai	**27,132**	14,095	**11,757**	139
Property investment	**90,382**	87,109	**430,842**	156,047
– 633 King's Road	**64,790**	61,264	**294,498**	80,223
– Shun Ho Tower	**16,474**	16,952	**73,526**	51,631
– Shops	**9,118**	8,893	**62,818**	24,193
Securities investment and trading	**–**	–	**(1)**	3,623
Property development for hotel	**–**	–	**–**	–
– 239-251 Queen's Road West	**–**	–	**–**	–
– 19-23 Austin Avenue	**–**	–	**–**	–
– 30-40 Bowrington Road	**–**	–	**–**	–
– 338-346 Queen's Road West	**–**	–	**–**	–
	304,595	249,506	**528,636**	205,361
Other income			**16,011**	15,186
Other expenses			**(12,971)**	(12,314)
Loss on disposal of subsidiary			**(19)**	–
Central administration costs and directors' salaries			**(21,029)**	(19,445)
Finance costs			**(12,783)**	(21,358)
Profit before taxation			**497,845**	167,430

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment profit/loss represents the profit earned/loss incurred by each segment without allocation of central administration costs, directors' salaries, loss on disposal of a subsidiary, 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 for both years.

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

	31st December, 2010 *HK$'000*	31st December, 2009 *HK$'000*	1st January, 2009 *HK$'000*
Segment assets			
Hospitality services	**742,555**	751,833	770,125
– Ramada Hotel Kowloon	**169,106**	174,414	183,235
– Ramada Hong Kong Hotel	**345,711**	348,849	355,841
– Best Western Hotel Taipa, Macau	**134,860**	137,656	141,695
– Magnificent International Hotel, Shanghai	**92,878**	90,914	89,354
Property investment	**2,332,310**	1,993,190	1,929,400
– 633 King's Road	**1,543,182**	1,315,099	1,301,095
– Shun Ho Tower	**453,228**	395,890	361,404
– Shops	**335,900**	282,201	266,901
Securities investment and trading	**156,463**	108,605	124,410
Property development for hotel	**1,682,826**	1,545,438	1,450,420
– 239-251 Queen's Road West	**376,330**	351,528	336,059
– 19-23 Austin Avenue	**709,885**	690,113	646,437
– 30-40 Bowrington Road	**384,405**	297,771	265,357
– 338-346 Queen's Road West	**212,206**	206,026	202,567
	4,914,154	4,399,066	4,274,355
Unallocated assets	**126,854**	109,478	98,485
	5,041,008	4,508,544	4,372,840

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

	31st December, 2010 *HK$'000*	31st December, 2009 *HK$'000*	1st January, 2009 *HK$'000*
Segment liabilities			
Hospitality services	**14,788**	15,322	14,460
– Ramada Hotel Kowloon	**5,247**	4,953	3,947
– Ramada Hong Kong Hotel	**4,119**	4,622	4,389
– Best Western Hotel Taipa, Macau	**4,040**	4,420	4,593
– Magnificent International Hotel, Shanghai	**1,382**	1,327	1,531
Property investment	**30,221**	27,764	34,467
– 633 King's Road	**23,721**	22,248	28,287
– Shun Ho Tower	**4,774**	5,516	6,180
– Shops	**1,726**	–	–
Securities investment and trading	**2**	12	2
Property development for hotel	**15,704**	5,693	7,884
– 239-251 Queen's Road West	**4,065**	592	4,215
– 19-23 Austin Avenue	**1,241**	1,475	884
– 30-40 Bowrington Road	**9,910**	3,626	2,785
– 338-346 Queen's Road West	**488**	–	–
	60,715	48,791	56,813
Unallocated liabilities	**1,548,060**	1,491,727	1,487,453
	1,608,775	1,540,518	1,544,266

For the purposes of monitoring segment performances and allocating resources between segments:

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

- all liabilities are allocated to operating and reportable segments other than the Group head office's corporate liabilities, bank loans, mandatory convertible bonds liability, current and 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		Additions to non-current assets *(Note)*		Increase in fair value of investment properties		Gain on disposal of available-for-sale investments		Fair value changes of investments held for trading	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	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	**17,908**	22,795	**662**	595	**–**	–	**–**	–	**–**	–
– Ramada Hotel Kowloon	**6,993**	7,625	**5**	60	**–**	–	**–**	–	**–**	–
– Ramada Hong Kong Hotel	**4,484**	7,068	**527**	27	**–**	–	**–**	–	**–**	–
– Best Western Hotel Taipa, Macau	**3,575**	4,245	**2**	11	**–**	–	**–**	–	**–**	–
– Magnificent International Hotel, Shanghai	**2,856**	3,857	**128**	497	**–**	–	**–**	–	**–**	–
Property investment	**45**	38	**–**	40	**341,060**	70,210	**–**	–	**–**	–
– 633 King's Road	**45**	38	**–**	40	**230,000**	20,000	**–**	–	**–**	–
– Shun Ho Tower	**–**	–	**–**	–	**57,360**	34,910	**–**	–	**–**	–
– Shops	**–**	–	**–**	–	**53,700**	15,300	**–**	–	**–**	–
Securities investment and trading	**–**	–	**–**	–	**–**	–	**–**	3,617	**(1)**	6
Property development for hotel	**–**	–	**135,478**	95,096	**–**	–	**–**	–	**–**	–
– 239-251 Queen's Road West	**–**	–	**24,803**	15,778	**–**	–	**–**	–	**–**	–
– 19-23 Austin Avenue	**–**	–	**19,680**	43,865	**–**	–	**–**	–	**–**	–
– 30-40 Bowrington Road	**–**	–	**84,815**	31,760	**–**	–	**–**	–	**–**	–
– 338-346 Queen's Road West	**–**	–	**6,180**	3,693	**–**	–	**–**	–	**–**	–
	17,953	22,833	**136,140**	95,731	**341,060**	70,210	**–**	3,617	**(1)**	6

Note: 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:

	2010	2009
	HK$'000	*HK$'000*
Hong Kong	**228,230**	194,763
Macau	**49,233**	40,648
The PRC	**27,132**	14,095
	304,595	249,506

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	
	2010	2009
	HK$'000	*HK$'000*
		(Restated)
Hong Kong	**4,444,991**	3,967,398
Macau	**266,810**	263,383
The PRC	**91,479**	89,444
	4,803,280	4,320,225

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

Information about major customers

There were no customers individually contributing over 10% of the total sale amount for both years.

Revenue from major services and investments

Analysis of the Group's revenue from its major services and investments are set out as below:

	2010	2009
	HK$'000	*HK$'000*
Room revenue	**199,987**	147,719
Food and beverage	**10,409**	10,354
Properties rental	**90,382**	87,109
Others	**3,817**	4,324
	304,595	249,506

7. OTHER INCOME/OTHER EXPENSES

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
Other income comprises:		
Management fee income for the provision of property management services	**14,926**	14,392
Interest on bank deposits	**12**	45
Exchange gain	**276**	1
Forfeited rental deposit	**365**	–
Gain on disposal of property, plant and equipment	**3**	–
Gain on disposal of properties held for sale	**–**	458
Others	**429**	290
	16,011	15,186

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

8. FINANCE COSTS

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
Interests on:		
Bank loans wholly repayable within five years	**12,146**	18,489
Effective interest expense on mandatory convertible bonds	**7,056**	12,514
Advance from ultimate holding company wholly repayable within five years *(note 33(a))*	**720**	704
Advance from immediate holding company wholly repayable within five years *(note 33(a))*	**757**	605
	20,679	32,312
Less: amount capitalised in properties under development	**(7,896)**	(10,954)
	12,783	21,358

9. PROFIT BEFORE TAXATION

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
		(Restated)
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	**1,548**	1,681
Staff costs including directors' emoluments	**75,568**	63,744
Depreciation of property, plant and equipment	**20,471**	25,430
Release of prepaid lease payments for land	**1,502**	1,502
Operating lease rental in respect of rented premises and equipment	**1,176**	1,238
Gross rental income from investment properties	**(90,382)**	(87,109)
Less: Direct operating expenses from investment properties that generated rental income during the year	**555**	1,272
	(89,827)	(85,837)

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, 2010				
	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	**–**	**2,929**	**369**	**12**	**3,310**
Mr. Albert Hui Wing Ho	**–**	**1,204**	**95**	**12**	**1,311**
Madam Mabel Lui Fung Mei Yee	**17**	**–**	**–**	**–**	**17**
Mr. Vincent Kwok Chi Sun	**33**	**–**	**–**	**–**	**33**
Mr. Chan Kim Fai	**33**	**–**	**–**	**–**	**33**
Mr. Hui Kin Hing	**33**	**–**	**–**	**–**	**33**
	116	**4,133**	**464**	**24**	**4,737**

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

(a) Directors' emoluments *(Continued)*

	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

No directors waived any emoluments in the years ended 31st December, 2010 and 31st December, 2009.

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, 2010 and 31st December, 2009, 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 (2009: two) were directors of the Company whose emoluments are included above. The emoluments of the remaining three individuals (2009: three individuals), whose emoluments are individually below HK$1,000,000, are as follows:

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
Basic salaries, allowances and benefits-in-kind	**2,079**	1,905
Contributions to retirement benefits schemes	**36**	36
Performance related incentive payments	**379**	571
	2,494	2,512

11. INCOME TAX EXPENSE

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
The taxation charge comprises:		
Current tax		
Hong Kong	**17,399**	11,377
The PRC	**2,661**	–
Other jurisdiction	**2,001**	1,030
	22,061	12,407
Overprovision in prior years		
Hong Kong	**(735)**	(49)
Deferred tax *(note 28)*		
Current year	**58,099**	11,512
	79,425	23,870

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 jurisdiction is calculated at the rates prevailing in the relevant jurisdiction.

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$1,110,000 (2009: HK$237,000) were provided as at 31st December, 2010.

11. INCOME TAX EXPENSE *(Continued)*

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

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
Profit before taxation	**497,845**	167,430
Tax at the Hong Kong Profits Tax rate of 16.5% (2009: 16.5%)	**82,144**	27,626
Tax effect of expenses not deductible for tax purpose	**716**	32
Tax effect of income not taxable for tax purpose	**(702)**	(605)
Overprovision in prior years	**(735)**	(49)
Tax effect of tax losses not recognised	**1,523**	39
Utilisation of tax losses previously not recognised	**(1,325)**	(530)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**710**	(2,727)
Deferred tax liabilities arising on undistributed profits of a PRC subsidiary from 1st January, 2008 onwards	**873**	(33)
Others	**(3,779)**	117
Taxation charge	**79,425**	23,870

12. DIVIDEND

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
Dividend recognised as distribution during the year:		
Final dividend in respect of the year ended 31st December, 2009 of HK0.1 cent (2009: No final dividend in respect of the year ended 31st December, 2008) per share was paid to shareholders	**5,965**	–

The final dividend in respect of the year ended 31st December, 2010 of HK0.3 cents per share amounting to HK$26,841,000 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:

	2010	2009
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to owners of the Company	**418,420**	143,560
Effective interest expense on mandatory convertible bonds	**7,056**	12,514
Earnings for the purpose of basic earnings per share	**425,476**	156,074

	2010	2009
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares in issue	**5,964,720**	5,964,701
Effect of ordinary shares to be issued upon the conversion of mandatory convertible bonds*	**2,982,332**	2,982,350
Weighted average number of ordinary shares for the purpose of basic earnings per share	**8,947,052**	8,947,051

* As disclosed in note 27(b), the mandatory convertible 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$'000 (Restated)	Hotel buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles and vessels HK$'000	Total HK$'000
THE GROUP					
COST					
At 1st January, 2009 (Originally stated)	46,637	402,546	49,579	17,560	516,322
Transfer from prepaid lease payments for land	424,459	–	–	–	424,459
At 1st January, 2009 (Restated)	471,096	402,546	49,579	17,560	940,781
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	467,643	402,546	50,242	17,560	937,991
Exchange realignment	–	3,029	332	–	3,361
Additions	21,756	–	917	155	22,828
Disposals	(1,727)	–	–	(35)	(1,762)
At 31st December, 2010	**487,672**	**405,575**	**51,491**	**17,680**	**962,418**
DEPRECIATION					
At 1st January, 2009 (Originally stated)	2,162	60,469	38,109	8,206	108,946
Transfer from prepaid lease payments for land	76,896	–	–	–	76,896
At 1st January, 2009 (Restated)	79,058	60,469	38,109	8,206	185,842
Provided for the year	5,998	8,720	7,693	3,019	25,430
Transferred to assets classified as held for sale	(330)	–	–	–	(330)
Eliminated on disposals	–	–	(2)	–	(2)
At 31st December, 2009	84,726	69,189	45,800	11,225	210,940
Exchange realignment	–	371	313	1	685
Provided for the year	6,077	8,790	2,612	2,992	20,471
Eliminated on disposals	(57)	–	–	(13)	(70)
At 31st December, 2010	**90,746**	**78,350**	**48,725**	**14,205**	**232,026**
CARRYING AMOUNTS					
At 31st December, 2010	**396,926**	**327,225**	**2,766**	**3,475**	**730,392**
At 31st December, 2009 (Restated)	382,917	333,357	4,442	6,335	727,051
At 1st January, 2009 (Restated)	392,038	342,077	11,470	9,354	754,939

Notes:

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

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

Notes: (Continued)

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

	2010	2009
	HK$'000	*HK$'000*
In Hong Kong		
On long leases	**126,894**	129,833
Under medium-term leases	**40,934**	42,473
In Macau under medium-term leases	**103,324**	105,974
In the PRC under medium-term leases	**56,073**	55,077
	327,225	333,357

	Furniture, fixtures and equipment	**Motor vehicles and vessels**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
THE COMPANY			
COST			
At 1st January, 2009	654	3,288	3,942
Additions	3	–	3
At 31st December, 2009	657	3,288	3,945
Additions	16	155	171
At 31st December, 2010	**673**	**3,443**	**4,116**
DEPRECIATION			
At 1st January, 2009	365	2,797	3,162
Provided for the year	110	195	305
At 31st December, 2009	475	2,992	3,467
Provided for the year	110	190	300
At 31st December, 2010	**585**	**3,182**	**3,767**
CARRYING AMOUNTS			
At 31st December, 2010	**88**	**261**	**349**
At 31st December, 2009	182	296	478

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		
	31st December, 2010	31st December, 2009	1st January, 2009
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Land in Macau on medium-term leases	**26,917**	27,607	28,297
Land in the PRC on medium-term leases	**35,352**	34,077	29,580
	62,269	61,684	57,877
Analysed for reporting purposes as:			
Non-current asset	**60,767**	60,182	56,375
Current asset	**1,502**	1,502	1,502
	62,269	61,684	57,877

16. INVESTMENT PROPERTIES

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
FAIR VALUE		
At the beginning of the year	**1,987,790**	1,917,580
Increase in fair value recognised in profit or loss	**341,060**	70,210
At the end of the year	**2,328,850**	1,987,790

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

	2010	2009
	HK$'000	*HK$'000*
Land and buildings in Hong Kong on land held:		
On long leases	**2,038,950**	1,741,090
Under medium-term leases	**152,800**	116,600
Land and buildings in Macau held under medium-term leases	**137,100**	130,100
	2,328,850	1,987,790

16. INVESTMENT PROPERTIES *(CONTINUED)*

The fair value of the Group's investment properties at 31st December, 2010 has been arrived at on the basis of a valuation carried out on that date by Dudley Surveyors Limited, an independent qualified professional valuer not connected with the Group. 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, 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.

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

The investment properties of the Group with an aggregate carrying amount of approximately HK$2,192 million (2009: HK$1,858 million) were rented out under operating leases at the end of the reporting period.

17. PROPERTIES UNDER DEVELOPMENT

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
		(Restated)
At cost		
At the beginning of the year	**1,545,202**	1,450,106
Additions	**135,478**	95,096
At the end of the year	**1,680,680**	1,545,202

Included in the carrying amount of the properties under development at the end of the year are interest expenses of HK$37,502,000 (2009: HK$29,606,000) 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	
	2010	2009
	HK$'000	*HK$'000*
INVESTMENTS IN SUBSIDIARIES		
Unlisted shares, at cost, including deemed capital contribution in subsidiaries	**316,959**	283,617
AMOUNTS DUE FROM SUBSIDIARIES LESS ALLOWANCE RECOGNISED		
Amounts due from subsidiaries	**1,685,795**	1,677,134
Less: Impairment loss recognised	**(25,675)**	(25,675)
	1,660,120	1,651,459

18. INVESTMENTS IN/AMOUNTS DUE FROM SUBSIDIARIES *(CONTINUED)*

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$351 million (2009: HK$445 million) carry interests chargeable at 5% (2009: Hong Kong Interbank Offered Rate ("HIBOR") plus 1%) per annum 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 approximately HK$22.0 million (2009: HK$20.1 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 1.7% (2009: 1.2%) per annum.

Particulars regarding the principal subsidiaries at 31st December, 2010 and 31st December, 2009 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		
	31st December, 2010	31st December, 2009	1st January, 2009	**31st December, 2010**	31st December, 2009	1st January, 2009
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*	*HK$'000*
Listed equity securities in Hong Kong at fair value *(Note a)*	**155,639**	107,779	123,591	**6**	7	1
Unlisted equity investments *(Note b)*	**780**	780	780	**–**	–	–
	156,419	108,559	124,371	**6**	7	1

	THE COMPANY Available-for-sale investments	
	2010	2009
	HK$'000	*HK$'000*
Non-current		
Unlisted equity investments *(Note b)*	**780**	780

Notes:

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

The Group's non-current equity securities listed in Hong Kong include approximately 12.69% (2009: 12.69%) interest in Shun Ho Technology and approximately 20.57% (2009: 20.57%) interest in Shun Ho Resources, both are public companies incorporated and listed in Hong Kong.

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	
	2010	2009
	HK$'000	*HK$'000*
Not yet due	**10,263**	3,729
0 – 30 days	**464**	5,556
31 – 60 days	**87**	960
Over 60 days	**–**	6
	10,814	10,251

		THE GROUP	
	31st December, 2010	31st December, 2009	1st January, 2009
	HK$'000	*HK$'000*	*HK$'000*
Analysed for reporting as:			
Trade receivables	**10,814**	10,251	16,996
Other receivables	**2,095**	1,040	1,920
	12,909	11,291	18,916

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit rating limits. 95% (2009: 36%) of the trade receivables are neither past due nor impaired, and no impairment has been made to these trade receivables, as the directors believe that the amounts are with good credit quality.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$551,000 (2009: HK$6,522,000) which are past due at the end of reporting period 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	
	2010	2009
	HK$'000	*HK$'000*
0-30 days	**464**	5,556
31-60 days	**87**	960
Over 60 days	**–**	6
	551	6,522

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% (2009: 0.01%) per annum and represent deposits pledged to a bank to secure short-term banking facilities granted to the Group.

Bank balances carry interest at prevailing deposit interest rates at 0.001% (2009: ranging from 0.001% to 0.01%) per annum.

THE COMPANY

Bank balances carry interest at prevailing deposit interest rate at 0.001% (2009: 0.001%) 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 Group for an aggregate consideration of HK$4,500,000. The principal activity of City Wealth was the holding of a residential unit located in Hong Kong which was under assets classified as held for sale as at 31st December, 2009. The disposal was completed on 24th June, 2010, upon which the Group passed the control of City Wealth to the buyer.

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)
Net assets classified as held for sale	4,500

23. ASSETS CLASSIFIED AS HELD FOR SALE *(Continued)*

The net assets of City Wealth at the date of disposal were as follows:

	24th June, 2010 *HK$'000*
Net assets disposed of	4,519
Loss on disposal	(19)
Total consideration received, satisfied by cash and net cash inflow arising on disposal	4,500

The consideration of HK$4,500,000 if compared to the original acquisition cost of the property of approximately HK$3,477,000 resulted in realisation of a surplus of approximately HK$1,023,000. The surplus had been recognised in the profit or loss in form of fair value gain in the previous years when such property was being used as an investment property under the fair value model.

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	
	2010 *HK$'000*	2009 *HK$'000*
0 – 30 days	**17,427**	7,826
31 – 60 days	**620**	1,237
Over 60 days	**1,191**	369
	19,238	9,432

		THE GROUP	
	31st December, 2010 *HK$'000*	31st December, 2009 *HK$'000*	1st January, 2009 *HK$'000*
Analysed for reporting as:			
Trade payables	**19,238**	9,432	15,643
Other payables	**9,160**	13,950	24,731
	28,398	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		
	31st December, 2010	31st December, 2009	1st January, 2009
	HK$'000	*HK$'000*	*HK$'000*
Secured			
Bank loans	**1,034,792**	1,043,425	1,044,339
Carrying amounts of bank loans that contain a repayment on demand clause:			
Repayable within one year from the end of the reporting period shown under current liabilities	**655,167**	567,425	181,914
Not repayable within one year from the end of the reporting period shown under current liabilities	**379,625**	476,000	862,425
	1,034,792	1,043,425	1,044,339
Less: Amount shown under current liabilities	**1,034,792**	1,043,425	1,044,339
Amount shown under non-current liabilities	**–**	–	–

All the Group's bank loans are floating rate borrowings, which carry interests at HIBOR plus 0.8% to 1.2% (2009: 0.65% to 1.20%) per annum. 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 1.2% (2009: 1.0%) per annum.

At the end of the reporting period, the undrawn bank loan facilities of the Group amounted to an aggregate of approximately HK$491 million (2009: HK$397 million).

26. SHARE CAPITAL

	Number of shares		Nominal value	
	2010	2009	**2010**	2009
	'000	*'000*	***HK$'000***	*HK$'000*
Ordinary shares of HK$0.01 each				
Authorised:				
At the beginning and the end of the year	**80,000,000**	80,000,000	**800,000**	800,000
Issued and fully paid:				
At the beginning of the year	**5,964,701**	5,964,701	**59,647**	59,647
Issue on conversion of mandatory convertible bonds	**362**	–	**4**	–
At the end of the year	**5,965,063**	5,964,701	**59,651**	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, 2009	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
Profit for the year	–	–	–	38,803	38,803
Conversion of mandatory convertible bonds	50	(54)	–	–	(4)
Final dividend for the year ended 31st December, 2009 paid	–	–	–	(5,965)	(5,965)
At 31st December, 2010	**341,293**	**441,012**	**612,477**	**411,242**	**1,806,024**

(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, 2010, 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 HK$477,176,000 at an issue price of approximately 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 effective interest rate on the mandatory convertible bonds is 41% (2009: 41%) per annum. 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 6,360,663,987 of 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 at initial recognition and 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 1st January, 2009	39,275
Effective interest expense charged *(note 8)*	12,514
Interest paid	(23,794)
Liability component at 31st December, 2009	27,995
Effective interest expense charged *(note 8)*	7,056
Interest paid	(23,858)
Liability component at 31st December, 2010	11,193

	2010	2009
	HK$'000	*HK$'000*
Analysed for reporting purposes as:		
Current liability	**11,193**	16,802
Non-current liability	**–**	11,193
	11,193	27,995

28. DEFERRED TAX LIABILITIES/ASSET

The following are the deferred tax liabilities (asset) 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, 2009	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
(Credit) charge to profit or loss	(952)	56,275	4,357	873	(2,454)	58,099
Disposal of a subsidiary	–	–	65	–	–	65
At 31st December, 2010	**83,663**	**245,368**	**28,426**	**1,110**	**(14,586)**	**343,981**

At the end of the reporting period, the Group had unused tax losses of HK$115,756,000 (2009: HK$99,682,000) available to offset against future profits. A deferred tax asset has been recognised in respect of such losses to the extent of HK$88,405,000 (2009: HK$73,533,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK$27,351,000 (2009: HK$26,149,000) 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, 2009	160	–	160
Credit to profit or loss	(104)	(2,136)	(2,240)
At 31st December, 2009	56	(2,136)	(2,080)
Credit to profit or loss	(18)	(2,474)	(2,492)
At 31st December, 2010	**38**	**(4,610)**	**(4,572)**

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:

		2010	2009
		HK$'000	*HK$'000*
(a)	Property development expenditure	**348,236**	123,416
(b)	Acquisition of property, plant and equipment	**11,817**	–

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$90,382,000 (2009: HK$87,109,000). 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:

	2010	2009
	HK$'000	*HK$'000*
Within one year	**88,740**	83,419
More than one year but not more than five years	**111,393**	21,986
	200,133	105,405

The Group as lessee

At 31st December, 2009, 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.

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 the Group were secured by the following:

(a) Pledge of assets

(i) investment properties, properties under development and property, plant and equipment of the Group with carrying amounts of HK$1,739 million (2009: HK$1,462 million), HK$1,681 million (2009: HK$1,545 million), and HK$507 million (2009: HK$517 million), respectively;

(ii) pledge of shares in and subordination of loans due from subsidiaries with an aggregate carrying amount of approximately HK$1,187 million (2009: HK$903 million);

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

(iv) bank deposits with a carrying amount of HK$110,000 (2009: HK$110,000).

31. CONTINGENT LIABILITIES AND PLEDGE OF ASSETS *(Continued)*

(b) Contingent liabilities

Guarantees issued by the Company to banks for its subsidiaries amounted to approximately HK$1,526 million (2009: HK$1,440 million), which were utilised to the extent of approximately HK$1,035 million (2009: HK$1,043 million), of which HK$22,268,000 (2009: HK$17,345,000) 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$1,607,000 (2009: HK$1,652,000). 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 respective notes to the consolidated financial statements, the Group and the Company had the following transactions and balances with related parties during the year:

	2010	2009
	HK$'000	*HK$'000*
THE GROUP		
Shun Ho Technology and its subsidiaries*		
Rental expenses	**1,040**	1,040
Interest expenses on advance to the Group *(Note a)*	**757**	605
Effective interest expense on mandatorily convertible bonds	**7,056**	12,496
Corporate management fee income for administrative facilities provided	**1,775**	1,706
Shun Ho Resources		
Corporate management fee income for administrative facilities provided	**100**	100
Consideration on disposal of available-for-sale investments	**–**	10,000
Trillion Resources Limited		
Interest expenses on advance to the Group *(Note a)*	**720**	704
Compensation of key management personnel *(Note c)*	**4,737**	4,658

33. RELATED PARTY TRANSACTIONS *(Continued)*

	THE GROUP		
	31st December, 2010	31st December, 2009	1st January, 2009
	HK$'000	*HK$'000*	*HK$'000*
Shun Ho Technology			
Advance due by the Group at the end of the reporting period *(Note a)*	**79,354**	55,115	45,385
Advance due by the Group at the end of the reporting period *(Note b)*	**4,745**	4,745	4,746
Trillion Resources Limited			
Advance due by the Group at the end of the reporting period *(Note a)*	**61,211**	60,917	60,427

* exclude Magnificent Estates Limited and its subsidiaries

	2010	2009
	HK$'000	*HK$'000*
THE COMPANY		
Shun Ho Technology		
Advance due by the Company at the end of the reporting period *(Note a)*	**79,354**	55,115

Notes:

(a) The amount is unsecured, carries interest at HIBOR plus 1% per annum and repayable on demand. The effective interest rate is 1.7% (2009: 1.2%) per annum.

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

(c) Compensation of key management personnel

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

	2010	2009
	HK$'000	*HK$'000*
Short-term benefits	**4,713**	4,634
Post-employment benefits	**24**	24
	4,737	4,658

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, 2010 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: 2010 Company %	2010 Subsidiaries %	2009 Company %	2009 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
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
Harbour Rich Industrial Limited	10,000	HK$1	**100**	**–**	100	–	Property investment
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. 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) and (b), 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 properties under development to minimise the finance costs. The Group will balance its overall capital structure through the payment of dividends, as well as the issue of new debt or the redemption of existing debt.

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

36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

THE GROUP

	31st December, 2010 *HK$'000*	31st December, 2009 *HK$'000*	1st January, 2009 *HK$'000*
Financial assets			
Loans and receivables (including cash and cash equivalents)	**56,453**	49,111	42,050
Investments held for trading	**6**	7	1
Available-for-sale investments	**156,419**	108,559	124,371
	212,878	157,677	166,422
Financial liabilities			
Amortised cost	**1,217,358**	1,206,357	1,224,229

THE COMPANY

	31st December, 2010 *HK$'000*	31st December, 2009 *HK$'000*	1st January, 2009 *HK$'000*
Financial assets			
Loans and receivables (including cash and cash equivalents)	**1,660,700**	1,652,123	1,665,621
Available-for-sale investments	**780**	780	780
	1,661,480	1,652,903	1,666,401
Financial liabilities			
Amortised cost	**93,466**	87,809	88,141
Financial guarantee contracts	**22,268**	17,345	15,294
	115,734	105,154	103,435

36. FINANCIAL INSTRUMENTS *(Continued)*

(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 the risks.

(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 2009.

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.

	2010		2009	
	Strengthen (weaken) in foreign currencies	**Effect on profit or (loss)** ***HK$'000***	Strengthen (weaken) in foreign currencies	Effect on profit or (loss) *HK$'000*
Hong Kong dollars *(Note)*	**5%**	**(395)**	5%	(404)
	(5%)	**395**	(5%)	404

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

THE COMPANY

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

36. FINANCIAL INSTRUMENTS *(Continued)*

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

(ii) Interest rate risk management

The 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, time deposits and 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, 2010 would decrease/increase by HK$2,130,000 (2009: decrease/ increase by HK$2,066,000). 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, 2010 would decrease/increase by HK$331,000 (2009: increase/decrease by HK$1,629,000). 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.

36. FINANCIAL INSTRUMENTS *(Continued)*

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

(iii) Other price risks

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

Other price sensitivity

The sensitivity analyses below have been determined based on the exposure to other price risks at the end of the reporting period. 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, 2010 would increase/decrease by HK$15,564,000 (2009: increase/decrease by HK$10,778,000) 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, 2010 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 investment properties, properties under development and property, plant and equipment of the Group.

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

36. FINANCIAL INSTRUMENTS *(Continued)*

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

(v) Liquidity risk management

The Group had net current liabilities of approximately HK$1,165 million at 31st December, 2010 which include bank loans and advances from immediate and ultimate holding companies of approximately HK$1,035 million, HK$79 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$1,526 million, which was utilised to the extent of approximately HK$1,035 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 of the Company consider that the Group's liquidity risk is significantly reduced.

As the aggregate market value of the Group's investment properties, hotel properties and properties under development 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 of the Company consider that the amount of additional banking facilities can be obtained by further pledge of the Group's total assets that would be exceeded the amount of current liabilities of the Group. Accordingly, the directors of the Company are of the opinion that the Group's liquidity risk is minimal.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities 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 interests flows are floating rate, the undiscounted amount is derived from existing interest rate at the end of the reporting period.

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

36. FINANCIAL INSTRUMENTS *(Continued)*

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

(v) Liquidity risk management (Continued)

THE GROUP

	Weighted average effective interest rate %	On demand *HK$'000*	Less than 1 month *HK$'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*
2010								
Non-interest bearing (others)	–	4,745	26,063	–	–	–	30,808	30,808
Variable interest rate instruments	1.27	1,175,357	–	–	–	–	1,175,357	1,175,357
Mandatory convertible bonds liability	41	–	6,014	–	5,883	–	11,897	11,193
		1,180,102	32,077	–	5,883	–	1,218,062	1,217,358
Non-interest bearing (rental deposits received)	–	–	54	5,769	7,660	18,888	32,371	32,371
		1,180,102	32,131	5,769	13,543	18,888	1,250,433	1,249,729

	Weighted average effective interest rate %	On demand *HK$'000*	Less than 1 month *HK$'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)	–	4,745	14,160	–	–	–	18,905	18,905
Variable interest rate instruments	1.02	1,159,457	–	–	–	–	1,159,457	1,159,457
Mandatory convertible bonds liability	41	–	6,014	–	17,845	11,897	35,756	27,995
		1,164,202	20,174	–	17,845	11,897	1,214,118	1,206,357
Non-interest bearing (rental deposits received)	–	–	556	–	10,615	18,102	29,273	29,273
		1,164,202	20,730	–	28,460	29,999	1,243,391	1,235,630

36. FINANCIAL INSTRUMENTS *(Continued)*

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

(v) Liquidity risk management *(Continued)*

The table below summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis contained in the table above. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreement.

	Maturity Analysis – Term loans subject to a repayment on demand clause based on scheduled repayments				
	Less than 1 month	**1 – 3 months**	**3 months to 1 year**	**1 – 5 years**	**Total undiscounted cash flows**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31st December, 2010	**1,747**	**3,027**	**662,401**	**400,397**	**1,067,572**
As at 31st December, 2009	1,109	1,729	573,601	480,293	1,056,732

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

The Company had net current liabilities of approximately HK$117 million at 31st December, 2010, which include advance from immediate holding company of approximately HK$79 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.

36. FINANCIAL INSTRUMENTS *(Continued)*

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

(v) Liquidity risk management (Continued)

THE COMPANY

	Weighted average effective interest rate	On demand	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*	*HK$'000*
2010								
Non-interest bearing	–	2,165	754	–	–	–	2,919	2,919
Variable interest rate instruments	1.2	79,354	–	–	–	–	79,354	79,354
Mandatory convertible bonds liability	5	–	6,014	–	5,883	–	11,897	11,193
Financial guarantee	–	1,525,792	–	–	–	–	1,525,792	22,268
		1,607,311	6,768	–	5,883	–	1,619,962	115,734

	Weighted average effective interest rate	On demand	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*	*HK$'000*
2009								
Non-interest bearing	–	2,674	1,999	–	–	–	4,673	4,673
Variable interest rate instruments	1.2	55,115	–	–	–	–	55,115	55,115
Mandatory convertible bonds liability	5	–	6,014	–	17,845	11,897	35,756	27,995
Financial guarantee	–	1,440,425	–	–	–	–	1,440,425	17,345
		1,498,214	8,013	–	17,845	11,897	1,535,969	105,128

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.

36. 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;

- 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; 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 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 costs in the consolidated and the Company's statements of financial position 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$155,639,000 and HK$6,000 (2009: 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.

CONSOLIDATED RESULTS

	For the year ended 31st December,				
	2006	2007	2008	2009	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Revenue	188,771	231,427	286,191	249,506	**304,595**
Operating profit	133,028	978,229	128,345	167,430	**497,845**
Share of losses of associates	(195)	(4)	–	–	**–**
Profit before taxation	132,833	978,225	128,345	167,430	**497,845**
Income tax expense	(22,377)	(171,387)	(5,230)	(23,870)	**(79,425)**
Profit for the year	110,456	806,838	123,115	143,560	**418,420**

CONSOLIDATED NET ASSETS

	At 31st December				
	2006	2007	2008	2009	**2010**
	HK$'000	*HK$'000*	*HK$'000* (Restated)	*HK$'000* (Restated)	***HK$'000***
Property, plant and equipment	394,780	413,847	754,939	727,051	**730,392**
Prepaid lease payments for land	596,487	821,904	56,375	60,182	**60,767**
Investment properties	634,330	2,536,250	1,917,580	1,987,790	**2,328,850**
Properties under development	234,897	39,718	1,450,106	1,545,202	**1,680,680**
Interests in associates	554	–	–	–	**–**
Other non-current assets	80,290	213,465	124,538	108,559	**159,010**
Net current liabilities	(521,933)	(1,383,337)	(1,146,265)	(1,145,646)	**(1,164,597)**
Non-current rental deposits received	–	–	(26,055)	(18,102)	**(18,888)**
Non-current mandatory convertible bonds liability	–	–	(27,995)	(11,193)	**–**
Deferred lax liabilities	(120,006)	(281,055)	(274,649)	(285,817)	**(343,981)**
Net assets	1,299,399	2,360,792	2,828,574	2,968,026	**3,432,233**

Particulars of Major Properties
At 31st December, 2010

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, 2010	Expected date of completion	Lease term	Group's attributable interest
Best Western Hotel Causeway Bay 30-40 Bowrington Road Causeway Bay Hong Kong	Hotel	63,135	4,209	Superstructure construction completed	2011	Medium-term lease	100%
Best Western Hotel Harbour View 239-251 Queen's Road West Hong Kong	Hotel	96,000	6,371	Superstructure construction in progress	2012	Long lease	100%
19-23 Austin Avenue Tsimshatsui Kowloon, Hong Kong	Hotel	92,000	7,327	Superstructure construction in progress	2012	Medium-term lease	100%
338-346 Queen's Road West Hong Kong	Hotel	60,000	4,890	Under foundation work	2013	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 February, 2011

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, Macau
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. Best Western Hotel Causeway Bay at No. 38 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, 2010** ("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

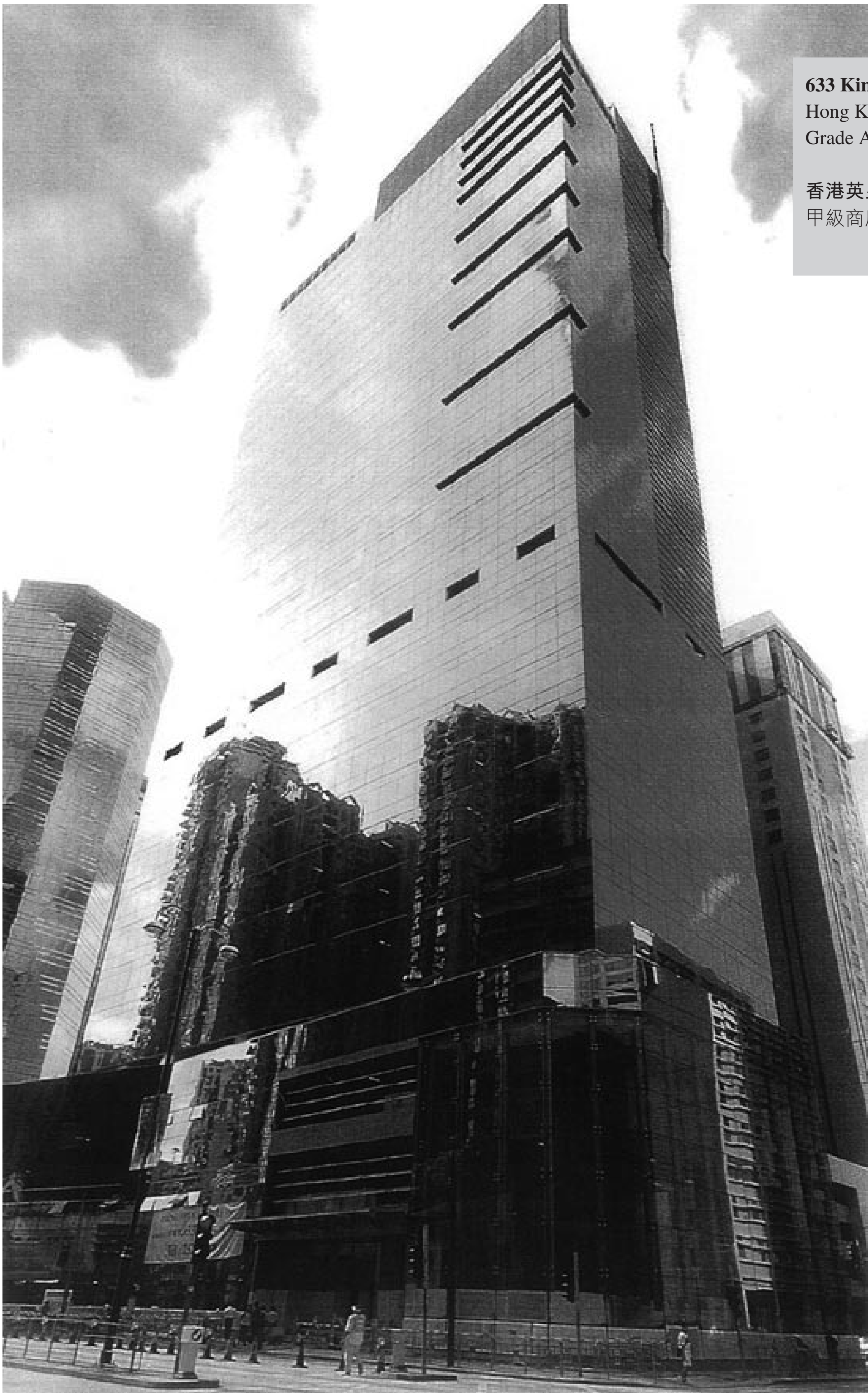
Note: Ms. Ellen Y.T. Lo is a Member of the Hong Kong Institute of Surveyors, a Member of the Royal Institution of Chartered Surveyors and a Registered Professional Surveyor in General Practice as well as an individual member of China Institute of Real Estate Appraisers, has over 28 years' of experience in valuing various types of properties in Hong Kong, Macau and the PRC.

Summary of Values

No.	Property	Market Value as at 31st December, 2010
1.	Shun Ho Tower, Nos. 24-30 Ice House Street, Central, Hong Kong	HK$477,000,000
2.	Ramada Hotel Kowloon, Nos. 73-75 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong	HK$818,000,000
3.	Ramada Hong Kong Hotel, No. 308 Des Voeux Road West, Hong Kong	HK$1,086,000,000
4.	Magnificent International Hotel, No. 381 Xizang Road South (Lot No. 5-1), Huang Pu District, Shanghai, The PRC	HK$317,000,000
5.	Best Western Hotel Taipa, Macau situated at Estrada Governador Nobre Carvalho No. 822, Taipa, The Macau Special Administrative Region of the PRC	HK$409,000,000
6.	Proposed Hotel Development at Nos. 19, 21 & 23 Austin Avenue, Kowloon, Hong Kong	HK$865,000,000
7.	Proposed Hotel Development at Nos. 239-251 Queen’s Road West, Hong Kong	HK$800,000,000
8.	Best Western Hotel Causeway Bay at Nos. 38 Bowrington Road, Hong Kong	HK$750,000,000
9.	Proposed Hotel Development at Nos. 338-346 Queen’s Road West, Hong Kong	HK$281,000,000
10.	No. 633 King’s Road, North Point, Hong Kong	HK$1,540,000,000
11.	D.D. 251 Lot 64, Sai Kung, New Territories, Hong Kong	HK$9,000,000
12.	House No. 3, Aegean Villa, No. 5 Silver Cape Road, Sai Kung, New Territories, Hong Kong	HK$29,000,000
13.	The Remaining Portion of Section A of Lot No. 665 in D.D. 379, Tuen Mun, New Territories, Hong Kong	HK$51,000,000

Shun Ho Tower
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。



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

香港英皇道六百三十三號
甲級商廈。

Best Western Hotel
38 Bowrington Road, Causeway Bay, Hong Kong.

華麗精品酒店
香港銅鑼灣寶靈頓道
三十八號。

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.

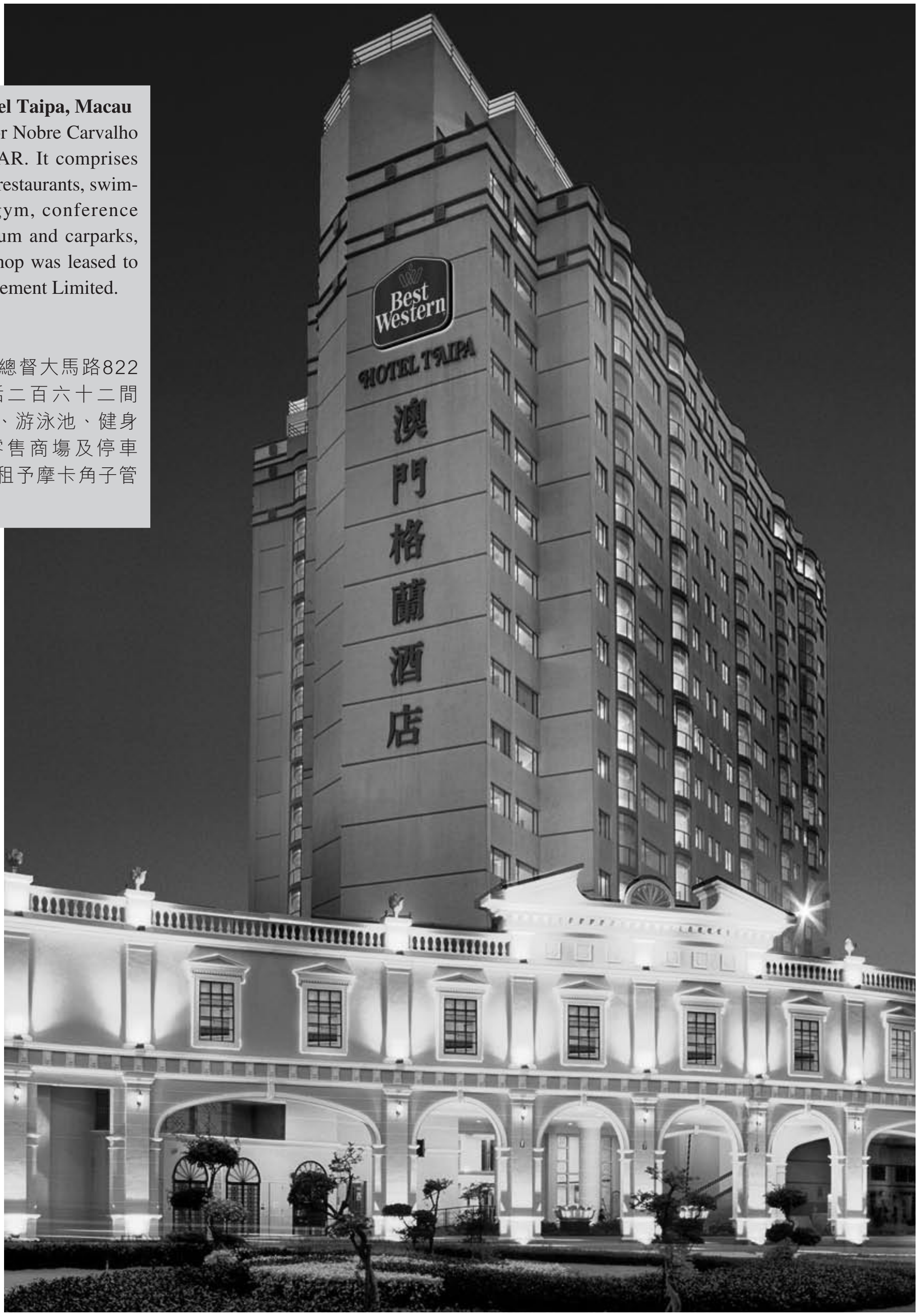
九龍華美達酒店
位於尖沙咀購物中心之優越地帶，擁有二百零五間（已獲批准增加至三百零五間）客房並提供良好經常性收入。

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。

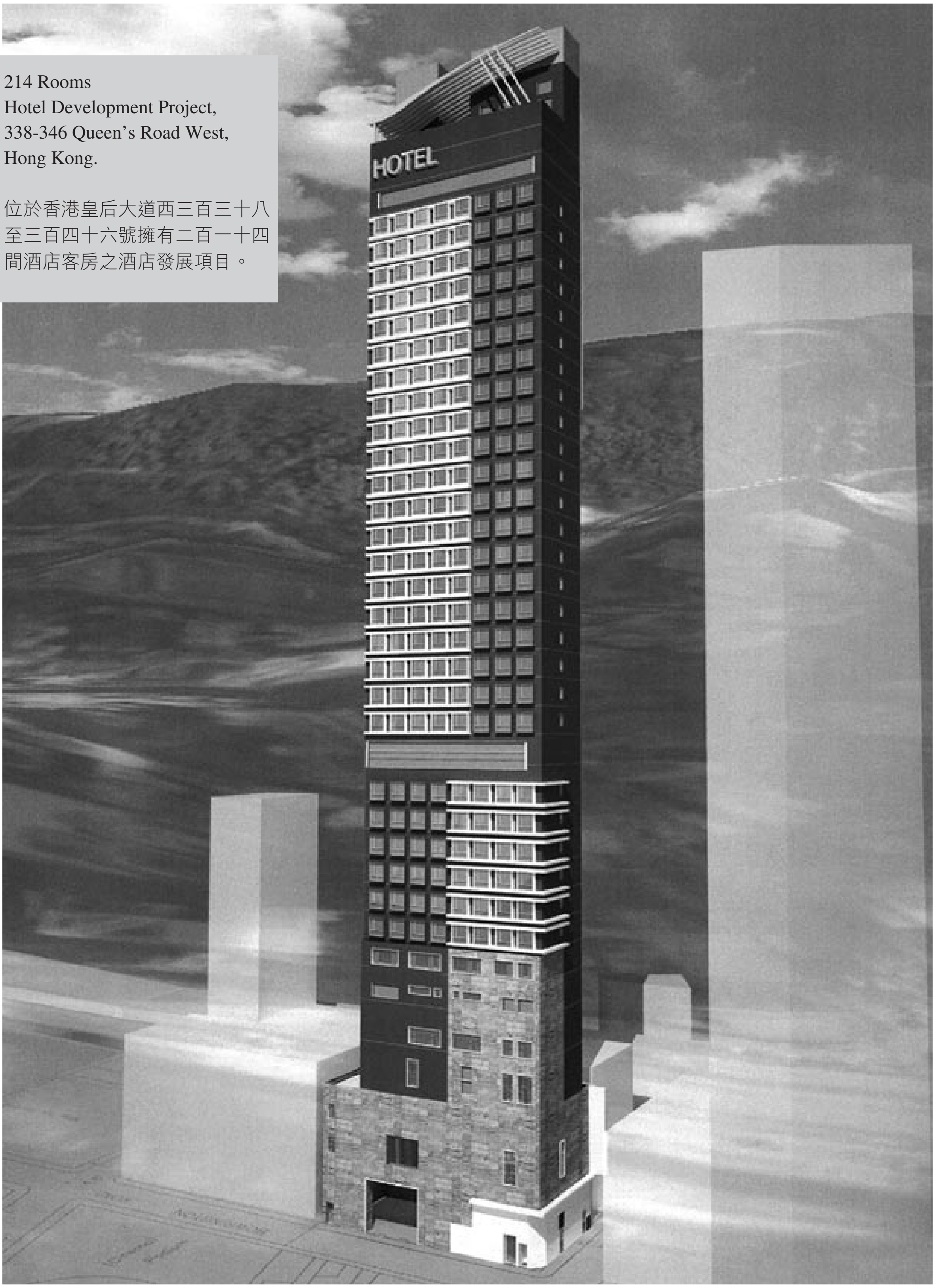
An elevation design of the building.
擴初設計大樓外貌。

Best Western Hotel Harbour View
239-251 Queen's Road West,
Hong Kong with 435 Rooms.

華麗海景酒店
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。

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

九龍尖沙咀柯士甸路
十九至二十三號之
四星級酒店發展項目。



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。