Shun Ho Technology Holdings Limited

順 豪 科 技 控 股 有 限 公 司

(Stock Code 股份代號: 219)

ANNUAL REPORT 2012

二 零 一 二 年 年 報

Contents

Corporate Information

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

Non-Executive Director
Madam Mabel Lui Fung Mei Yee

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

Company Secretary
Mr. 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.shunho.com.hk

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shun Ho Technology Holdings Limited (the "Company") will be held at 1st Floor, Best Western Grand Hotel, 23 Austin Avenue, Tsimshatsui, Kowloon on Tuesday, the 18th day of June, 2013 at 11:15 a.m. for the following purposes:

1. To receive and consider the audited Financial Statements for the year ended 31st December, 2012 together with the Report of the Directors and the Independent Auditor's Report thereon.

2. (a) Each as a separate resolution, to re-elect the following retiring Directors:

   (i) To re-elect Mr. Albert HUI Wing Ho as Director;

   (ii) To re-elect Mr. CHAN Kim Fai as Director; and

   (b) To authorise the Board to fix the remuneration of the Directors.

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

By Order of the Board

HUEN Po Wah
Secretary

Hong Kong, 25th April, 2013

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, at 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. To ascertain shareholders' eligibility to attend and vote at the meeting, the register of members of the Company will be closed from Tuesday, 11th June, 2013 to Tuesday, 18th June, 2013, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the meeting, all transfer documents 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 Monday, 10th June, 2013.

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

   (a) Mr. Albert HUI Wing Ho, Executive Director, aged 50, was appointed to the Board in 1990. He is also an executive director of Magnificent Estates Limited, a subsidiary of the Company and Shun Ho Resources Holdings Limited, the immediate holding company of the Company. Shares of both companies are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He has over twenty years' experience in construction, property investment and development and has over ten years' experience in hotel management. He graduated in the U.K. and holds a bachelor's degree in civil engineering. He is also a director of a number of subsidiaries of the Company. Save as disclosed above, Mr. Albert HUI Wing Ho did not hold any directorship in other listed public companies in the last three years or any position with the Company or other members of the Company's group.

   There is no service contract between Mr. Albert HUI Wing Ho and the Company. He has no fixed term of service with the Company and will be subject to the rotational retirement and re-election requirements at annual general meetings pursuant to the Articles of Association of the Company. The Director's fee payable to Mr. Albert HUI Wing Ho as executive Director is determined by shareholders in annual general meeting of the Company. At the annual general meeting of the Company held on 18th June, 2012, it was approved that the Director's fee for the year ended 31st December, 2012 be determined by the Board. Mr. Albert HUI Wing Ho did not receive Director's fee and other emoluments paid to Mr. Albert HUI Wing Ho for the year ended 31st December, 2012 was determined at HK$352,000 with reference to his duties and responsibility with the Company, the Company's performance and current market situation. Save as disclosed above, Mr. Albert HUI Wing Ho is and was not connected with any Directors, senior management or substantial or controlling shareholders of the Company. As at the date of this notice, Mr. Albert HUI Wing Ho did not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

(b) Mr. CHAN Kim Fai, Independent Non-executive Director, aged 53, *FCCA, CPA (Practising)*, was appointed to the Board in 2004. He is a member of the audit committee, remuneration committee and nomination committee of the Company. He is also an independent non-executive director of Magnificent Estates Limited, a subsidiary of the Company and Shun Ho Resources Holdings Limited, the immediate holding company of the Company. Shares of both companies are listed on the Stock Exchange. He holds a bachelor degree in science from The Chinese University of Hong Kong. He has extensive experience in accounting, corporate finance and financial management. He is a partner of Ivan Chan & Co, CPA. Save as disclosed above, Mr. CHAN Kim Fai did not hold any directorship in other listed public companies in the last three years or any position with the Company or other members of the Company's group.

There is no service contract between Mr. CHAN Kim Fai and the Company. He has no fixed term of service with the Company and will be subject to the rotational retirement and re-election requirements at annual general meetings pursuant to the Articles of Association of the Company. The Director's fee payable to Mr. CHAN Kim Fai as independent non-executive Director is determined by shareholders in annual general meeting of the Company. At the annual general meeting of the Company held on 18th June, 2012, it was approved that the Director's fee for the year ended 31st December, 2012 be determined by the Board. The Director's fee paid to Mr. CHAN Kim Fai for the Company was determined at HK$34,000 for the year ended 31st December, 2012 with reference to his duties and responsibility with the Company, the Company's performance and current market situation. Save as disclosed above, Mr. CHAN Kim Fai is and was not connected with any Directors, senior management or substantial or controlling shareholders of the Company. As at the date of this notice, Mr. CHAN Kim Fai did not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Save as disclose above, both Mr. Albert HUI Wing Ho and Mr. CHAN Kim Fai have confirmed that there are no other matters relating to their re-election that need to be brought to the attention of the shareholders and there is no other information which is required to be disclosed pursuant to rule 13.51(2) of the Listing Rules.

Mr. CHAN Kim Fai has served as independent non-executive Director more than 9 years and his re-election will be subject to a separate resolution to be approved by the shareholders. As independent non-executive Director with in-depth understanding of the Company's operations and business and with professional qualifications, Mr. CHAN has expressed objective views and given independent guidance to the Company over the years, and he continues demonstrating a firm commitment to his role. The Board considers that the long service of Mr. CHAN would not affect his exercise of independent judgment and is satisfied that Mr. CHAN has the required character, integrity and experience to continue fulfilling the role of independent non-executive Director. The Board also considers the re-election of Mr. CHAN as independent non-executive Director is in the best interest of the Company and its shareholders as a whole.

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

I present to the shareholders my report on the results and operations of Shun Ho Technology Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31st December, 2012.

RESULTS

The audited consolidated profit of the Group for the year ended 31st December, 2012 amounted to HK$531,771,000 (2011: HK$479,732,000 (restated)) and the audited consolidated profit after non-controlling interests of the Group for the year ended 31st December, 2012 amounted to HK$377,983,000 (2011: HK$331,563,000 (restated)), increased by 14%.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31st December, 2012 (2011: Nil).

The Company has enjoyed a substantial growth through its investment in Magnificent Estates Limited ("Magnificent Estates") although its cash income from Magnificent Estates is limited. The Company is seeking other local property investments in order to increase additional incomes. Because of the small existing income, the Board does not recommend the payment of a final dividend for the year ended 31st December, 2012.

BOOK CLOSURE

To ascertain shareholders' eligibility to attend and vote at the Annual General Meeting to be held on Tuesday, 18th June, 2013 ("AGM"), the register of members will be closed from Tuesday, 11th June, 2013 to Tuesday, 18th June, 2013, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, 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 Monday, 10th June, 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

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

The audited consolidated profit of the Group for the year ended 31st December, 2012 amounted to HK$531,771,000 (2011: HK$479,732,000) and the audited consolidated profit after non-controlling interests of the Group for the year ended 31st December, 2012 amounted to HK$377,983,000 (2011: HK$331,563,000), increased by 14%.

- For the year ended 31st December, 2012, the Group's income increased by 29% to HK$537 million which was mostly derived from the operation of hotels and properties rental income.

  The income from operation of hotels, Ramada Hotel Kowloon, Ramada Hong Kong Hotel, Best Western Hotel Causeway Bay, Best Western Hotel Harbour View, Best Western Grand Hotel, Best Western Hotel Taipa, Macau and Magnificent International Hotel, Shanghai increased by 37% to HK$420 million (2011: HK$307 million) due to significant room rate improvement.

  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 increased by 6% to HK$100 million (2011: HK$95 million).

  Other income amounted to HK$17 million (2011: HK$16 million) which was mostly property management fee income of HK$16 million (2011: HK$15 million) with related expenses of HK$14 million (2011: HK$14 million).

- Overall service costs for the Group for the year was HK$157.8 million (2011: HK$119.8 million), of which HK$157.5 million (2011: HK$118.9 million) was for the hotel operations including food and beverage and costs of sales and HK$0.3 million (2011: HK$0.9 million) was mainly for leasing commission paid for investment properties. The increase of hotel operation costs was mainly due to the newly opened Best Western Hotel Harbour View and Best Western Grand Hotel amounted to HK$18.8 million and HK$1.6 million respectively.

  During the year, the administrative expenses excluding depreciation was HK$23 million (2011: HK$19 million) for corporate management office including directors' fees, salaries for executive staff and employees, rental, marketing expenses and office expenses.

  Other expenses were HK$21.8 million (2011: HK$17.9 million). Other expenses included property management expenses of HK$14.5 million (2011: HK$13.8 million) and the total pre-operating expenses of Best Western Hotel Harbour View and Best Western Grand Hotel of HK$7.4 million (2011: the pre-operating expense of Best Western Hotel Causeway Bay amounted to HK$4.1 million). The property management expenses were increased by HK$0.7 million due to the increase of cost of staff and utilities while the management fee remained unchanged.

- At 31st December, 2012, the overall debt was HK$1,135 million (2011: HK$1,172 million). All the debt was borrowed by Magnificent Estates Group. The gearing ratio of the Group (including Magnificent Estates Group) was approximately 23% (2011: 27%) in terms of bank borrowings of HK$1,074 million (2011: HK$1,111 million) and HK$61 million (2011: HK$61 million) was advance from shareholders against funds employed of HK$4,885 million (2011: HK$4,339 million).

  The Group's bank borrowings carry interest at floating rates and are mainly denominated in Hong Kong dollar. Accordingly, the exchange risk of the Group is minimal. During the year under review, there was about 49% increase in the Group's staffing level compared to 31st December 2011. Remuneration and benefit were set with reference to the market.

- 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, Best Western Hotel Taipa, Macau and new shops in Best Western Grand Hotel were almost fully let. It is expected that the rental revenue from these properties will have modest increase in 2013.

  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 incomes) per annum. The management envisages the office building will have modest rental increase in 2013 as most leases are due for renewal.

  For the year under review, there was no significant property being disposed of. An agreement was entered in January 2013 to dispose the company which hold the houses at Gold Coast, New Territories for the consideration of HK$63 million and an estimate profit of HK$42 million attributable to the year of 2013.

- The management will try the best endeavour to complete the construction of the new hotel to increase future earnings base and value for the Group.

  No. 338 Queen's Road West
  Hotel Development

  A 214 room service apartments hotel development was approved to be built. Approval has been obtained to increase the plot ratio from 12 to 13.2 with no premium payment required. Superstructure construction contract already awarded with completion expected in 2014. The construction of the Western MTR Line will improve future value and business of this property significantly.

Looking ahead, the management expects 2013 will be an improved year for hotel operation. The hotels occupancy remain high because of the increasing leisure traveling from the PRC and their further visa relaxation and devaluation of Hong Kong dollar against Renminbi. The improving hotel business will help to increase the Group's overall turnover.

The rental incomes of the commercial buildings and shops are expected to enjoy modest increase. The low interest rate environment, weakness Hong Kong dollar and inflation 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 management is most pleased with the commencement of operation of the 432 rooms Best Western Hotel Harbour View and 396 rooms Best Western Grand Hotel and their immediate remarkable nearly full occupancies since July and December respectively and their additional contribution assisted increase Group hotels revenue by 37% in 2012.

The 432 rooms Best Western Hotel Harbour View and 396 rooms Best Western Grand Hotel assisted to increase the Group's hotels revenue by 63% from January to March 2013. The significant 432 rooms Best Western Hotel Harbour View and 396 rooms Best Western Grand Hotel will surely make significant improvement to the Group's hotel revenue in the years to come.

The management will take best advantage of the improving rental incomes of the commercial buildings and shops, strong growth of the hotels revenue, low interest rate environment, competitive Hong Kong dollar and inflation to enhance the Group's incomes and values. The Company is also considering other local property investments, if successfully acquired will be financed by additional capital and bank lending.

By order of the Board

William CHENG Kai Man
Chairman

Hong Kong, 19th February, 2013

Directors' Profiles

Mr. William CHENG Kai Man, *Executive Director*
Aged 51. Appointed to the Board in 1990. He is also a director of Shun Ho Resources Holdings Limited ("Shun Ho Resources") which is the Company's holding company and Magnificent Estates Limited ("Magnificent") which is the Company's subsidiary. He has over twenty years' experience in construction, property investment and development and has over ten years' experience in hotel management. He graduated in the U.K. and holds a bachelor's degree in civil engineering and a master's degree in structural engineering. He is a director of Mercury Fast Limited ("Mercury") and Omnico Company Inc., both of which are substantial shareholders of the Company.

Mr. Albert HUI Wing Ho, *Executive Director*
Aged 50. Appointed to the Board in 1989. He is also a director of Shun Ho Resources and Magnificent. He has over twenty years' experience in construction, property investment and development and has over ten years' experience in hotel management. He graduated in the U.K. and holds a bachelor's degree in civil engineering.

Madam Mabel LUI FUNG Mei Yee, *Non-Executive Director*
Aged 61. Solicitor and Notary Public. Appointed to the Board in 1999. She is also a non-executive director of Shun Ho Resources and Magnificent. She is a partner of DLA Piper.

Mr. Vincent KWOK Chi Sun, *Independent Non-Executive Director*
Aged 50. ACA (Aust), CPA (Practising). Appointed to the Board in 1999. He is also an independent non-executive director of Shun Ho Resources and Magnificent. He is a partner of Vincent Kwok & Co..

Mr. CHAN Kim Fai, *Independent Non-Executive Director*
Aged 53. FCCA, CPA (Practising). Appointed to the Board in 2004. He is also an independent non-executive director of Shun Ho Resources and Magnificent. He holds a bachelor's degree in science from The Chinese University of Hong Kong. He has extensive experience in accounting, corporate finance and financial management. He is a partner of Ivan Chan & Co, CPA.

Mr. HUI Kin Hing, *Independent Non-Executive Director*
Aged 45. FCCA, CPA (Practising). Appointed to the Board in 2005. He is also an independent non-executive director of Shun Ho Resources and Magnificent. He holds a master's degree in business administration. He runs an 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.

CORPORATE GOVERNANCE

The Board of the Company has approved the adoption of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") as our corporate governance code on 28th March, 2012.

(a) Compliance with the Code on Corporate Governance Practices and Corporate Governance Code

During the year ended 31st December, 2012, the Company has complied with all the code provisions set out in Appendix 14 of the Listing Rules (Code on Corporate Governance Practices (effective until 31st March, 2012) and Corporate Governance Code (effective from 1st April, 2012)) with the exception of the following deviations:

Code Provision A.2.1: chairman and chief executive should not be performed by the same individual

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 also facilitates 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 should be appointed for a specific term.

All directors of the Company (including executive or non-executive directors) are not appointed for a fixed term. The Articles of Association of the Company stipulate that every director (including executive or non-executive directors) shall retire and be re-elected at least once every three years. Therefore, the Company has adopted adequate measures to ensure the corporate governance of the Company complies with the same level to that required under the Code on Corporate Governance Practices and the Corporate Governance Code.

Code Provision A.5.2: the nomination committee should perform the duties set out in paragraphs (a) to (d)

The terms of reference of the nomination committee adopted by the Company are in compliance with the code provision A.5.2 except that it is not the duty of the nomination committee to select individuals nominated for directorships. The nomination committee comprises a majority of independent non-executive directors who are not involved in the daily operation of the Company and may not have sufficient knowledge of industry practice. Such duty should be performed by the board.

Code Provision A.6.7: independent non-executive directors and non-executive directors should attend general meetings

Madam Lui Fung Mei Yee, the non-executive director, was unable to attend the annual general meeting of the Company held on 18th June, 2012 due to other business engagement.

Code Provision B.1.2: the remuneration committee's terms of reference should include, as a minimum, paragraphs (a) to (h)

The terms of reference of the remuneration committee adopted by the Company are in compliance with the code provision B.1.2 except that it is not the duties of the remuneration committee to approve the management's remuneration proposals, compensation payable to executive directors and senior management for any loss or termination of office or appointment and compensation arrangements relating to dismissal or removal of directors for misconduct. The remuneration committee comprises a majority of independent non-executive directors who are not involved in the daily operation of the Company and may not have sufficient knowledge of industry practice. Such duties should be performed by the board.

(b) Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard set out in the Model Code during the year.

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, 2012, 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. 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 7.

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 is responsible for performing the corporate governance duties including:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

During the year, the Board considered the following corporate governance matters:

- adoption of Corporate Governance Code set out in Appendix 14 of the Listing Rules as corporate governance code of the Company;
- adoption of the revised terms of reference of the audit committee and remuneration committee;
- establishment of the nomination committee and adoption of the terms of reference of the nomination committee;
- establishment of a shareholders' communication policy.

The Board meets regularly and held four meetings in 2012 and the attendance of each director is set out below:

	Number of Board meetings attended in 2012	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	2/4	50%
Independent Non-executive Directors		
Vincent Kwok Chi Sun	2/4	50%
Chan Kim Fai	2/4	50%
Hui Kin Hing	2/4	50%

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 Group Financial Controller 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.

DIRECTORS' TRAINING

With effect from 1 April 2012, Directors are provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. A summary of training received by Directors since 1st April, 2012 up to 31st December, 2012 is set out below:

	Type of Continuous Professional Development	
Name of Directors	**Attending seminar on regulatory development and/or directors' duties**	**Reading regulatory updates or information relevant to the Company or its business**
William Cheng Kai Man	–	√
Albert Hui Wing Ho	–	√
Mabel Lui Fung Mei Yee	√	√
Vincent Kwok Chi Sun	√	√
Chan Kim Fai	√	√
Hui Kin Hing	√	√

ATTENDANCE AT GENERAL MEETINGS

	Annual General Meeting (held on 18 June 2012)
Executive Directors	
William Cheng Kai Man	√
Albert Hui Wing Ho	√
Non-executive Director	
Mabel Lui Fung Mei Yee	–
Independent Non-executive Directors	
Vincent Kwok Chi Sun	√
Chan Kim Fai	√
Hui Kin Hing	√

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 Group Financial Controller 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 18.

During the year, the emoluments paid to the senior management, i.e. executive directors, of the Company fell within the following bands:

Emolument band (HK$)	Number of individuals
1 – 3,000,000	1
3,000,001 – 6,000,000	1
	2

AUDITOR'S REMUNERATION

For the year ended 31st December, 2012, the Auditor of the Company received approximately HK$2.6 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 Corporate Governance Practices and Corporate Governance Code, the terms of reference of the Audit Committee were revised on 20th April, 2005, 14th April, 2009 and 28th March, 2012 in terms substantially the same as the provisions set out in the Code on Corporate Governance Practices and Corporate Governance Code. The terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

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 2012, the attendance of each member is set out below:

	Number of Audit Committee attended in 2012	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 2012;
- reviewed the interim report and the interim results announcement for the six months ended 30th June, 2012;
- reviewed the audit plan for year 2012 to assess the general scope of audit work; and
- reviewed the audited accounts and final results announcement for year 2011.

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, 2012 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 assist the Group to achieve business objectives, 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 Corporate Governance Practices, the Company established its remuneration committee ("Remuneration Committee") on 20th April, 2005. The terms of reference of the Remuneration Committee were revised on 28th March, 2012 in terms substantially the same as the provisions set out in the Corporate Governance Code and are available on websites of the Company and the Stock Exchange. The existing Remuneration Committee comprises Mr. Vincent Kwok Chi Sun (Chairman of the Remuneration Committee, an Independent Non-executive Director) and Mr. William Cheng Kai Man (Executive Director) and Mr. Chan Kim Fai (an Independent Non-executive Director). No meeting was held by the Remuneration Committee in 2012.

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.

NOMINATION COMMITTEE

On 28th March, 2012, the Board resolved to establish a Nomination Committee. The committee members comprise Mr. William Cheng Kai Man (Chairman of the Committee, Executive Director), Mr. Chan Kim Fai (an Independent Non-executive Director) and Mr. Hui Kin Hing (an Independent Non-executive Director). The terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The Nomination Committee was established in March 2012 with specific terms of reference in accordance with the Corporate Governance Code. The Nomination Committee is responsible to review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. It shall consider the suitability of a candidate to act as a Director on the basis of the candidate's qualification, experience, integrity and potential contribution to the Company, and assess the independence of Independent Non-executive Directors taking into account the independence requirements set out in Rule 3.13 of the Listing Rules. Before its establishment, the role and function of the Nomination Committee was taken up by the Board. During the year under review, no meeting was held by the Nomination Committee.

COMPANY SECRETARY

The Company Secretary, Mr. HUEN Po Wah, is an associate of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. Although the Company Secretary is not a full time employee of the Company, he reports to the Board and is responsible for advising the Board on governance matters. The primary contact person of the Company with the Company Secretary is Ms. Jennie WONG Kwai Fong, the Assistant Company Secretary of the Company. During 2012, the Company Secretary has confirmed that he has taken no less than 15 hours of relevant professional training.

CONSTITUTIONAL DOCUMENTS

During the year, there is no significant change in the Company's constitutional documents.

SHAREHOLDERS' RIGHTS

Convening Extraordinary General Meeting ("EGM") and Putting Forward Proposals at Shareholders' Meetings

In accordance with section 113 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), shareholders holding not less than one-twentieth (1/20) of the paid-up capital of the Company can deposit a written request to convene an EGM (stating the objects of the meeting and signed by the shareholders concerned) at the registered office of the Company for the attention of the Board. If the Directors do not within 21 days from the date of the deposit of a request (after being verified to be valid) proceed to convene an EGM for a day not more than 28 days after the date on which the notice convening the EGM is given, the shareholders concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, but any EGM so convened shall not be held after the expiration of three months from the date of the deposit of the request.

In accordance with section 115A of the Companies Ordinance to put forward proposals at shareholders' meeting, a request in writing must be made by:

(a) shareholders holding not less than one-fortieth (1/40) of the total voting rights of all shareholders having the right to vote at the meeting; or

(b) not less than 50 shareholders holding shares in the Company on which there has been paid up an average sum, per shareholder, of not less than HK$2,000,

to the Company to give to shareholders notice of any resolution which may properly be moved and is intended to be moved at an annual general meeting, or to circulate to shareholders any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at any general meeting.

The written request must be signed by all the shareholders concerned in one or more documents in like form and deposited at the registered office of the Company for the attention of the Board not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution, and not less than one week before the meeting in the case of any other requisition. Upon the request verified to be valid, the Company will give notice of the resolution or circulate the statement provided that the shareholders concerned have deposited a sum reasonably sufficient to meet the Company's expenses in regard thereto.

Pursuant to Article 120 of the Articles of Association of the Company, no person, other than a retiring Director, shall, unless recommended by the Directors for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been given to the Company provided that the minimum length of the period, during which such notices are given, shall be at least seven days. The period for lodgment of such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting. Detailed procedures for shareholders to propose a person for election as a Director can be found on the Company's website.

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.

Shareholders may at any time send their enquiries and concerns to the Board by addressing them to the Company at its registered office.

The Board present their annual report and the audited consolidated financial statements for the year ended 31st December, 2012.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of the Company's principal subsidiaries are set out in note 31 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2012 are set out in the consolidated statement of comprehensive income on page 19.

DIVIDEND

The Board does not recommend the payment of a final dividend in respect of the year ended 31st December, 2012 (2011: Nil).

SHARE CAPITAL

Details of the share capital of the Company are set out in note 23 to the consolidated financial statements. There were no movements in the share capital of the Company during the year.

RESERVES

Movements during the year in the reserves of the Group are set out on page 23 and the Company are set out in note 24 to the consolidated financial statements.

The Company's reserves available for distribution to shareholders at 31st December, 2012 comprised its retained profits of HK$632,927,000 (2011: HK$612,523,000).

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENT PROPERTIES

All the investment properties of the Group were revalued at 31st December, 2012. The revaluation gave rise to an increase of approximately HK$298 million has been credited to the consolidated statement of comprehensive income.

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

PROPERTIES UNDER DEVELOPMENT

During the year, development expenditure of approximately HK$135 million was incurred on properties under development.

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

BORROWINGS

An analysis of the repayment schedule of bank loans is set out in note 22 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

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

DIRECTORS

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

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

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

* *independent non-executive directors*

In accordance with the provisions of the Company's Articles of Association, Mr. Albert HUI Wing Ho and Mr. Ivan CHAN Kim Fai shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

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

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

DIRECTORS' INTERESTS IN LISTED SECURITIES

As at 31st December, 2012, the interests or short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required (a) to be entered in the register required to be kept by the Company under section 352 of the SFO; or (b) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

The Company

Name of director	Capacity	Nature of interests	Number of shares held	Approximate % of shareholding
William Cheng Kai Man	Interest of controlled corporations	Corporate	350,043,999 *(Note)*	65.18

Note:

Omnico Company Inc. and Mercury Fast Limited beneficially owned 281,904,489 shares of the Company (the "Shares") and 68,139,510 Shares respectively, representing approximately 52.49% and 12.69% respectively of the issued share capital of the Company. Mr. William Cheng Kai Man had controlling interests in these companies.

Associated corporations

Name of director	Name of associated corporation	Capacity	Nature of interests	Number of shares/ underlying shares held	Approximate % of shareholding
William Cheng Kai Man	Magnificent Estates Limited ("Magnificent Estates") *(Note 1)*	Interest of controlled corporations	Corporate	6,360,585,437	71.09
William Cheng Kai Man	Shun Ho Resources Holdings Limited ("Shun Ho Resources") *(Note 2)*	Interest of controlled corporations	Corporate	216,608,825	71.20
William Cheng Kai Man	Trillion Resources Limited ("Trillion Resources") *(Note 3)*	Beneficial owner	Personal	1	100

Notes:

1. Magnificent Estates, the Company's subsidiary, is a public limited company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange.

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

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

Share Options

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

Save as disclosed above and save for shares in subsidiaries held by a director in trust for their immediate holding companies, as at 31st December, 2012, 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 Issuers and none of the directors or their associates or their spouse or children under the age of 18, had any right to subscribe for the securities of the Company or associated corporations, or had exercised any such right during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND RELATED PARTY TRANSACTIONS

During the year, the Group had transactions with certain related parties, details of which are set out in notes 8 and 30 to the consolidated financial statements.

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

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

(ii) During the year, the Company made unsecured advances to Magnificent Estates and its subsidiary which carry interest chargeable at HIBOR plus 4% per annum and are repayable on demand. At 31st December, 2012, such advances amounted to HK$144,161,000 remained outstanding. Interest receivable by the Company on such advances amounted to a total of HK$4,689,000 in respect of the year.

(iii) During the year, expenses amounted to HK$2,346,000 were payable by the Company to Magnificent Estates for administrative services provided by Magnificent Estates on a cost reimbursement basis.

Save as disclosed herein:

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

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

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

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

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate amount of purchases and sales attributable to the five largest suppliers and customers of the Group accounted for less than 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.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2012, the following persons (not being directors or chief executive of the Company) had interests in the shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Capacity	Number of shares	Approximate % of shareholding
Mercury Fast Limited ("Mercury")	Beneficial owner	68,139,510	12.69
Magnificent Estates *(Note 1)*	Interest of controlled corporation	68,139,510	12.69
Omnico Company Inc. ("Omnico") *(Note 2)*	Beneficial owner and interest of controlled corporation	350,559,447	65.27
Shun Ho Resources *(Note 3)*	Interest of controlled corporation	350,742,682	65.31
Trillion Resources *(Note 3)*	Interest of controlled corporations	350,742,682	65.31
Liza Lee Pui Ling *(Note 4)*	Interest of spouse	350,742,682	65.31

Notes:

1. Mercury was a wholly-owned subsidiary of Magnificent Estates.
2. Omnico beneficially owned 282,419,937 shares of the Company (the "Shares") and was taken to be interested in 68,139,510 Shares held by Mercury which was owned as to 100% by Magnificent Estates, which was in turn owned as to 71.09% by the Group, the Company was in turn directly and indirectly owned as to 65.27% by Omnico and 65.31% by Shun Ho Resources.
3. Omnico was wholly-owned by Shun Ho Resources, which was in turn directly and indirectly owned as to 71.20% by Trillion Resources, which was in turn wholly-owned by Mr. William Cheng Kai Man. Therefore, Shun Ho Resources and Trillion Resources were taken to be interested in 350,742,682 Shares by virtue of their direct and indirect interests in Omnico and another subsidiary of Shun Ho Resources.
4. Madam Liza Lee Pui Ling was deemed to be interested in 350,742,682 Shares by virtue of the interest in such Shares of her spouse, Mr. William Cheng Kai Man, a director of the Company.

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

PUBLIC FLOAT

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

AUDITOR

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

On behalf of the Board

William CHENG Kai Man
Chairman

Hong Kong, 19th February, 2013

Deloitte.
德勤

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

We have audited the consolidated financial statements of Shun Ho Technology Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 19 to 75, which comprise the consolidated and Company's statements of financial position as at 31st December, 2012, 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 the 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 Group and of the Company as at 31st December, 2012, 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
19th February, 2013

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2012

	Notes	**2012**	2011
		HK$'000	*HK$'000*
			(Restated)
Revenue	*5*	**520,503**	401,648
Cost of sales		**(3,560)**	(3,073)
Other service costs		**(154,235)**	(116,707)
Depreciation of property, plant and equipment and release of prepaid lease payments for land		**(38,056)**	(28,703)
Gross profit		**324,652**	253,165
Increase in fair value of investment properties	*15*	**298,220**	298,030
Other income	*7*	**16,739**	15,714
Fair value changes of investments held for trading		**–**	(3)
Administrative expenses			
– Depreciation		**(3,680)**	(5,578)
– Others		**(23,142)**	(18,628)
		(26,822)	(24,206)
Other expenses	*7*	**(21,823)**	(17,909)
Finance costs	*8*	**(11,008)**	(6,469)
Profit before taxation	*9*	**579,958**	518,322
Income tax expense	*11*	**(48,187)**	(38,590)
Profit for the year		**531,771**	479,732
Other comprehensive income (expense)			
Exchange differences arising on translation of foreign operations		**1,236**	3,733
Fair value gain (loss) on available-for-sale investments		**25,040**	(11,268)
Other comprehensive income (expense) for the year		**26,276**	(7,535)
Total comprehensive income for the year		**558,047**	472,197
Profit for the year attributable to:			
Owners of the Company		**377,983**	331,563
Non-controlling interests		**153,788**	148,169
		531,771	479,732
Total comprehensive income for the year attributable to:			
Owners of the Company		**396,665**	325,746
Non-controlling interests		**161,382**	146,451
		558,047	472,197
		HK cents	*HK cents*
Earnings per share	*12*		
Basic		**80.6**	70.7
Diluted		**N/A**	70.7

Consolidated Statement of Financial Position

At 31st December, 2012

	Notes	**31st December, 2012** *HK$'000*	31st December, 2011 *HK$'000* (Restated)	1st January, 2011 *HK$'000* (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	*13*	**2,724,021**	1,326,041	929,539
Prepaid lease payments for land	*14*	**60,177**	61,049	60,767
Investment properties	*15*	**2,925,100**	2,626,880	2,328,850
Properties under development	*16*	**237,338**	1,517,390	1,680,680
Available-for-sale investments	*18*	**88,423**	63,383	74,651
Deposit for acquisition of property, plant and equipment		**–**	–	2,591
		6,035,059	5,594,743	5,077,078
CURRENT ASSETS				
Inventories		**963**	660	520
Properties held for sale		**21,650**	21,650	21,650
Investments held for trading		**–**	–	6
Prepaid lease payments for land	*14*	**1,502**	1,502	1,502
Trade and other receivables	*19*	**30,575**	19,940	12,910
Other deposits and prepayments		**7,549**	7,163	4,260
Pledged bank deposits	*20*	**110**	110	110
Bank balances and cash	*20*	**179,918**	100,683	41,909
		242,267	151,708	82,867
CURRENT LIABILITIES				
Trade and other payables and accruals	*21*	**61,094**	63,820	29,495
Rental and other deposits received		**15,162**	6,786	16,711
Advance from a shareholder	*30(b)*	**9,801**	605	1,675
Advance from ultimate holding company	*30(b)*	**51,072**	59,960	61,211
Tax liabilities		**20,409**	14,645	12,468
Bank loans	*22*	**1,074,411**	1,110,957	1,034,792
		1,231,949	1,256,773	1,156,352
NET CURRENT LIABILITIES		**(989,682)**	(1,105,065)	(1,073,485)
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,045,377**	4,489,678	4,003,593

	Notes	31st December, 2012 HK$'000	31st December, 2011 HK$'000 (Restated)	1st January, 2011 HK$'000 (Restated)
CAPITAL AND RESERVES				
Share capital	23	**268,538**	268,538	268,538
Share premium and reserves		**3,255,354**	2,858,689	2,176,531
Equity attributable to owners of the Company		**3,523,892**	3,127,227	2,445,069
Non-controlling interests		**1,361,160**	1,211,417	1,429,137
		4,885,052	4,338,644	3,874,206
NON-CURRENT LIABILITIES				
Rental deposits received		**22,625**	26,993	18,888
Deferred tax liabilities	25	**137,700**	124,041	110,499
		160,325	151,034	129,387
		5,045,377	4,489,678	4,003,593

The consolidated financial statements on pages 19 to 75 were approved and authorised for issue by the Board of Directors on 19th February, 2013 and are signed on its behalf by:

Albert HUI Wing Ho
Director

William CHENG Kai Man
Director

Statement of Financial Position

At 31st December, 2012

	Notes	**2012**	2011
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Investments in subsidiaries	*17*	**403,071**	380,664
Amounts due from subsidiaries	*17*	**492,643**	519,606
		895,714	900,270
CURRENT ASSETS			
Other receivables and prepayments		**200**	189
Amounts due from subsidiaries	*17*	**138,684**	104,245
Tax recoverable		**549**	661
Bank balances and cash	*20*	**107**	103
		139,540	105,198
CURRENT LIABILITIES			
Other payables		**1,037**	851
Advance from a shareholder	*30(b)*	**9,801**	605
		10,838	1,456
NET CURRENT ASSETS		**128,702**	103,742
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,024,416**	1,004,012
CAPITAL AND RESERVES			
Share capital	*23*	**268,538**	268,538
Share premium and reserves	*24*	**755,878**	735,474
		1,024,416	1,004,012

Albert HUI Wing Ho
Director

William CHENG Kai Man
Director

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2012

	Attributable to owners of the Company												
	Share capital *HK$'000*	Share premium *HK$'000*	Capital reserve *HK$'000* *(Note (a))*	Property revaluation reserve *HK$'000* *(Note (b))*	Securities revaluation reserve *HK$'000*	General reserve *HK$'000*	Translation reserve *HK$'000*	Retained profits *HK$'000*	Own shares held by a subsidiary *HK$'000* *(Note (c))*	Other reserve *HK$'000* *(Note (d))*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1st January, 2011 (Originally stated)	268,538	118,770	4,181	50,186	18,368	263	9,162	1,689,334	(12,271)	145,625	2,292,156	1,312,362	3,604,518
Effect of change in accounting policy *(note 2)*	–	–	–	–	–	–	–	152,913	–	–	152,913	116,775	269,688
At 1st January, 2011 (Restated)	268,538	118,770	4,181	50,186	18,368	263	9,162	1,842,247	(12,271)	145,625	2,445,069	1,429,137	3,874,206
Profit for the year	–	–	–	–	–	–	–	331,563	–	–	331,563	148,169	479,732
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	2,734	–	–	–	2,734	999	3,733
Fair value loss on available-for-sale investments	–	–	–	–	(8,551)	–	–	–	–	–	(8,551)	(2,717)	(11,268)
Total comprehensive (expense) income for the year	–	–	–	–	(8,551)	–	2,734	331,563	–	–	325,746	146,451	472,197
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(7,759)	(7,759)
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	356,412	356,412	(356,412)	–
At 31st December, 2011 (Restated)	268,538	118,770	4,181	50,186	9,817	263	11,896	2,173,810	(12,271)	502,037	3,127,227	1,211,417	4,338,644
Profit for the year	–	–	–	–	–	–	–	377,983	–	–	377,983	153,788	531,771
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	882	–	–	–	882	354	1,236
Fair value gain on available-for-sale investments	–	–	–	–	17,800	–	–	–	–	–	17,800	7,240	25,040
Total comprehensive income for the year	–	–	–	–	17,800	–	882	377,983	–	–	396,665	161,382	558,047
Dividend distributed to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(11,639)	(11,639)
At 31st December, 2012	**268,538**	**118,770**	**4,181**	**50,186**	**27,617**	**263**	**12,778**	**2,551,793**	**(12,271)**	**502,037**	**3,523,892**	**1,361,160**	**4,885,052**

Notes:

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

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

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

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

Consolidated Statement of Cash Flows

For the year ended 31st December, 2012

	2012	2011
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Profit before taxation	**579,958**	518,322
Adjustments for:		
Interest income from bank deposits	**(752)**	(181)
Finance costs	**11,008**	6,469
Fair value changes of investments held for trading	**–**	3
Increase in fair value of investment properties	**(298,220)**	(298,030)
Gain on disposal of property, plant and equipment	**(11)**	–
Depreciation of property, plant and equipment	**40,234**	32,779
Release of prepaid lease payments for land	**1,502**	1,502
Operating cash flows before movements in working capital	**333,719**	260,864
Increase in inventories	**(303)**	(140)
Increase in trade and other receivables	**(10,635)**	(7,030)
Increase in other deposits and prepayments	**(386)**	(2,903)
Increase in trade and other payables and accruals	**5,999**	5,348
Increase (decrease) in rental and other deposits received	**4,008**	(1,820)
Decrease in investments held for trading	**–**	3
Cash generated from operations	**332,402**	254,322
Hong Kong Profits Tax paid	**(24,864)**	(19,081)
Income tax elsewhere paid	**(3,900)**	(3,790)
Interest from bank deposits received	**752**	181
NET CASH FROM OPERATING ACTIVITIES	**304,390**	231,632
INVESTING ACTIVITIES		
Expenditure on properties under development	**(133,036)**	(207,954)
Acquisition of property, plant and equipment	**(22,452)**	(16,145)
Proceeds from disposal of property, plant and equipment	**47**	–
NET CASH USED IN INVESTING ACTIVITIES	**(155,441)**	(224,099)

	2012	2011
	HK$'000	*HK$'000*
FINANCING ACTIVITIES		
Interest paid	**(25,511)**	(14,412)
Repayments of bank loans	**(36,546)**	(276,335)
Dividend paid to non-controlling interests	**(7,759)**	(7,759)
Advance from a shareholder	**10,163**	15
Repayment to a shareholder	**(967)**	(1,085)
Advance from ultimate holding company	**2,132**	1,824
Repayment to ultimate holding company	**(11,020)**	(3,075)
Bank loans raised	**–**	352,500
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(69,508)**	51,673
NET INCREASE IN CASH AND CASH EQUIVALENTS	**79,441**	59,206
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**100,683**	41,909
Effects of foreign exchange rate changes	**(206)**	(432)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	**179,918**	100,683

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 holding company is Omnico Company Inc., a wholly-owned subsidiary of Shun Ho Resources Holdings Limited ("Shun Ho Resources") which is a public limited company incorporated in Hong Kong whose shares are listed on the Hong Kong Stock Exchange. The directors consider the Company's ultimate holding company to be Trillion Resources Limited, an international business company incorporated in the British Virgin Islands (the "BVI").

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

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

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

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

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

Amendments to HKFRS 7	Financial instruments: Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets
Amendments to HKAS 1	As part of the Annual Improvements to HKFRSs 2009 – 2011 Cycle issued in 2012

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's and the Company's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets"

The Group has applied for the first time the amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets" in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

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

Amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets" *(Continued)*

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment property portfolios and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the 'sale' presumption set out in the amendments to HKAS 12 is not rebutted.

The application of the amendments to HKAS 12 has resulted in the Group not recognising any deferred taxes on changes in fair value of investment properties located in Hong Kong as the Group is not subject to any income taxes on disposal of those investment properties. For the property situated in Macau, the Group is subject to income tax on disposal of the property. Previously, the Group recognised deferred taxes on changes in fair value of investment properties based on the tax consequences that would follow the manner in which the Group expected to recover the carrying amount of the investment properties.

The amendments to HKAS 12 have been applied retrospectively, resulting in the Group's deferred tax liabilities being decreased by HK$269,688,000 as at 1st January, 2011, with the corresponding credit being recognised in retained profits. Similarly, the deferred tax liabilities have been decreased by HK$316,792,000 as at 31st December, 2011.

The change in accounting policy has resulted in the Group's income tax expense for the years ended 31st December, 2012 and 31st December, 2011 being reduced by HK$46,880,000 and HK$47,104,000 respectively and hence resulted in profit for the years ended 31st December, 2012 and 31st December, 2011 being increased by HK$46,880,000 and HK$47,104,000 respectively.

Amendments to HKAS 1 "Presentation of Financial Statements (as part of the Annual Improvements to HKFRSs 2009–2011 Cycle issued in June 2012)"

Various amendments to HKFRSs were issued in June 2012, the title of which is Annual Improvements to HKFRSs (2009–2011 Cycle). The effective date of these amendments is annual periods beginning on or after 1st January, 2013.

In current year, the Group has applied for the first time the amendments to HKAS 1 in advance of the effective date (annual periods beginning on or after 1st January, 2013).

HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

In the current year, the Group has applied the amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets" for the first time, which has resulted in a material effect on the information in the consolidated statement of financial position as at 1st January, 2011. In accordance with the amendments to HKAS 1, the Group has not presented the related notes of the third statement of financial position as at 1st January, 2011.

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

Summary of the effects of the above changes in accounting policies

The effects of changes in accounting policies described above on the results for the current and prior years by line items are as follows:

	2012	2011
	HK$'000	*HK$'000*
Decrease in income tax expense and increase in profit for the year	**46,880**	47,104
Increase in profit for the year attributable to:		
Owners of the Company	**33,327**	33,486
Non-controlling interests	**13,553**	13,618
	46,880	47,104

The effects of the above changes in accounting policies on the financial positions of the Group as at 1st January, 2011 and 31st December, 2011 is as follows:

	As at 1st January, 2011 (Originally stated)	Adjustments	As at 1st January, 2011 (Restated)	As at 31st December, 2011 (Originally stated)	Adjustments	As at 31st December, 2011 (Restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Effects on net assets:						
Deferred tax liabilities	380,187	(269,688)	110,499	440,833	(316,792)	124,041
Effects on equity:						
Retained profits	1,689,334	152,913	1,842,247	1,987,411	186,399	2,173,810
Non-controlling interests	1,312,362	116,775	1,429,137	1,119,832	91,585	1,211,417
Other reserve	145,625	–	145,625	463,229	38,808	502,037
	3,147,321	269,688	3,417,009	3,570,472	316,792	3,887,264

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

Summary of the effects of the above changes in accounting policies *(Continued)*

The effects of the above changes in accounting policies on the financial positions of the Group as at 31st December, 2012 is as follows:

	As at 31st December 2012
	HK$'000
Effects on net assets:	
Decrease in deferred tax liabilities	**(363,672)**
Effects on equity:	
Increase in retained profits	**219,726**
Increase in non-controlling interests	**105,138**
Increase in other reserve	**38,808**
	363,672

Impact on basic earnings per share

The effects of the above changes in accounting policies on the Group's basic earnings per share for the current and prior year are as follows:

	2012	2011
	HK cents	*HK cents*
Figures before adjustments	**73.5**	63.6
Adjustments arising from change in the Group's accounting policies in relation to:		
– application of amendments to HKAS 12 in respect of deferred taxes on investment properties	**7.1**	7.1
Figures after adjustments	**80.6**	70.7

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

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle, except for the amendments HKAS 1[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after 1st January, 2013.
2 Effective for annual periods beginning on or after 1st January, 2014.
3 Effective for annual periods beginning on or after 1st January, 2015.
4 Effective for annual periods beginning on or after 1st July, 2012.

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at 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 reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

The directors anticipate that HKFRS 9 will be adopted by the Group and the Company for annual period beginning on 1st January, 2015. The adoption of HKFRS 9 may impact the Group's and the Company's financial assets including available-for-sale investments. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

HKFRS 13 "Fair Value Measurement"

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad and it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial Instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

The directors anticipate that HKFRS 13 will be adopted by the Group and the Company for the annual period beginning on 1st January, 2013 and that the application of the new standard is not expected to have material impact on the amounts reported in the consolidated financial statements but would result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income"

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for the Group for annual period beginning 1st January, 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. 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 HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Income and expenses 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.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein.

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 (effective from 1st January, 2010 onwards).

Changes in the Group's ownership interests in existing subsidiaries on or after 1st January, 2008

Changes in the Group's ownership interests in existing 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, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost; (ii) derecognises the carrying amount of any non-controlling interests in the subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them); and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried 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 Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained profits as specified by applicable HKFRSs). 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

Business combinations that took place on or after 1st January, 2008

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.

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 arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); 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, when applicable, on the basis specified in another standard.

Treasury shares

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income 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.

Investment properties

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

Investment properties are initially 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 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 property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance leases) and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any, other than properties under development. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. When parts of an item of property, plant and equipment have different useful lives, the cost of each part is depreciated separately.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than properties under development over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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.

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost (including deemed capital contribution) less any identified impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 the 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 any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so 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 (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated and the Company's statements of financial position 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

The Group's financial assets are classified into loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

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

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 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 financial assets

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

Equity securities held by the Group that are classified as available-for-sale and are traded in an active market are measured at fair value at the end of each reporting period. Dividends on available-for-sale equity investments are recognised in profit or loss. Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of securities revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the securities revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment of financial assets below).

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 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 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.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, 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, the amount of impairment loss recognised is 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.

When an available-for-sale financial asset which carried at fair value is considered to be impaired, cumulative losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

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 carried at fair value will not be reversed through 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 the securities revaluation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

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.

Financial liabilities

Financial liabilities (including trade and other payables, other deposits received, advances from a shareholder and ultimate holding company and bank loans) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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 and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 leases, 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. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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) using exchange rates prevailing at the end of each reporting period. 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 under the translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

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 'profit before taxation' as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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 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.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax are 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 current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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 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 AND CRITICAL ACCOUNTING JUDGMENT

In the process of applying the Group's accounting policies described in the note 3, the directors make judgment and estimation 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:

Key sources of estimation uncertainty

Taxation

At 31st December, 2012, a deferred tax asset of HK$16,181,000 (2011: HK$16,895,000) in relation to unused tax losses has been recognised as set out in note 25. No deferred tax asset has been recognised on the remaining tax losses of HK$29,233,000 (2011: HK$29,177,000) 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 change takes 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 aged 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.

Critical accounting judgment

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised deferred taxes on changes in fair value of investment properties located in Hong Kong as the Group is not subject to income taxes on disposal of its investment properties.

5. REVENUE

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

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
Income from operation of hotels	**420,088**	306,608
Property rental	**100,415**	95,040
	520,503	401,648

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, Chairman of the Company, for the purpose of allocating resources to segments and assessing their performance. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

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. Hospitality services – Best Western Hotel Causeway Bay *(Note a)*
6. Hospitality services – Best Western Hotel Harbour View *(Note b)*
7. Hospitality services – Best Western Grand Hotel *(Note c)*
8. Property investment – 633 King's Road
9. Property investment – Shun Ho Tower
10. Property investment – Shops
11. Securities investment and trading
12. Property development for hotel – 239 Queen's Road West *(Note b)*
13. Property development for hotel – 23 Austin Avenue *(Note c)*
14. Property development for hotel – 38 Bowrington Road *(Note a)*
15. Property development for hotel – 338 Queen's Road West

Notes:

(a) The hotel development was completed in 2011 and accordingly transferred to the segment of "Hospitality services – Best Western Hotel Causeway Bay".

(b) The hotel development was completed in 2012 and accordingly transferred to the segment of "Hospitality services – Best Western Hotel Harbour View".

(c) The hotel development was completed in 2012 and accordingly transferred to the segment of "Hospitality services – Best Western Grand Hotel".

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 segments for the years:

	Segment revenue Year ended **2012**	Segment revenue Year ended 2011	Segment profit/loss Year ended **2012**	Segment profit/loss Year ended 2011
	HK\$'000	*HK\$'000*	***HK\$'000***	*HK\$'000*
Hospitality services	**420,088**	306,608	**224,598**	159,023
– Ramada Hotel Kowloon	**81,333**	79,208	**36,672**	34,238
– Ramada Hong Kong Hotel	**102,928**	99,825	**62,757**	62,198
– Best Western Hotel Taipa, Macau	**64,936**	60,730	**36,184**	32,681
– Magnificent International Hotel, Shanghai	**19,781**	17,914	**3,239**	3,090
– Best Western Hotel Causeway Bay	**85,934**	48,931	**45,163**	26,816
– Best Western Hotel Harbour View	**60,579**	–	**38,800**	–
– Best Western Grand Hotel	**4,597**	–	**1,783**	–
Property investment	**100,415**	95,040	**398,274**	392,172
– 633 King's Road	**70,794**	69,053	**186,561**	312,440
– Shun Ho Tower	**18,203**	16,287	**89,094**	23,532
– Shops	**11,418**	9,700	**122,619**	56,200
Securities investment and trading	**–**	–	**–**	(3)
Property development for hotel	**–**	–	**–**	–
– 239 Queen's Road West	**–**	–	**–**	–
– 23 Austin Avenue	**–**	–	**–**	–
– 38 Bowrington Road	**–**	–	**–**	–
– 338 Queen's Road West	**–**	–	**–**	–
	520,503	401,648	**622,872**	551,192
Other income			**16,739**	15,714
Other expenses			**(21,823)**	(17,909)
Central administration costs and directors' emoluments			**(26,822)**	(24,206)
Finance costs			**(11,008)**	(6,469)
Profit before taxation			**579,958**	518,322

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' emoluments, other income and other expenses that are not directly relate to core business and finance costs. This is the measure reported to the chief operating decision maker 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, 2012	31st December, 2011
	HK$'000	*HK$'000*
Segment assets		
Hospitality services	**2,689,917**	1,280,072
– Ramada Hotel Kowloon	**286,855**	297,685
– Ramada Hong Kong Hotel	**341,402**	343,582
– Best Western Hotel Taipa, Macau	**130,399**	132,399
– Magnificent International Hotel, Shanghai	**93,530**	94,845
– Best Western Hotel Causeway Bay *(Note a)*	**397,010**	411,561
– Best Western Hotel Harbour View *(Note b)*	**544,565**	–
– Best Western Grand Hotel *(Note c)*	**896,156**	–
Property investment	**2,929,243**	2,629,149
– 633 King's Road	**1,901,902**	1,786,128
– Shun Ho Tower	**533,741**	460,621
– Shops	**493,600**	382,400
Securities investment and trading	**88,423**	63,383
Property development for hotel	**237,392**	1,519,692
– 239 Queen's Road West *(Note b)*	**–**	484,883
– 23 Austin Avenue *(Note c)*	**–**	808,407
– 38 Bowrington Road *(Note a)*	**–**	–
– 338 Queen's Road West	**237,392**	226,402
	5,944,975	5,492,296
Unallocated assets	**332,351**	254,155
	6,277,326	5,746,451

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

	31st December, 2012 *HK$'000*	31st December, 2011 *HK$'000* (Restated)
Segment liabilities		
Hospitality services	**53,363**	29,779
– Ramada Hotel Kowloon	**3,539**	4,373
– Ramada Hong Kong Hotel	**2,662**	3,379
– Best Western Hotel Taipa, Macau	**6,255**	5,788
– Magnificent International Hotel, Shanghai	**951**	934
– Best Western Hotel Causeway Bay *(Note a)*	**4,405**	15,305
– Best Western Hotel Harbour View *(Note b)*	**16,818**	–
– Best Western Grand Hotel *(Note c)*	**18,733**	–
Property investment	**34,993**	31,979
– 633 King's Road	**23,630**	22,494
– Shun Ho Tower	**7,069**	5,261
– Shops	**4,294**	4,224
Securities investment and trading	**2**	2
Property development for hotel	**1,692**	31,535
– 239 Queen's Road West *(Note b)*	**–**	3,319
– 23 Austin Avenue *(Note c)*	**–**	24,590
– 38 Bowrington Road *(Note a)*	**–**	–
– 338 Queen's Road West	**1,692**	3,626
	90,050	93,295
Unallocated liabilities	**1,302,224**	1,314,512
	1,392,274	1,407,807

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's head office corporate assets, bank balances and cash and properties held for sale; and
- all liabilities are allocated to operating and reportable segments other than the Group's head office corporate liabilities, bank loans and current and deferred tax liabilities.

6. SEGMENT INFORMATION *(Continued)*

Other segment information

	Depreciation of property, plant and equipment and release of prepaid lease payments for land Year ended		Additions to non-current assets *(Note)* Year ended		Increase in fair value of investment properties Year ended		Fair value changes of investments held for trading Year ended	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	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	**38,017**	28,658	**17,589**	5,057	**–**	–	**–**	–
– Ramada Hotel Kowloon	**11,918**	11,996	**1,157**	46	**–**	–	**–**	–
– Ramada Hong Kong Hotel	**3,498**	3,479	**664**	68	**–**	–	**–**	–
– Best Western Hotel Taipa, Macau	**3,434**	3,426	**101**	106	**–**	–	**–**	–
– Magnificent International Hotel, Shanghai	**2,865**	2,912	**230**	351	**–**	–	**–**	–
– Best Western Hotel Causeway Bay *(Note a)*	**12,072**	6,845	**720**	4,486	**–**	–	**–**	–
– Best Western Hotel Harbour View *(Note b)*	**3,029**	–	**7,613**	–	**–**	–	**–**	–
– Best Western Grand Hotel *(Note c)*	**1,201**	–	**7,104**	–	**–**	–	**–**	–
Property investment	**39**	45	**2,114**	–	**298,220**	298,030	**–**	–
– 633 King's Road	**39**	45	**–**	–	**116,000**	244,000	**–**	–
– Shun Ho Tower	**–**	–	**2,114**	–	**71,020**	7,530	**–**	–
– Shops	**–**	–	**–**	–	**111,200**	46,500	**–**	–
Securities investment and trading	**–**	–	**–**	–	**–**	–	**–**	(3)
Property development for hotel	**–**	–	**134,934**	244,874	**–**	–	**–**	–
– 239 Queen's Road West *(Note b)*	**–**	–	**48,776**	107,106	**–**	–	**–**	–
– 23 Austin Avenue *(Note c)*	**–**	–	**75,169**	97,915	**–**	–	**–**	–
– 38 Bowrington Road *(Note a)*	**–**	–	**–**	25,657	**–**	–	**–**	–
– 338 Queen's Road West	**–**	–	**10,989**	14,196	**–**	–	**–**	–
	38,056	28,703	**154,637**	249,931	**298,220**	298,030	**–**	(3)

Note: Additions to non-current assets excluded available-for-sale investments.

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:

	2012	2011
	HK$'000	*HK$'000*
Hong Kong	**432,713**	320,092
Macau	**68,009**	63,642
The PRC	**19,781**	17,914
	520,503	401,648

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

	Non-current assets *(Note)*	
	2012	2011
	HK$'000	*HK$'000*
Hong Kong	**5,566,489**	5,160,686
Macau	**288,258**	277,591
The PRC	**91,889**	93,083
	5,946,636	5,531,360

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 amounts for both years.

6. SEGMENT INFORMATION *(Continued)*

Revenue from major services

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

	2012	2011
	HK$'000	*HK$'000*
Room revenue	**404,825**	293,222
Food and beverage	**12,383**	9,634
Property rental	**100,415**	95,040
Others	**2,880**	3,752
	520,503	401,648

7. OTHER INCOME/OTHER EXPENSES

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
Other income comprises:		
Management fee income for the provision of property management services	**15,502**	15,118
Interest income from bank deposits	**752**	181
Exchange gain	**–**	377
Gain on disposal of property, plant and equipment	**11**	–
Others	**474**	38
	16,739	15,714
Other expenses comprises:		
Costs incurred for the provision of property management services	**14,458**	13,763
Hotel pre-operation expenses	**7,365**	4,146
	21,823	17,909

8. FINANCE COSTS

	THE GROUP 2012 HK$'000	2011 HK$'000
Interests on:		
Bank loans wholly repayable within five years	**23,215**	13,662
Advance from ultimate holding company wholly repayable within five years *(note 30 (b))*	**2,132**	724
Advance from a shareholder wholly repayable within five years *(note 30 (b))*	**164**	15
Other	**–**	11
	25,511	14,412
Less: amount capitalised in properties under development *(Note)*	**(14,503)**	(7,943)
	11,008	6,469

Note: The amount capitalised in properties under development represents the borrowing costs directly attributed to the construction of properties under development.

9. PROFIT BEFORE TAXATION

	THE GROUP 2012 HK$'000	2011 HK$'000
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	**2,607**	2,106
Staff costs including directors' emoluments	**95,325**	82,545
Depreciation of property, plant and equipment	**40,234**	32,779
Release of prepaid lease payments for land	**1,502**	1,502
Operating lease rental in respect of rented equipment	**965**	141
Gross rental income from investment properties	**(100,415)**	(95,040)
Less: Direct operating expenses incurred for investment properties that generated rental income during the year	**322**	852
	(100,093)	(94,188)

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and Chief Executive's emoluments

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

	Year ended 31st December, 2012				
	Directors' fees	**Basic salaries, allowances and benefits-in-kind**	**Performance related bonus payments**	**Contributions to retirement benefits schemes**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Mr. William Cheng Kai Man	**–**	**3,923**	**1,473**	**14**	**5,410**
Mr. Albert Hui Wing Ho	**–**	**1,686**	**224**	**14**	**1,924**
Madam Mabel Lui Fung Mei Yee	**33**	**–**	**–**	**–**	**33**
Mr. Vincent Kwok Chi Sun	**67**	**–**	**–**	**–**	**67**
Mr. Chan Kim Fai	**67**	**–**	**–**	**–**	**67**
Mr. Hui Kin Hing	**67**	**–**	**–**	**–**	**67**
	234	**5,609**	**1,697**	**28**	**7,568**

	Year ended 31st December, 2011				
	Directors' fees	Basic salaries, allowances and benefits-in-kind	Performance related bonus payments	Contributions to retirement benefits schemes	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. William Cheng Kai Man	–	3,601	471	12	4,084
Mr. Albert Hui Wing Ho	–	1,557	118	12	1,687
Madam Mabel Lui Fung Mei Yee	33	–	–	–	33
Mr. Vincent Kwok Chi Sun	67	–	–	–	67
Mr. Chan Kim Fai	67	–	–	–	67
Mr. Hui Kin Hing	67	–	–	–	67
	234	5,158	589	24	6,005

Mr. William Cheng Kai Man is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

No directors waived any emoluments in the years ended 31st December, 2012 and 31st December, 2011.

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

During the years ended 31st December, 2012 and 31st December, 2011, no emolument was paid to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Employees' emoluments

Of the five individuals in the Group with the highest emoluments, two (2011: two) were directors of the Company, whose emoluments are included above. The emoluments of the remaining three individuals (2011: three individuals), whose emoluments are individually below HK$1,000,000, are as follows:

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
Basic salaries, allowances and benefits-in-kind	**2,236**	2,187
Contributions to retirement benefits schemes	**41**	36
Performance related bonus payments	**287**	555
	2,564	2,778

11. INCOME TAX EXPENSE

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
		(Restated)
The taxation charge comprises:		
Current tax		
Hong Kong	**30,209**	26,313
The PRC	**551**	490
Other jurisdiction	**3,840**	3,419
	34,600	30,222
Overprovision in prior years:		
Hong Kong	**(72)**	(5,174)
Deferred tax *(note 25)*		
Current year	**13,659**	13,542
	48,187	38,590

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits 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.

Under the Macau Complementary Tax Law, the tax rate of the Macau subsidiary is charged at progressive rate with a maximum rate of 12%.

11. INCOME TAX EXPENSE *(Continued)*

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 EIT Law, and Article 17 of the Implementation Rules of the EIT Law. Deferred tax liabilities on the temporary differences attributable to the undistributed profits earned by the Company's PRC subsidiary of HK$1,422,000 (2011: HK$1,257,000) were provided as at 31st December, 2012.

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

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
		(Restated)
Profit before taxation	**579,958**	518,322
Tax at the Hong Kong Profits Tax rate of 16.5% (2011: 16.5%)	**95,693**	85,523
Tax effect of expenses not deductible for tax purpose	**45**	416
Tax effect of income not taxable for tax purpose	**(47,552)**	(47,717)
Overprovision in prior years	**(72)**	(5,174)
Tax effect of tax losses not recognised	**186**	89
Utilisation of tax losses previously not recognised	**(177)**	(1,126)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(713)**	(330)
Deferred tax liabilities arising on undistributed profits of a PRC subsidiary	**165**	147
Others	**612**	6,762
Income tax expense	**48,187**	38,590

12. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company of HK$377,983,000 (2011: HK$331,563,000 (restated), and on 468,937,000 shares (2011: 468,937,000 shares) in issue during the year. The number of shares adopted in the calculation of the earnings per share has been arrived at after eliminating the shares in the Company held by a subsidiary.

Diluted earnings per share for the year ended 31st December, 2012 are not presented as there are no dilutive ordinary shares exist during the year presented.

For the year ended 31st December, 2011, the mandatory convertible bonds ("Bonds") were mandatorily convertible into ordinary shares of Magnificent on the maturity date, no dilutive effect was noted as assuming the mandatory conversion of the Bonds would result in an increase in earnings per share.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold land and hotel buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles and vessels HK$'000	Total HK$'000
THE GROUP					
COST					
At 1st January, 2011	129,714	959,205	43,497	17,680	1,150,096
Exchange realignment	–	2,673	292	4	2,969
Additions	13,640	–	5,096	–	18,736
Transfer from properties under development	–	408,164	–	–	408,164
At 31st December, 2011	143,354	1,370,042	48,885	17,684	1,579,965
Exchange realignment	–	1,057	48	1	1,106
Additions	–	–	19,314	3,138	22,452
Disposals	–	–	(14)	(60)	(74)
Transfer from properties under development	–	1,401,891	13,095	–	1,414,986
Reclassification	–	(9,324)	9,324	–	–
At 31st December, 2012	**143,354**	**2,763,666**	**90,652**	**20,763**	**3,018,435**
DEPRECIATION					
At 1st January, 2011	11,326	154,600	40,426	14,205	220,557
Exchange realignment	–	293	291	4	588
Provided for the year	2,750	25,229	1,982	2,818	32,779
At 31st December, 2011	14,076	180,122	42,699	17,027	253,924
Exchange realignment	–	200	93	1	294
Provided for the year	2,773	32,613	3,904	944	40,234
Eliminated on disposal	–	–	(1)	(37)	(38)
Reclassification	–	(145)	145	–	–
At 31st December, 2012	**16,849**	**212,790**	**46,840**	**17,935**	**294,414**
CARRYING AMOUNTS					
At 31st December, 2012	**126,505**	**2,550,876**	**43,812**	**2,828**	**2,724,021**
At 31st December, 2011	129,278	1,189,920	6,186	657	1,326,041

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

Notes:

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

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

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
In Hong Kong		
On long leases	**857,929**	338,041
Under medium-term leases	**1,539,082**	694,477
In Macau under medium-term leases	**98,026**	100,675
In the PRC under medium-term leases	**55,839**	56,727
	2,550,876	1,189,920

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

Leasehold land	Over the remaining term of land lease
Hotel buildings and buildings	50 years or over the remaining term of land lease, whichever is the shorter
Furniture, fixtures and equipment	4% – 33%
Motor vehicles and vessels	20%

14. PREPAID LEASE PAYMENTS FOR LAND

The prepaid lease payments comprise:

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
Land in Macau on medium-term leases	**25,537**	26,226
Land in the PRC on medium-term leases	**36,142**	36,325
	61,679	62,551
Analysed for reporting purposes as:		
Non-current asset	**60,177**	61,049
Current asset	**1,502**	1,502
	61,679	62,551

15. INVESTMENT PROPERTIES

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
FAIR VALUE		
At the beginning of the year	**2,626,880**	2,328,850
Increase in fair value recognised in profit or loss	**298,220**	298,030
At the end of the year	**2,925,100**	2,626,880

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

	2012	2011
	HK$'000	*HK$'000*
Land and buildings in Hong Kong on land held:		
On long leases	**2,535,000**	2,306,580
Under medium-term leases	**224,900**	169,100
Land and buildings in Macau held under medium-term leases	**165,200**	151,200
	2,925,100	2,626,880

The fair value of the Group's investment properties at 31st December, 2012 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 property 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, which are measured using the fair value model are classified and accounted for as investment properties.

The investment properties of the Group with an aggregate carrying amount of approximately HK$2,925 million (2011: HK$2,476 million) were rented out under operating leases at the end of the reporting period.

16. PROPERTIES UNDER DEVELOPMENT

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
At cost		
At the beginning of the year	**1,517,390**	1,680,680
Additions	**134,934**	244,874
Transferred to property, plant and equipment	**(1,414,986)**	(408,164)
At the end of the year	**237,338**	1,517,390

Included in the carrying amount of the properties under development at 31st December, 2012 are interest expenses of HK$8,164,000 (2011: HK$36,121,000) capitalised. The Group's properties under development are situated in Hong Kong and are mainly held for hotel development purpose.

An analysis of the carrying amounts of the Group's properties under development which are situated on leasehold land, is set out below:

	2012	2011
	HK$'000	*HK$'000*
In Hong Kong		
On long leases	**237,338**	709,754
Under medium-term leases	**–**	807,636
	237,338	1,517,390

17. INVESTMENTS IN/AMOUNTS DUE FROM SUBSIDIARIES

	THE COMPANY	
	2012	2011
	HK$'000	*HK$'000*
INVESTMENTS IN SUBSIDIARIES		
Cost, including deemed capital contribution in subsidiaries		
Shares listed in Hong Kong	**330,212**	330,222
Unlisted shares, at cost	**72,859**	50,442
	403,071	380,664
Market value of listed shares	**1,165,150**	704,530
AMOUNTS DUE FROM SUBSIDIARIES		
Amounts due from subsidiaries	**635,494**	628,018
Less: Impairment loss recognised	**(4,167)**	(4,167)
	631,327	623,851
Analysed for reporting purposes as:		
Non-current asset	**492,643**	519,606
Current asset	**138,684**	104,245
	631,327	623,851

The amounts due from subsidiaries are interest-free and unsecured with no fixed repayment terms. In the opinion of the directors, the amounts other than amount repayable within one year of HK$139 million (2011: HK$104 million) and have been included in the current assets, will not be repayable within the next twelve months from the end of the reporting period, accordingly are classified as non-current. The interest-free amount is measured at amortised cost using the effective interest method, less any identified impairment losses. The carrying amounts of these amounts due from subsidiaries at 31st December, 2012 are reduced by approximately HK$22.4 million (2011: HK$7.3 million), with a corresponding increase in investments in subsidiaries as deemed capital contribution by the Company to these subsidiaries. The effective interest rate on the amounts due from subsidiaries in respect of the year is 4.61% (2011: 1.88%) per annum.

Particulars regarding the principal subsidiaries at 31st December, 2012 and 31st December, 2011 are set out in note 31.

18. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
Listed equity securities in Hong Kong at fair value *(Note a)*	**87,643**	62,603
Unlisted equity investments *(Note b)*	**780**	780
	88,423	63,383

Notes:

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

The Group's non-current equity securities listed in Hong Kong include approximately 20.57% (2011: 20.57%) interest in Shun Ho Resources, which is a public company incorporated and listed in Hong Kong.

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

19. TRADE AND OTHER RECEIVABLES

Except for a credit period of 30 to 60 days granted to travel agencies and certain 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	
	2012	2011
	HK$'000	*HK$'000*
Not yet due	**25,883**	16,923
Overdue:		
0 – 30 days	**2,547**	596
31 – 60 days	**456**	56
61 – 90 days	**195**	90
	29,081	17,665

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
Analysed for reporting as:		
Trade receivables	**29,081**	17,665
Other receivables	**1,494**	2,275
	30,575	19,940

19. TRADE AND OTHER RECEIVABLES *(Continued)*

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit rating limits. 89% (2011: 96%) of the trade receivables are neither past due nor impaired, and no impairment has been made to these trade receivables, as the directors believe that the amounts are with good credit quality.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$3,198,000 (2011: HK$742,000) 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

	2012	2011
	HK$'000	*HK$'000*
Over due:		
0 – 30 days	**2,547**	596
31 – 60 days	**456**	56
61 – 90 days	**195**	90
Total	**3,198**	742

20. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

THE GROUP

The pledged bank deposits carry interest at prevailing deposit interest rate at 0.01% (2011: 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 ranging from 0.001% to 1.2% (2011: at 0.001%) per annum.

THE COMPANY

Bank balances carry interest at prevailing deposit interest rate at 0.001% (2011: 0.001%) per annum.

21. TRADE AND OTHER PAYABLES AND ACCRUALS

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	
	2012	2011
	HK$'000	*HK$'000*
0 – 30 days	**3,923**	2,611
31 – 60 days	**349**	299
61 – 90 days	**501**	380
	4,773	3,290

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
Analysed for reporting as:		
Trade payables	**4,773**	3,290
Other payables and accruals *(Note)*	**56,321**	60,530
	61,094	63,820

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

Note: Other payables and accruals include construction costs payable of HK$32,019,000 (2011: HK$44,624,000).

22. BANK LOANS

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
Secured		
Bank loans	**1,074,411**	1,110,957
Carrying amounts of bank loans that contain repayment on demand clause:		
Repayable within one year from the end of reporting period shown under current liabilities	**298,928**	314,712
Not repayable within one year from the end of the reporting period shown under current liabilities	**775,483**	796,245
	1,074,411	1,110,957
Less: Amount shown under current liabilities	**1,074,411**	1,110,957
Amount shown under non-current liabilities	**–**	–

All the Group's bank loans are floating rate borrowings, which carry interests at Hong Kong Interbank Offered Rate ("HIBOR") plus a margin of approximately 2% (2011: HIBOR plus a margin of approximately 1%) 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 2.1% (2011: 1.3%) per annum.

23. SHARE CAPITAL

	Number of shares		Nominal value	
	2012	2011	**2012**	2011
	'000	*'000*	***HK$'000***	*HK$'000*
Ordinary shares of HK$0.5 each				
Authorised:				
At the beginning and the end of the year	**1,400,000**	1,400,000	**700,000**	700,000
Issued and fully paid:				
At the beginning and the end of the year	**537,077**	537,077	**268,538**	268,538

At 31st December, 2012 and 31st December, 2011, the Company's 68,140,000 (2011: 68,140,000) issued shares with an aggregate nominal value of HK$34,070,000 (2011: HK$34,070,000) were held by a subsidiary of Magnificent. In accordance with the Hong Kong Companies Ordinance, members of the Group who are shareholders of the Company have no right to vote at meetings of the Company.

24. SHARE PREMIUM AND RESERVES

	Share premium	Capital reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
THE COMPANY				
At 1st January, 2011	118,770	4,181	579,976	702,927
Profit for the year	–	–	32,547	32,547
At 31st December, 2011	118,770	4,181	612,523	735,474
Profit for the year	–	–	20,404	20,404
At 31st December, 2012	**118,770**	**4,181**	**632,927**	**755,878**

25. 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 2011 (Originally stated)	113,228	231,786	48,649	1,110	(14,586)	380,187
Effect of change in accounting policy *(note 2)*	(40,776)	(228,912)	–	–	–	(269,688)
At 1st January, 2011 (Restated)	72,452	2,874	48,649	1,110	(14,586)	110,499
(Credit) charge to profit or loss	(952)	2,071	14,585	147	(2,309)	13,542
At 31st December, 2011 (Restated)	71,500	4,945	63,234	1,257	(16,895)	124,041
(Credit) charge to profit or loss	(1,275)	1,680	12,375	165	714	13,659
At 31st December, 2012	**70,225**	**6,625**	**75,609**	**1,422**	**(16,181)**	**137,700**

At the end of the reporting period, the Group has unused tax losses of HK$127,300,000 (2011: HK$131,577,000) available to offset against future profits. A deferred tax asset has been recognised in respect of such losses to the extent of HK$98,067,000 (2011: HK$102,400,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK$29,233,000 (2011: HK$29,177,000) due to the unpredictability of future profit streams. All the unrecognised tax losses may be carried forward indefinitely.

THE COMPANY

At the end of both reporting periods, the Company had no unused tax losses.

26. 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:

		2012	2011
		HK$'000	*HK$'000*
(a)	Property development expenditure	**8,023**	111,700
(b)	Acquisition of property, plant and equipment	**285**	–

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

27. OPERATING LEASE COMMITMENTS

The Group as lessor

Rental income from investment properties earned during the year amounted to HK$100,415,000 (2011: HK$95,040,000). 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:

	2012	2011
	HK$'000	*HK$'000*
Within one year	**96,611**	94,637
More than one year but not more than five years	**37,919**	97,537
	134,530	192,174

The Group as lessee

At the end of the reporting period, the Group had commitments for the following future minimum lease payments under non-cancellable operating leases in respect of rented equipment:

	2012	2011
	HK$'000	*HK$'000*
Within one year	**937**	104
More than one year but not more than five years	**717**	–
	1,654	104

The leases are negotiated for term ranging from two to three years with monthly fixed rental.

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

28. PLEDGE OF ASSETS

At the end of the reporting period, the bank loan facilities of the Group were secured by the following:

(a) investment properties, properties under development and property, plant and equipment of the Group with carrying amounts of approximately HK$2,004 million (2011: HK$2,015 million), HK$237 million (2011: HK$1,517 million) and HK$2,116 million (2011: HK$1,033 million), respectively;

(b) pledge of shares in and subordination of loans due from subsidiaries with an aggregate carrying amount of approximately HK$1,114 million (2011: HK$1,087 million);

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

(d) bank deposits with a carrying amount of HK$110,000 (2011: HK$110,000).

29. 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 2012: HK$13,750 (2011: 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$3,445,000 (2011: HK$2,253,000).

30. 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:

	2012	2011
	HK$'000	*HK$'000*
THE GROUP		
Shun Ho Resources		
Corporate management fee income for administrative facilities provided	**100**	100
Interest expenses on advance to the Group *(Note b)*	**164**	15
Trillion Resources Limited		
Interest expenses on advance to the Group *(Note b)*	**2,132**	724
Compensation of key management personnel *(Note a)*	**7,568**	6,005
Shun Ho Resources		
Amount due by the Group at the end of the reporting period *(Note b)*	**9,801**	605
Trillion Resources Limited		
Advance due by the Group at the end of the reporting period *(Note b)*	**51,072**	59,960

30. RELATED PARTY TRANSACTIONS *(Continued)*

	2012	2011
	HK$'000	*HK$'000*
THE COMPANY		
Shun Ho Resources		
Interest expenses on advance to the Company *(Note b)*	**164**	15
Advance due by the Company at the end of the reporting period *(Note b)*	**9,801**	605

Notes:

(a) 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:

	2012	2011
	HK$'000	*HK$'000*
Short-term benefits	**7,540**	5,981
Post-employment benefits	**28**	24
	7,568	6,005

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

(b) The amount is unsecured, carries interest at HIBOR plus 4% (2011: HIBOR plus 1%) per annum and repayable on demand. The effective interest rate is 4.30% (2011: 1.88%) per annum.

31. 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, 2012 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 2012 Company %	2012 Subsidiary %	2011 Company %	2011 Subsidiary %	Principal activities
Babenna Limited	2	HK$10	–	100	–	100	Investment holding
Beautiful Sky Investment Limited	2	HK$1	–	100	–	100	Hotel investment and operation and investment holding
Bontique Hotel Limited	2	HK$1	–	100	–	100	Hotel investment and operation
Fastgrow Engineering & Construction Company Limited	2	HK$1	100	–	100	–	Investment holding
Good Taylor Limited	2	HK$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	Hotel investment and operation
Himson Enterprises Limited (i)	1	US$1	–	100	–	100	Investment holding
Houston Venture Limited	2	HK$1	–	100	–	100	Property investment
Houston Venture Limited (i)	1	US$1	–	100	–	100	Investment holding
Joes River Limited	2	HK$1	–	100	–	100	Property trading
Longham Investment Limited	2	HK$1	–	100	–	100	Investment holding
Longham Investment Limited (i)	1	US$1	–	100	–	100	Investment holding
Magnificent Estates Limited	8,947,051,324	HK$0.01	30.29	40.80	30.29	40.80	Investment holding and provision of management services
Magnificent International Hotel Limited	2	HK$1	–	100	–	100	Hotel investment and operation
Mercury Fast Limited	2	HK$1	–	100	–	100	Securities dealings and investment holding
New Champion Developments Limited (i)	1	US$1	–	100	–	100	Vessel leasing
Noblesse International Limited (i)	1	US$1	100	–	100	–	Property investment
Shanghai Shun Ho (Lands Development) Limited (i)	1	US$1	–	100	–	100	Investment holding
Shanghai Shun Ho Property Development Co., Ltd. (iii)	Registered capital	US$4,950,000	–	100	–	100	Hotel investment and operation
Shun Ho Capital Properties Limited (i)	1	US$1	–	100	–	100	Investment holding
Shun Ho (Lands Development) Limited (i)	10	US$1	100	–	100	–	Investment holding
Shun Ho Technology Developments Limited	2	HK$10	100	–	100	–	Investment holding
Sino Money Investments Limited	10,000	HK$1	–	100	–	100	Property development
South Point Investments Limited (i)	1	US$1	100	–	100	–	Investment holding
Tennyland Limited	2	HK$10	–	100	–	100	Property investment
Trans-Profit Limited	1,000,000	HK$1	–	100	–	100	Property investment
United Assets Company Limited	2,000,000	HK$1	–	100	–	100	Hotel investment and operations and investment holding

(i) Incorporated in the British Virgin Islands 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 affect the results or assets of the Group.

32. 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 debts, which includes advances from a shareholder and ultimate holding company disclosed in note 30(b), bank loans disclosed in note 22 (net of bank balances and cash) and equity attributable to owners of the Company, comprising issued capital, retained profits and other reserves 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.

33. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

THE GROUP

	2012	2011
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**215,994**	125,744
Available-for-sale investments	**88,423**	63,383
	304,417	189,127
Financial liabilities		
Amortised cost	**1,184,141**	1,226,646

THE COMPANY

	2012	2011
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**631,434**	623,954
Financial liabilities		
Amortised cost	**10,838**	1,456

33. 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 foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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

There has been no significant change to the Group's and the Company's exposure to market risks or the manner in which it manages and measures 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 loan to a subsidiary operating in the PRC. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. The exposure of the Group to foreign currency risk is not considered significant and hence, no sensitivity analysis is presented.

The management consider that the Company has no exposure to foreign currency risk.

(ii) Interest rate risk management

The Group and the Company are exposed to cash flow interest rate risk in relation to its pledged bank deposits, bank balances, advances from a shareholder and 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 a shareholder and 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.

33. FINANCIAL INSTRUMENTS *(Continued)*

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

(ii) Interest rate risk management (Continued)

Interest rate sensitivity

THE GROUP

The sensitivity analysis for the Group below have been determined based on the exposure to interest rates for non-derivative instruments including floating-rate advances from ultimate holding company and a shareholder 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 which 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, 2012 would decrease/increase by HK$4,322,000 (2011: decrease/increase by HK$2,305,000). This is mainly attributable to the Group's exposure to interest rates on its floating-rate borrowings not specific for interest capitalisation.

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

THE COMPANY

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

(iii) Other price risk

The Group is exposed to other price risk arising from available-for-sale investments.

Other price sensitivity

The sensitivity analysis below have been determined based on the exposure to other price risk 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) had been 10% higher/lower while all other variables were held constant:

- securities revaluation reserve for the year ended 31st December, 2012 would increase/decrease by HK$8,764,000 (2011: increase/decrease by HK$6,260,000) 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 significant price risk exposure at the end of the reporting period.

33. FINANCIAL INSTRUMENTS *(Continued)*

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

(iv) Credit risk management

The Group's and the Company's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31st December, 2012 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.

The Group's and the Company's credit risk is primarily attributable to trade and other receivables, other deposits 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 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 and other deposits, with exposure spread over a number of counterparties and customers.

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

(v) Liquidity risk management

The Group had net current liabilities of approximately HK$990 million (2011: HK$1,105 million) at 31st December, 2012 which include bank loans and advances from a shareholder and ultimate holding company of approximately HK$1,074 million, HK$10 million and HK$51 million (2011: HK$1,111 million, HK$0.61 million and HK$60 million), respectively. The directors of the Company closely monitor the cash flows of the Group and, upon maturity, would arrange the renewal and refinancing of the bank loans, where necessary, to enable the Group to carry on its operations in the foreseeable future. At the end of the reporting period, the available banking facilities of the Group amounted to approximately HK$1,204 million (2011: HK$1,496 million), which was utilised to the extent of approximately HK$1,074 million (2011: HK$1,111 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 which can be obtained by further pledge of the Group's properties exceed the amount of current liabilities of the Group. Accordingly, the directors of the Company are of the opinion that the Group's liquidity risk is minimal.

33. FINANCIAL INSTRUMENTS *(Continued)*

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

(v) Liquidity risk management (Continued)

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 period on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest lows are floating rate, the undiscounted amount is derived from interest rate at that 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.

THE GROUP

	Weighted average effective interest rate	On demand or 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*
2012							
Non-interest bearing (others)	–	44,977	–	3,880	–	48,857	48,857
Variable interest rate instruments	2.04	1,135,284	–	–	–	1,135,284	1,135,284
		1,180,261	–	3,880	–	1,184,141	1,184,141
Non-interest bearing (rental deposits received)	–	1,144	–	8,391	22,625	32,160	32,160
		1,181,405	–	12,271	22,625	1,216,301	1,216,301

	Weighted average effective interest rate	On demand or 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*
2011							
Non-interest bearing (others)	–	55,124	–	–	–	55,124	55,124
Variable interest rate instruments	2.12	1,171,522	–	–	–	1,171,522	1,171,522
		1,226,646	–	–	–	1,226,646	1,226,646
Non-interest bearing (rental deposits received)	–	47	179	3,347	26,993	30,566	30,566
		1,226,693	179	3,347	26,993	1,257,212	1,257,212

33. FINANCIAL INSTRUMENTS *(Continued)*

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

(v) Liquidity risk management *(Continued)*

THE GROUP *(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 or less than 1 month" time band in the maturity analysis contained in the table above, after excluding advances from a shareholder and ultimate holding company in aggregate of HK$60,873,000 (2011: HK$60,565,000). 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*
2012	**4,400**	**7,918**	**304,837**	**806,976**	**1,124,131**
2011	3,164	5,582	323,235	844,376	1,176,357

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 following tables detail the Company'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 Company can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

33. 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 or less than 1 month *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
2012				
Non-interest bearing	**–**	**1,037**	**1,037**	**1,037**
Variable interest rate instruments	**4.3**	**9,801**	**9,801**	**9,801**
		10,838	**10,838**	**10,838**

	Weighted average effective interest rate %	On demand or less than 1 month *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
2011				
Non-interest bearing	–	851	851	851
Variable interest rate instruments	1.88	605	605	605
		1,456	1,456	1,456

(c) Fair values of financial instruments

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

- the fair values of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices; and
- 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.

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 amounting to HK$87,643,000 (2011: HK$62,603,000) 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.

Financial Summary

CONSOLIDATED RESULTS

	For the year ended 31st December,				
	2008	2009	2010	2011	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
	(Restated)	(Restated)	(Restated)	(Restated)	
Revenue	286,191	249,506	304,595	401,648	**520,503**
Operating profit and profit before taxation	135,267	168,349	497,138	518,322	**579,958**
Income tax expense	(1,501)	(13,384)	(28,016)	(38,590)	**(48,187)**
Profit before non-controlling interests	133,766	154,965	469,122	479,732	**531,771**
Non-controlling interests	(60,970)	(64,839)	(203,300)	(148,169)	**(153,788)**
Profit for the year	72,796	90,126	265,822	331,563	**377,983**

CONSOLIDATED NET ASSETS

	As at 31st December,				
	2008	2009	2010	2011	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
	(Restated)	(Restated)	(Restated)	(Restated)	
Property, plant and equipment	966,294	932,306	929,539	1,326,041	**2,724,021**
Prepaid lease payments for land	56,375	60,182	60,767	61,049	**60,177**
Investment properties	1,917,580	1,987,790	2,328,850	2,626,880	**2,925,100**
Property under development	1,450,106	1,545,202	1,680,680	1,517,390	**237,338**
Other non current assets	79,200	53,366	77,242	63,383	**88,423**
Net current liabilities	(1,098,452)	(1,070,485)	(1,073,485)	(1,105,065)	**(989,682)**
Non current rental deposits received	(26,055)	(18,102)	(18,888)	(26,993)	**(22,625)**
Deferred tax liabilities	(107,179)	(107,770)	(110,499)	(124,041)	**(137,700)**
Non-controlling interests	(1,163,050)	(1,217,518)	(1,429,137)	(1,211,417)	**(1,361,160)**
Net assets	2,074,819	2,164,971	2,445,069	3,127,227	**3,523,892**