



MAGNIFICENT ESTATES LIMITED

(華大地產投資有限公司)

(Stock Code 股份代號: 201)



ANNUAL REPORT 2013

二零一三年年報





Shun Ho Tower
Central

MAGNIFICENT ESTATES
(Stock Code: 201)
(a subsidiary of Shun Ho Group)
www.magnificentestatesltd.com

2013 Annual Results

Total Assets: HK\$ **13.3** billion
Consolidated Profit: HK\$623 m
Operating Profit: HK\$391 m +42%

Net Asset Value: HK\$1.35 per share



633 King's Road
North Point



206 guest-room
Ramada Hotel Kowloon
Tsimshatsui



318 guest-room
Ramada Hong Kong Hotel



396 guest-room
Best Western Grand Hotel
Tsimshatsui



258 guest-room
Best Western Hotel
Causeway Bay



432 guest-room Best Western
Hotel Harbour View
Queen's Road West



214-room Service Apartment
Building Development Project
Queen's Road West



262 guest-room
Best Western Hotel Taipa,
Macau



213 guest-room
Shanghai Magnificent
International Hotel

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Corporate Information

Executive Directors

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

Non-Executive Director

Madam Mabel Lui Fung Mei Yee

Independent Non-Executive 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
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong
Tel: 2980 1333

Company's Website

www.magnificentstatesltd.com

Chairman's Statement

I present to the shareholders my report on the results and operations of Magnificent Estates Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31st December, 2013.

RESULTS

The audited consolidated profit of the Group for the year ended 31st December, 2013 attributable to owners of the Company amounted to HK\$622,770,000 (2012: HK\$536,347,000), increased by 16%.

The **operating profit after tax** of the Group for the year ended 31st December, 2013 is **HK\$391 million** (2012: HK\$275 million), **increased by 42%**.

The net assets excluding non-controlling interests before revaluation on all asset properties and before deferred tax of the Group amounted to HK\$5,399 million (2012: HK\$4,795 million), HK\$0.60 (2012: HK\$0.54) per ordinary share as at 31st December, 2013.

The **net assets excluding non-controlling interests after revaluation on all asset properties** but before deferred tax of the Group amounted to **HK\$12,070 million** (2012: HK\$10,461 million), the **adjusted net assets value per ordinary share** is **HK\$1.35** (2012: HK\$1.17) as at 31st December, 2013. Most of the asset properties of the Group are valued by DTZ Debenham Tie Leung Limited, most well known valuer worldwide.

DIVIDEND

The Board recommends the payment of a final dividend of HK0.575 cent per share (+15%) for the year ended 31st December, 2013 (2012: HK0.5 cent per share), which is equivalent to 1.5% annual yield of the closing price of the Company's shares immediately before the date of the results announcement, payable on 18th July, 2014 to shareholders whose names appear on the register of members of the Company on 4th July, 2014. With reference to the announcement of 2013 interim results of the Company dated 30th August 2013, shareholders are reminded that an interim dividend of HK0.2 cent per share for the six months ended 30th June, 2013 is also payable on 18th July, 2014 to shareholders whose names appear on the register of members of the Company on 4th July, 2014. Therefore, shareholders whose names appear on the register of members of the Company on 4th July, 2014 will receive dividends for a total sum of HK0.775 cent per share which is 19% more than the total dividend of 2012. **The Dividend Payout Ratio is 17%**.

The annual dividend for the year 2007, 2009, 2010, 2011 and 2012 received by shareholders was approximately 1% of the closing price of the Company's share before the date of results announcement. **The annual dividend for 2013 to be received by shareholders was equivalent to 2% annual yield of the closing price of the Company's share on the date of results announcement.**

BOOK CLOSURE

To ascertain shareholders' eligibility to attend and vote at the Annual General Meeting to be held on Wednesday, 18th June, 2014 ("AGM"), the register of members will be closed from Wednesday, 11th June, 2014 to Wednesday, 18th June, 2014, 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, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31st March, 2014), not later than 4:30 p.m. on Tuesday, 10th June, 2014.

Subject to the approval of the shareholders at the AGM for the proposed final dividend, the register of members of the Company will be closed from Monday, 30th June 2014 and Friday, 4th July, 2014, both dates inclusive, during which period no transfer of shares of the Company will be registered, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with Company's Share Registrars, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014) for registration not later than 4:30 p.m. on Friday, 27th June, 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

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

The **audited consolidated profit after tax** of the Group for the year ended 31st December, 2013 attributable to owners of the Company amounted to HK\$622,770,000 (2012: HK\$536,347,000) increased by 16%. (Note a)

	2012 HK\$'000	2013 HK\$'000	Change
Revaluation profit of investment properties	298,220	299,213	+0.3%
Income from operation of hotels	209,678	268,008	+28%
Properties rental	97,337	103,826	+7%
Other income	<u>2,281</u>	<u>4,932</u>	+116%
	607,516	675,979	+11%
Administrative and other expenses	(22,787)	(27,474)	+21%
Gain on disposal of a subsidiary	–	40,140	N/A
Income tax expense	<u>(48,382)</u>	<u>(62,514)</u>	+29%
Profit after taxation	536,347	626,131	+17%
Non-controlling interests	<u>–</u>	<u>(3,361)</u>	
Profit after taxation and non-controlling interests	536,347	622,770	+16% (Note a)
Less: Revaluation profit of investment properties and its related deferred taxation	(296,540)	(299,838)	
Add: Properties depreciation and release of prepaid lease payments for land	<u>35,576</u>	<u>68,545</u>	
Operating profit after taxation	275,383	391,477	+42% (Note b)

The **operating profit after tax** of the Group for the year ended 31st December, 2013 is **HK\$391 million** (2012: HK\$275 million), **increased by 42%** (Note b).

The net assets excluding non-controlling interests before revaluation on all asset properties and before deferred tax of the Group amounted to HK\$5,399 million (2012: HK\$4,795 million), HK\$0.60 (2012: HK\$0.54) per ordinary share as at 31st December, 2013.

The **net assets excluding non-controlling interests after revaluation on all asset properties** but before deferred tax of the Group amounted to **HK\$12,070 million**, (2012: HK\$10,461 million), the **adjusted net assets value per ordinary share** is **HK\$1.35** (2012: HK\$1.17) as at 31st December, 2013. Most of the asset properties of the Group are valued by DTZ Debenham Tie Leung Limited, most well known valuer worldwide.

The **CORPORATE STRATEGY** of the Group is to build hotels on grade B commercial locations which are most suitable for hotel business in terms of low acquisition costs and high yields. The Group benefits from the development of these hotels from good operating incomes, but most important is their capital value gain. The Group presently owns and operates seven hotels, including: (1) Ramada Hotel Kowloon, (2) Ramada Hong Kong Hotel, (3) Best Western Hotel Causeway Bay, (4) Best Western Hotel Harbour View, (5) Best Western Grand Hotel, (6) Magnificent International Hotel, Shanghai and (7) Best Western Hotel Taipa, Macau, the disposal of which will be completed on 20th March, 2014, with 2,085 rooms, after the completion of the disposal of Best Western Hotel Taipa, Macau, and the completion of the new hotel under development in Sheung Wan, the Group will have about 2,037 hotel rooms which will be one of the largest hotel groups in Hong Kong. Such strategy has successfully helped to increase the value of the Group substantially:

	2010 HK\$ million	2011 HK\$ million	2012 HK\$ million	2013 HK\$ million
Adjusted Shareholders' Fund	6,397	7,715	10,461	12,070
Adjust Net Assets Value Per Ordinary Share	HK\$1.07	HK\$0.86	HK\$1.17	HK\$1.35

PERFORMANCES

- For the year ended 31st December, 2013, the **GROUP'S INCOME** was mostly derived from the aggregate of income from operation of hotels and properties rental income, which was analysed as follows:

Revenue	2012 HK\$'000	2013 HK\$'000	Change
Income from operation of hotels	420,088	582,935	+39%
Properties rental income	100,415	105,801	+5%
Other income	<u>16,739</u>	<u>19,905</u>	+19%
Total	537,242	708,641	+32%

Note: Non-controlling interest will be deducted in the consolidated statement of profit or loss and other comprehensive income.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

The total income for the Group increased by 32% from HK\$537 million to HK\$709 million compared with last year. The increase of group revenue for the year was due to substantial improvement in hotel revenue.

The income from operation of hotels increased by 39% to HK\$583 million (2012: HK\$420 million).

	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		Magnificent International Hotel, Shanghai		Total income Compared With 2012 Change %
	Avg Room Occupancy	Avg Rate	Avg Room Occupancy	Avg Rate	Avg Room Occupancy	Avg Rate	Avg Room Occupancy	Avg Rate	Avg Room Occupancy	Avg Rate	Avg Room Occupancy	Avg Rate	Avg Room Occupancy	Avg Rate	
	%	HK\$	%	HK\$	%	HK\$	%	HK\$	%	HK\$	%	HK\$	%	HK\$	
2013															
Jan	98	1,011	93	771	95	825	93	671	88	885	97	603	58	326	+42
Feb	98	994	91	806	96	832	91	714	92	905	93	812	60	330	+73
Mar	98	1,061	96	873	96	964	99	756	98	951	97	596	74	356	+75
Apr	98	1,098	96	917	97	954	97	846	96	957	96	628	78	351	+64
May	98	812	96	688	98	691	94	582	95	736	97	606	68	348	+70
Jun	98	850	97	700	98	722	96	587	98	740	98	604	78	328	+66
Jul	98	934	97	787	98	832	97	716	98	852	97	654	89	332	+48
Aug	97	1,137	99	883	98	983	100	763	98	1,037	99	713	87	336	+26
Sep	95	978	95	798	96	821	98	718	95	846	96	645	77	345	+27
Oct	97	1,200	92	903	96	989	92	798	92	1,001	93	743	85	374	+17
Nov	98	1,075	98	842	99	982	99	728	98	958	99	726	82	358	+18
Dec	98	1,226	98	892	98	1,045	99	760	99	1,113	99	834	66	335	+9
Avg/yr	98	1,032	96	822	97	887	96	721	95	916	97	679	75	344	+39
2013 Total	HK\$78,512,000	HK\$95,635,000	HK\$83,816,000	HK\$112,314,000	HK\$129,621,000	HK\$64,304,000	HK\$18,733,000	HK\$582,935,000							
Other incomes	HK\$6,177,000	HK\$2,646,000	N/A	N/A	N/A	N/A	N/A	HK\$12,318,000							
Total income	HK\$84,689,000	HK\$98,281,000	HK\$83,816,000	HK\$112,314,000	HK\$129,621,000	HK\$67,999,000	HK\$18,733,000	HK\$595,253,000							
Annual expenses	HK\$(33,085,000)	HK\$(40,531,000)	HK\$(32,909,000)	HK\$(41,838,000)	HK\$(42,035,000)	HK\$(26,954,000)	HK\$(14,045,000)	HK\$(231,397,000)							
EBITDA	HK\$51,604,000	HK\$57,750,000	HK\$50,907,000	HK\$70,476,000	HK\$87,586,000	HK\$40,845,000	HK\$4,688,000	HK\$363,856,000							
EBITDA Margin (Based on Revenue)	66%	60%	61%	63%	68%	64%	25%	62%							

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

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, Best Western Hotel Taipa, Macau and Best Western Grand Hotel amounted to HK\$106 million (2012: HK\$100 million). The growth was derived from 633 King's Road. At the date of results announcement, it provided an annual rental income of HK\$80 million (excluding rates and management fee).

The properties rental income was analysed as follows:–

	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	Change
633 King's Road	70,794	73,918	+4%
Shun Ho Tower	18,203	19,565	+7%
			<i>(Note)</i>
Shops	<u>11,418</u>	<u>12,318</u>	+8%
Total	100,415	105,801	+5%

Note: Non-controlling interest will be deducted in the consolidated statement of profit or loss and other comprehensive income.

OTHER INCOME amounted to HK\$20 million (2012: HK\$17 million) which was mostly property management fee income of HK\$16 million (2012: HK\$16 million) with related expenses of HK\$15 million (2012: HK\$14.5 million).

	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	Change
Revenue	520,503	688,736	+32%
Cost of sales	(3,560)	(4,435)	
Other service costs	(154,235)	(227,552)	+48%
Depreciation of property, plant and equipment and release of prepaid lease payments for land	<u>(32,795)</u>	<u>(65,480)</u>	+100%
Gross profit	329,913	391,269	
Increase in fair value of investment properties	298,220	299,213	
Other income and gain	16,739	19,905	
Gain on disposal of a subsidiary	–	40,140	
Administrative expenses			
– Depreciation	(2,820)	(3,065)	
– Others	(19,967)	(24,409)	
	(22,787)	(27,474)	
Other expenses	(21,823)	(14,973)	
Finance costs	<u>(15,533)</u>	<u>(19,435)</u>	+25%
Profit before taxation	584,729	688,645	
Income tax expense	<u>(48,382)</u>	<u>(62,514)</u>	
Profit for the year	536,347	626,131	

For the year under review, the Group disposed of a wholly-owned subsidiary which holds the houses at Gold Coast, New Territories for the consideration of HK\$63 million and a gain of HK\$40 million is attributable to 2013. On 20th December, 2013, the Group entered into an agreement with an independent third party to dispose of subsidiaries holding interest in Best Western Hotel Taipa, Macau at the consideration of HK\$900 million, the disposal of which will be completed on 20th March, 2014. **The disposal will result in a reportable earning of approximately HK\$620 million for the first half of 2014.**

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

COST

- **OVERALL SERVICE COSTS** of the Group for the year was HK\$232 million (2012: HK\$157.8 million), of which HK\$231.4 million (2012: HK\$157.5 million) was for the hotel operations including food and beverage and costs of sales and HK\$0.6 million (2012: HK\$0.3 million) was mainly for rates and leasing commission paid for investment properties. The leasing commissions paid for the leased premises represent total commissions payable for three years of the rental period. The increase of hotel operation costs was mainly due to the full year operation of Best Western Hotel Harbour View and Best Western Grand Hotel.

The approximate **OPERATING COSTS**, food and beverage and costs of sales for each operating hotel were as follows:–

Name of Hotel	2012	2013	Change
	HK\$ million Per month	HK\$ million Per month	
Ramada Hotel Kowloon	2.8	2.8	+0%
Ramada Hong Kong Hotel	3.0	3.4	+13%
Best Western Hotel Causeway Bay	2.4	2.7	+13%
Best Western Hotel, Macau	2.1	2.2	+5%
Magnificent International Hotel, Shanghai	1.1	1.2	+9%
Average expenses per month	11.4	12.3	+8%
Subtotal amount for the year	136.8	147.6	+8%
New Hotels during the year			
Best Western Hotel Harbour View	18.9 (Jul to Dec)	41.8	N/A
Best Western Grand Hotel	1.8 (Dec)	42.0	N/A
Total amount for the year	157.5	231.4	+47%

The total operating cost for the year increased by 47% was due to the commencement of business of the Best Western Hotel Harbour View and Best Western Grand Hotel. The operating costs of Ramada Hong Kong Hotel and Best Western Hotel Causeway Bay increased by 13% were partly due to substantial increase in their Government rates by approximately 40% for the year compared with 2012.

During the year, the **ADMINISTRATIVE EXPENSES** excluding depreciation was HK\$24 million (2012: HK\$20 million) for corporate management office including directors' fees, salaries for executive staff and employees, rental, marketing expenses and office expenses.

OTHER EXPENSES were HK\$15 million (2012: HK\$21.8 million). The decrease of HK\$6.8 million was mainly due to no pre-operating expenses were incurred during the year (2012: the pre-operating expense of Best Western Hotel Harbour View and Best Western Grand Hotel amounted to HK\$7.4 million). The property management expenses amounted to HK\$15 million (2012: HK\$14.5 million). The property management expenses were increased by HK\$0.5 million due to the increase of cost of staff and utilities while the management fee remained unchanged.

FUNDING

- At 31st December, 2013, the **OVERALL DEBT** of the Group was HK\$759 million (2012: HK\$1,269 million), of which HK\$676 million (2012: HK\$1,074 million) was bank borrowings and HK\$83 million (2012: HK\$195 million) was advance from shareholders.

The debt ratio was 6% (2012: 11%) in term of overall debt of HK\$759 million (2012: HK\$1,269 million) against the fully revalued assets of the Group amounted to HK\$13,162 million (2012: HK\$11,854 million).

The gearing ratio was approximately 14% (2012: 27%) in term of overall debt of HK\$759 million (2012: HK\$1,269 million) against funds employed of HK\$5,290 million (2012: HK\$4,693 million).

The overall debts was analysed as follows:

	2012	2013	Change	Interest Paid
	HK\$ million	HK\$ million		HK\$ million
Bank loans	1,074	676	-398	18.6
Shareholders' loans	195	83	-112	3.7
Overall debt	1,269	759	-510	22.3
Debt ratio (Based on Fully Revalued Assets)	11%	6%		

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

- **FINANCE COST:** Of these loans, the total interest expenses amounted to HK\$22.3 million (2012: HK\$30.0 million), the shareholders loans interest expenses amounted to HK\$3.7 million (2012: HK\$6.8 million).

Out of these interests totally paid, HK\$2.9 million (2012: HK\$14.5 million) was capitalised and HK\$19.4 million (2012: HK\$15.5 million) reflected in the expenses account. The increase of interest expense amount was due to the completion of the Best Western Hotel Harbour View and Best Western Grand Hotel.

- Regarding the **CASH FLOW** of the Group for the year, the gross income of the Group was HK\$749 million (2012: HK\$537 million) with operating expenses of HK\$271 million (2012: HK\$200 million), interests paid and dividend paid out of the Group of HK\$81 million (2012: HK\$57 million) and net repayment of bank loans of HK\$398 million (2012: HK\$37 million), various construction expenses and acquisition of property, plant and equipment of HK\$31 million (2012: HK\$155 million). With the HK\$180 million cash inflow from the deposit of disposal for Best Western Hotel Taipa, Macau, a positive cash flow amounted to HK\$148 million is cash reserve of the Group.

The Group's bank borrowings carry interest at floating rates and are mainly denominated in Hong Kong dollar. Accordingly, the exchange risk of the Group is minimal. During the year under review, there was no significant change in the Group's staffing level compared to 31st December 2012. Remuneration and benefit were set with reference to the market.

- The Hong Kong Financial Reporting Standards continue to have adverse impact on the results from hotel businesses, these hotels are now stated at cost less depreciation resulting in the following significant impact:

- (a) The properties of the Group as valued by the independent professional valuer at market value as at 31st December, 2013 and the valuation surplus (before accounting for any deferred taxes) not included in the statement of financial position at 31st December, 2013 are as follows:

Name of properties	Independent professional valuation report at 31st December, 2013 <i>HK\$'000</i>	Carrying amounts (in the accounts under accounting standard) at 31st December, 2013 <i>HK\$'000</i>	Valuation surplus not included in accounts (before accounting for any deferred taxes)
			at 31st December, 2013 <i>HK\$'000</i>
Ramada Hotel Kowloon	1,286,000	402,536	883,464
Ramada Hong Kong Hotel	1,572,000	443,657	1,128,343
Best Western Hotel Causeway Bay	1,180,000	368,796	811,204
Best Western Hotel Harbour View	1,880,000	517,978	1,362,022
Best Western Grand Hotel	2,136,000	852,217	1,283,783
Best Western Hotel Taipa, Macau	900,000	280,223	619,777
Magnificent International Hotel, Shanghai	390,000	91,563	298,437
633 King's Road	2,160,000	2,160,000	-
338 Queen's Road West	518,000	263,276	254,724
Shun Ho Tower	569,000	539,514	29,486
Total	12,591,000	5,919,760	6,671,240

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

	<i>HK\$'000</i>
Net Assets Value after non-controlling interest (before deferred tax) of the Group	5,398,762
Add: Valuation surplus (before accounting for any deferred taxes) not recognised in the accounts	6,671,240
Net Assets Value of the Group	12,070,002

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

- (b) The accounting standards require hotel properties of the Group to provide depreciation which amounted to HK\$66 million (2012: HK\$33 million) for the year. The depreciation increased from HK\$33 million to HK\$66 million was mainly due to the depreciation of Best Western Hotel Harbour View and Best Western Grand Hotel.

Depreciation of Hotel Properties

Name of Hotel	2012 HK\$'000	2013 HK\$'000	Change HK\$'000
Ramada Hotel Kowloon	6,657	6,442	-215
Ramada Hong Kong Hotel	3,498	3,564	+66
Best Western Hotel Causeway Bay	12,072	12,050	-22
Best Western Hotel Harbour View	3,029	6,927	+3,898
Best Western Grand Hotel	1,201	30,122	+28,921
Best Western Hotel, Macau	3,434	3,407	-27
Magnificent International Hotel, Shanghai	2,865	2,960	+95
Total amount for the year	32,756	65,472	+32,716

	Leasehold land HK\$'000	Hotel buildings HK\$'000	Furniture, fixture and equipment HK\$'000	Total HK\$'000
Depreciation	30,251	29,069	6,152	65,472

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	50 years or over the remaining term of land lease, whichever is the shorter
Furniture, fixtures and equipment	4%-33%

FUTURE PROSPECTS

- For the year under review, the investment properties such as Shun Ho Tower, 633 King's Road and shops in Ramada Hotel Kowloon, Ramada Hong Kong Hotel, Best Western Hotel Taipa, Macau and new shops in Best Western Grand Hotel remained almost fully let. It is expected that the rental revenue from these properties will have modest increase in 2014.

As at the date of results announcement, the leasing of the grade A office building at 633 King's Road achieved rental income of HK\$80 million (excluding rates and management fee incomes) per annum. The management envisages the office building will have modest rental increase in 2014 as most leases are due for renewal.

For the year under review, the travel industry have suffered lesser spending willingness from our largest PRC guests segment, probably due to the low economic cycle being encountered in the PRC. However, visitors coming to Hong Kong continue to grow by 12% from January to December 2013 according to the Hong Kong Tourist Board.

For the year under review, the turnover for the seven hotels amounted to HK\$583 million, increased by 39%. The 39% increase of hotel incomes was attributable from newly opened Best Western Hotel Harbour View and Best Western Grand Hotel, while other Group hotels have suffered minor decrease of revenue due to room rate reductions.

Name of Hotel	Avg Room Rates 2013 HK\$
Ramada Hotel Kowloon	1,032
Ramada Hong Kong Hotel	822
Best Western Hotel Causeway Bay	887
Best Western Hotel Harbour View	721
Best Western Grand Hotel	916
Best Western Hotel Taipa, Macau	679
Magnificent International Hotel, Shanghai	344

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

In the coming year, it is envisaged that the hotel business would be affected by the cash tight economic situation of our major guests segment, the PRC. However, the continuing increase of the number of visitors to Hong Kong by 12% and the competitive Hong Kong dollar will ensure the high hotels occupancies. The gradual improvement of the PRC economy and high local inflation will help to improve room rates. The management of the hotels will endeavour to maintain the high occupancy and will also focus on obtaining higher room rates.

The turnover of the Group's six hotels for the period from January to March 2014 amounted to HK\$130 million representing 5.08% improvement compared with the corresponding period in 2013.

	Ramada Hotel		Ramada		Best Western Hotel		Best Western Hotel		Best Western		Best Western Hotel		Magnificent		Change
	Kowloon		Hong Kong Hotel		Causeway Bay		Harbour View		Grand Hotel		Taipa, Macau		Hotel, Shanghai		
	Avg	Avg	Avg	Avg	Avg	Avg	Avg	Avg	Avg	Avg	Avg	Avg	Avg	Avg	
	Room	Room	Room	Room	Room	Room	Room	Room	Room	Room	Room	Room	Room	Room	
Occupancy	Rate	Occupancy	Rate	Occupancy	Rate	Occupancy	Rate	Occupancy	Rate	Occupancy	Rate	Occupancy	Rate		
%	HK\$	%	HK\$	%	HK\$	%	HK\$	%	HK\$	%	HK\$	%	HK\$	%	
2014															
Jan	98	1,003	98	757	98	873	99	621	99	887			55	327	+5
Feb	99	1,098	99	811	99	926	100	632	99	918			76	331	+9
Mar	99	1,065	98	872	99	982	99	759	99	937	sold		82	342	+2

With the positive cash flow surplus of HK\$148 million for the year ended 31st December, 2013, the forecasted increase of rental incomes and additional hotel operations will ensure stronger future annual cash flow surplus which will pay for the construction costs required to build the new hotel and to fund any of the new property acquisitions.

It is the intention of the Group to build a portfolio of 3-4 stars hotels with significant market shares in Hong Kong. The expected annual operating return on these hotels will exceed 10% on development cost and real estate capital gain potential of 50%. The Board believes these opportunities are readily available. The current seven hotels owned by the Group offer 2,085 rooms and after the disposal of Best Western Hotel Taipa, Macau and the hotel development sites in Sheung Wan will add an additional 214 rooms, the number of hotel rooms will soon be about 2,037 rooms to become a leading hotel room supplier in Hong Kong. Such strategy has and will continue to increase the value and recurring income of the Group substantially.

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 has commenced with completion expected in 2014. The connection of the Western MTR Line will improve future value and business of this property significantly.

LOOKING AHEAD, the management expects 2014 will be an outstanding improved year for the Group's 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 management is most excited with the connection of the MTR Western line in 2014 which will significantly benefit our three hotels with about 1,000 rooms in terms of occupancies, room rates and hotel values.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

The HK\$900 million sales proceed from the disposal of the Macau subsidiary and low debt ratio (6%) of the Company will be advantageous to future acquisition of hotel or commercial property assets to further increase the Group's income and value.

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.

Thus 2014 and onwards will be the **HARVESTING YEARS** for Magnificent Estates Limited after many years of development of the new hotels.

The management will take best advantage of the improving rental incomes of the commercial buildings and shops, growth of the hotels revenue, low interest rate environment, competitive Hong Kong dollar, inflation and low debt ratio (6%) in order to continue to reduce overall debts and also to identify undervalued property asset acquisition with the aim to enhance the Group's incomes and values which will benefit the increase of future dividend policy.

By Order of the Board

William CHENG Kai Man
Chairman

Hong Kong, 19th February, 2014



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

Directors' Profiles

Mr. William CHENG Kai Man, Executive Director

Aged 52. Appointed to the Board in 1987. He is also a director of Shun Ho Resources Holdings Limited ("Shun Ho Resources") and Shun Ho Technology Holdings Limited ("Shun Ho Technology") which are the Company's intermediate holding company and immediate holding company respectively. He has over twenty years' experience in construction, property investment and development and has over ten years' experience in hotel management. He graduated in the U.K. and holds a bachelor's degree in civil engineering and a master's degree in structural engineering.

Mr. Albert HUI Wing Ho, Executive Director

Aged 51. Appointed to the Board in 1990. He is also a director of Shun Ho Resources and Shun Ho Technology. He has over twenty years' experience in construction, property investment and property development and has over ten years' experience in hotel management. He graduated in the U.K. and holds a bachelor's degree in civil engineering.

Madam Mabel LUI FUNG Mei Yee, Non-Executive Director

Aged 62. Solicitor and Notary Public. Appointed to the Board in 1999. She is also a non-executive director of Shun Ho Resources and Shun Ho Technology. She is a partner of DLA Piper.

Mr. Vincent KWOK Chi Sun, Independent Non-Executive Director

Aged 51. ACA (Aust), CPA (Practising). Appointed to the Board in 1999. He is also an independent non-executive director of Shun Ho Resources and Shun Ho Technology. He is a partner of Vincent Kwok & Co.

Mr. CHAN Kim Fai, Independent Non-Executive Director

Aged 54. FCCA, CPA (Practising). Appointed to the Board in 2004. He is also an independent non-executive director of Shun Ho Resources and Shun Ho Technology. He holds a bachelor's degree in science from The Chinese University of Hong Kong. He has extensive experience in accounting, corporate finance and financial management. He is a partner of Ivan Chan & Co, CPA.

Mr. HUI Kin Hing, Independent Non-Executive Director

Aged 46. FCCA, CPA (Practising). Appointed to the Board in 2005. He is also an independent non-executive director of Shun Ho Resources and Shun Ho Technology. He holds a master'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.

Corporate Governance Report

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.

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

During the year ended 31st December, 2013, the Company has complied with all the code provisions of Corporate Governance Code set out in Appendix 14 of the Listing Rules 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 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 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.

Corporate Governance Report (Continued)

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, 2013, 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.

As at the date of this report, the Board's composition under major diversified perspectives was summarized as follows:

Gender	Male		Female
Ethnicity	Chinese		
Age Group	40-49	50-59	60-69
Year of Service	≤10	>10	
	0	1	2
		3	4
			5
			6
	Number of Directors		

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 12.

The positions of the Chairman of the Board (“Chairman”) and the Chief Executive Officer are not held by separate individuals pursuant to the reasons given above.

The Board is responsible for establishing the strategic direction of the Group; setting objectives and business development plans; monitoring the performance of the senior management and assuming responsibility for corporate governance.

The management, under the leadership of the Chief Executive Officer, is responsible for implementing the strategies and plans established by the Board; and submitting reports on the Company’s operations to the Board on a regular basis to ensure effective discharge of the Board’s responsibilities.

All Directors have made full and active contribution to the affairs of the Board and the Board always acts in the best interests of the Group.

The Board 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 adopted a policy concerning diversity of board members.

Corporate Governance Report (Continued)

The Board meets regularly and held four meetings in 2013 and the attendance of each director is set out below:

	Number of Board meetings attended in 2013	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%
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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 1st 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 in 2013 is set out below:

Name of Directors	Type of Continuous Professional Development	
	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 18th June, 2013)
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	√

Corporate Governance Report (Continued)

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 25.

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 – 5,000,000	1
5,000,001 – 8,000,000	1
	<hr/>
	2

AUDITOR'S REMUNERATION

For the year ended 31st December, 2013, the Auditor of the Company received approximately HK\$2.3 million for audit service and HK\$0.1 million for tax and consultancy services.

AUDIT COMMITTEE

The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Company established an audit committee ("Audit Committee") in 1995 with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants). In accordance with the requirements of 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 2013, the attendance of each member is set out below:

	Number of Audit Committee attended in 2013	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 2013;
- reviewed the interim report and the interim results announcement for the six months ended 30th June, 2013;
- reviewed the audit plan for year 2013 to assess the general scope of audit work; and
- reviewed the audited accounts and final results announcement for year 2012.

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, 2013 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 2013.

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. The Nomination Committee held a meeting during the year.

The Company adopted a policy concerning diversity of board members on 30th August, 2013. Selection of candidates of board members will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

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. He is also a holder of the Practitioner's Endorsement issued by the Hong Kong Institute of Chartered Secretaries. 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 2013, 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

Set out below is a summary of certain rights of the shareholders of the Company as required to be disclosed pursuant to the mandatory disclosure requirements under Paragraph O of the Corporate Governance Code.

Convening of General Meeting on Request

Shareholder(s) may request the Directors to convene an extraordinary general meeting pursuant to Section 113 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) before 3rd March, 2014 and to call a general meeting pursuant to Sections 566 to 568 of the new Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "New CO") from 3 March 2014 and onwards.

In accordance with Section 566 of the New CO, the Directors are required to call a general meeting if the Company has received requests to do so from members of the Company representing at least 5% of the total voting rights of all the members having a right to vote at general meeting. Such requests must state the general nature of the business to be dealt with at the meeting; and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. Such requests may be sent to the Company in hard copy form (by depositing at the registered office of the Company at 3rd Floor, Shun Ho Tower, 24-30 Ice House Street, Central, Hong Kong for the attention of the Board) or in electronic form (by email: sh004@ramadahongkong.com); and must be authenticated by the person or persons making it. In accordance with Section 567 of the New CO, the Directors must call a meeting within 21 days after the date on which they become subject to the requirement under Section 566 of the New CO and such meeting must be held on a date not more than 28 days after the date of the notice convening the meeting.

Putting Forward Proposals at Annual General Meeting

To put forward a resolution at an annual general meeting, shareholders are requested to follow the requirements and procedures set out in Section 115A of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) before 3rd March, 2014 and Sections 615 and 616 of the New CO from 3rd March, 2014 and onwards.

Section 615 of the New CO provides that the Company must give notice of a resolution if it has received requests that it do so from (a) the members of the Company representing at least

2.5% of the total voting rights of all the members who have a right to vote on the resolution at the annual general meeting to which the requests relate; or (b) at least 50 members who have a right to vote on the resolution at the annual general meeting to which the requests relate. Such requests (a) may be sent to the Company in hard copy form (by depositing at the registered office of the Company at 3rd Floor, Shun Ho Tower, 24-30 Ice House Street, Central, Hong Kong for the attention of the Board) or in electronic form (by email: sh004@ramadahongkong.com); (b) must identify the resolution of which notice is to be given; (c) must be authenticated by the person or persons making it; and (d) must be received by the Company not later than (i) 6 weeks before the annual general meeting to which the requests relate; or (ii) if later, the time at which notice is given of that meeting. Section 616 of the New CO provides that the Company that is required under Section 615 of the New CO to give notice of a resolution must send a copy of it at the Company's own expense to each member of the Company entitled to receive notice of the annual general meeting (a) in the same manner as the notice of the meeting; and (b) at the same time as, or as soon as reasonably practicable after, it gives notice of the meeting.

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.

Report of the Directors

The Board present their annual report and the audited consolidated financial statements for the year ended 31st December, 2013.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides management services to its subsidiaries. The principal activities of the Company's principal subsidiaries are set out in note 34 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31st December, 2013 are set out in the consolidated statement of profit or loss and other comprehensive income on page 26.

DIVIDEND

The Board recommends a final dividend of HK0.575 cent per share in respect of the year ended 31st December, 2013 (a final dividend of HK0.5 cent per share in respect of the year ended 31st December, 2012) payable on 18th July, 2014 to shareholders whose names appear on the register of members of the Company on 4th July, 2014.

SHARE CAPITAL

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

RESERVES

Movements during the year in the reserves of the Group are set out on page 30 and those of the Company are set out in note 27 to the consolidated financial statements.

The Company's reserves available for distribution to shareholders as at 31st December, 2013 represent its retained profits of HK\$749,783,000 (2012: HK\$651,402,000).

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group and the Company are set out in note 14 to the consolidated financial statements.

INVESTMENT PROPERTIES

All the investment properties of the Group were revalued at 31st December, 2013. The revaluation gave rise to an increase of approximately HK\$299 million which has been dealt with in the consolidated statement of profit or loss and other comprehensive income.

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

PROPERTIES UNDER DEVELOPMENT

During the year, development expenditure of approximately HK\$26 million was incurred on the properties under development.

Details of movements during the year in the properties under development of the Group are set out in note 17 to the consolidated financial statements.

MAJOR PROPERTIES

Details of the major properties of the Group at 31st December, 2013 are set out on pages 89 to 90 of the Annual Report.

BORROWINGS

An analysis of the repayment schedule of bank loans is set out in note 25 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

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

Report of the Directors (Continued)

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. William CHENG Kai Man and Mr. Titus HUI Kin Hing shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

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

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

DIRECTORS' INTERESTS IN LISTED SECURITIES

As at 31st December, 2013, the interests or short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (a) to be entered in the register required to be kept by the Company under section 352 of the SFO; or (b) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

The Company

Name of director	Capacity	Nature of interests	Number of shares/ Underlying shares held	Approximate % of shareholding
William Cheng Kai Man	Interest of controlled corporations	Corporate	6,360,585,437 (Note)	71.09

Note:

Shun Ho Technology Holdings Limited ("Shun Ho Technology") beneficially owned 2,709,650,873 shares of the Company (the "Shares") (30.29%) and was taken to be interested in 395,656,000 Shares (4.42%) held by Good Taylor Limited, 273,579,983 Shares (3.06%) held by South Point Investments Limited, 3,500,000 Shares (0.04%) held by Shun Ho Technology Developments Limited and 2,978,198,581 Shares (33.29%) held by Fastgrow Engineering & Construction Company Limited ("Fastgrow"), representing a total of 6,360,585,437 Shares (71.09%). Mr. William Cheng Kai Man had controlling interest in the above-mentioned companies.

Report of the Directors (Continued)

Associated corporations

Name of director	Name of associated corporation	Capacity	Nature of interests	Number of shares held	Approximate % of shareholding
William Cheng Kai Man	Shun Ho Technology (Note 1)	Interest of controlled corporations	Corporate	350,043,999	65.18
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. Shun Ho Technology, the Company's immediate holding company, is a public limited company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange.
2. Shun Ho Resources, the Company's intermediate holding company, is a public limited company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange.
3. Trillion Resources, the Company's ultimate holding company, is a company incorporated in the British Virgin Islands.

Share options

An employees share option scheme of the Company was adopted at the extraordinary general meeting held on 14th November, 2013 (the "Share Option Scheme"). Pursuant to the Share Option Scheme, the Board may, at its discretion, offer to grant options to subscribe for shares of the Company based on the terms and conditions set out therein to any director (including executive, non-executive Directors and independent non-executive Directors) and any employee of the Group whom the Board considers, in its sole discretion, have contributed or will contribute to the Group (the "Participant(s)").

Summary of the Share Option Scheme are as below:

(i) Purpose

The Share Option Scheme is a share incentive scheme and is established to reward Participants who have contributed to the Group and to encourage Participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

(ii) Maximum number of shares

(1) 10% limit

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not exceed 10 per cent. in nominal amount of the shares in issue on the date of its adoption, being 894,705,132 shares.

(2) Individual limit

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including options exercised and outstanding) to each Participant in any twelve month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the approval of our shareholders in general meeting with such Participants and their associates (as defined in the Listing Rules) abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time.

Any grant of options to a director, chief executive or substantial shareholder of our Company or any of their respective associates is required to be approved by the independent non-executive directors. If the Board proposes to grant options to a substantial shareholder or any independent non-executive director or their respective associates which will result in the number of shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the twelve-month period up to and including the date of such grant: (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of the shares in issue; and (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of the shares at the date of each grant, such further grant of options will be subject to the approval of our shareholders in general meeting at which all connected persons of our Company shall abstain from voting, and/or other requirements prescribed under the Listing Rules from time to time.

(3) Maximum limit of 30%

The shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of our Company at any time shall not exceed 30% of the shares in issue from time to time.

(iii) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during the option period which may be determined and notified by the Board to the grantees at the time of making an offer which shall not expire later than 10 years from the grant date.

(iv) Amount payable upon acceptance of option

Upon acceptance of an option, the grantee shall pay HK\$10.00 to our Company by way of consideration for the grant.

(v) The exercise price

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of: (i) the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant; (ii) the average of the official closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

(vi) The remaining life of the Share Option Scheme

Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

(vii) Shares to be issued under the Share Option Scheme

As at the date of this report, the total number of shares to be issuable under the Share Option Scheme is 894,705,132 shares, representing 10% of the total number of shares in issue.

No share option had been granted under the Share Option Scheme and no other share option scheme was adopted by the Company and its subsidiaries as at 31st December, 2013.

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, 2013, 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.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND RELATED PARTY TRANSACTIONS

During the year, the Group had transactions with certain related parties, details of which are set out in notes 8 and 33 to the consolidated financial statements.

Report of the Directors (Continued)

In addition, the Company and its subsidiaries had the following transactions with Shun Ho Technology and Shun Ho Resources group:

- (a) an agreement was entered into between the Company's subsidiary, Longham Investment Limited ("Longham"), as vendor, and Shun Ho Technology, as purchaser, on 26th April, 2013 in which Longham disposed of 250,000 shares in its wholly owned subsidiary, Trans-Profit Limited ("Trans-Profit") to Shun Ho Technology at a consideration of HK\$113,077,000.
- (b) an agreement was entered into between the Longham, as vendor, and the Company's intermediate holding company, Omnico Company Inc. ("Omnico"), as purchaser, on 26th April, 2013 in which Longham disposed of 70,000 shares in Trans-Profit to Omnico at a consideration of HK\$31,662,000.

Save as disclosed herein:

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

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

In the opinion of the directors not having an interest in those transactions, 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, 2013, the following persons (not being directors or chief executive of the Company) had interests in the shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Capacity	Number of shares/ underlying shares held	Approximate % of shareholding
Shun Ho Technology (Note 1)	Beneficial owner and interest of controlled corporations	6,360,663,987	71.09
Omnico (Note 2)	Interest of controlled corporations	6,360,663,987	71.09
Shun Ho Resources (Note 2)	Interest of controlled corporations	6,360,663,987	71.09
Trillion Resources (Note 2)	Interest of controlled corporations	6,360,663,987	71.09
Liza Lee Pui Ling (Note 3)	Interest of spouse	6,360,663,987	71.09
Fastgrow	Beneficial owner	2,978,198,581	33.29
Desmarais Andre (as trustee of the Desmarais Family Residuary Trust) (Note 4)	Trustee	803,622,000	8.98

Report of the Directors (Continued)

Name of shareholder	Capacity	Number of shares/ underlying shares held	Approximate % of shareholding
Desmarais Jacqueline (as trustee of the Desmarais Family Residuary Trust) (Note 4)	Trustee	803,622,000	8.98
Desmarais Jr. Paul (as trustee of the Desmarais Family Residuary Trust) (Note 4)	Trustee	803,622,000	8.98
Fortin Guy (as trustee of the Desmarais Family Residuary Trust) (Note 4)	Trustee	803,622,000	8.98
Gelco Enterprises Ltd (Note 4)	Interest of controlled corporations	803,622,000	8.98
IGM Financial Inc. (Note 4)	Interest of controlled corporations	803,622,000	8.98
Nordex Inc. (Note 4)	Interest of controlled corporations	803,622,000	8.98
Plessis-Belair Michel (as trustee of the Desmarais Family Residuary Trust) (Note 4)	Trustee	803,622,000	8.98
Power Corporation of Canada (Note 4)	Interest of controlled corporations	803,622,000	8.98
Power Financial Corporation (Note 4)	Interest of controlled corporations	803,622,000	8.98

Notes:

- Shun Ho Technology beneficially owned 2,709,729,423 Shares (30.29%) and was taken to be interested in 395,656,000 Shares (4.42%) held by Good Taylor Limited, 273,579,983 Shares (3.06%) held by South Point Investments Limited, 3,500,000 Shares (0.04%) held by Shun Ho Technology Developments Limited and 2,978,198,581 Shares (33.29%) held by Fastgrow, representing a total of 6,360,663,987 Shares (71.09%). The above-mentioned companies were wholly-owned subsidiaries of Shun Ho Technology.

- Shun Ho Technology is directly and indirectly owned as to 65.27% by Omnico, which was in turn owned as to 100% by Shun Ho Resources, which was in turn directly and indirectly owned as to 71.20% by Trillion Resources, which was in turn wholly-owned by Mr. William Cheng Kai Man. Therefore, Omnico, Shun Ho Resources and Trillion Resources were taken to be interested in 6,360,663,987 Shares by virtue of their direct and indirect interests in Shun Ho Technology.
- Madam Liza Lee Pui Ling was deemed to be interested in 6,360,663,987 Shares by virtue of the interest in such Shares of her spouse, Mr. William Cheng Kai Man, a director of the Company.
- Mackenzie Financial Corporation ("MFC") and its subsidiaries were interested in the total number of 803,622,000 Shares. MFC was an indirect wholly-owned subsidiary of IGM Financial Inc. (held as to 100%). IGM Financial Inc. was a non-wholly owned subsidiary of Power Financial Corporation (held as to 58.63%) which was in turn an indirect non-wholly owned subsidiary of Power Corporation of Canada (held as to 65.78%). Power Corporation of Canada was 53.61% owned by Gelco Enterprises Ltd, a 94.95% subsidiary of Nordex Inc. Desmarais Paul G. was the holder of 68% interest in Nordex Inc. and he passed away on 8th October, 2013. Desmarais Jr. Paul, Desmarais Andre, Desmarais Jacqueline, Fortin Guy and Plessis-Belair Michel (all as trustees of the Desmarais Family Residuary Trust) became the holders of 68% of the interest in Nordex Inc.

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 of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

PUBLIC FLOAT

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

AUDITOR

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

On behalf of the Board

William CHENG Kai Man
Chairman

Hong Kong, 19th February, 2014

Independent Auditor's Report



TO THE MEMBERS OF MAGNIFICENT ESTATES LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Magnificent Estates Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 87, which comprise the consolidated and Company's statements of financial position as at 31st December, 2013, and the consolidated statement of profit or loss and other 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 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, 2013, 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, 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31st December, 2013

	<i>Notes</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Revenue	5	688,736	520,503
Cost of sales		(4,435)	(3,560)
Other service costs		(227,552)	(154,235)
Depreciation of property, plant and equipment and release of prepaid lease payments for land		(65,480)	(32,795)
Gross profit		391,269	329,913
Increase in fair value of investment properties	16	299,213	298,220
Other income and gains	7	19,905	16,739
Gain on disposal of a subsidiary	35	40,140	–
Administrative expenses			
– Depreciation		(3,065)	(2,820)
– Others		(24,409)	(19,967)
		(27,474)	(22,787)
Other expenses	7	(14,973)	(21,823)
Finance costs	8	(19,435)	(15,533)
Profit before taxation	9	688,645	584,729
Income tax expense	11	(62,514)	(48,382)
Profit for the year		626,131	536,347
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		2,043	1,236
Fair value gain on available-for-sale investments		31,323	54,341
Other comprehensive income for the year		33,366	55,577
Total comprehensive income for the year		659,497	591,924
Profit for the year attributable to:			
Owners of the Company		622,770	536,347
Non-controlling interests		3,361	–
		626,131	536,347
Total comprehensive income attributable to:			
Owners of the Company		656,136	591,924
Non-controlling interests		3,361	–
		659,497	591,924
Earnings per share	12	HK cents	<i>HK cents</i>
Basic		6.96	5.99

Consolidated Statement of Financial Position

At 31st December, 2013

	<i>Notes</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	<i>14</i>	2,381,561	2,537,105
Prepaid lease payments for land	<i>15</i>	35,014	60,177
Investment properties	<i>16</i>	3,064,000	2,925,100
Properties under development	<i>17</i>	263,276	237,338
Available-for-sale investments	<i>19</i>	217,186	185,863
		5,961,037	5,945,583
CURRENT ASSETS			
Inventories		826	963
Properties held for sale		–	21,650
Prepaid lease payments for land	<i>15</i>	922	1,502
Trade and other receivables	<i>20</i>	23,855	30,574
Other deposits and prepayments		12,124	7,293
Pledged bank deposits	<i>21</i>	–	110
Bank balances and cash	<i>21</i>	314,280	179,759
		352,007	241,851
Assets classified as held for sale	<i>24</i>	290,560	–
		642,567	241,851
CURRENT LIABILITIES			
Trade and other payables and accruals	<i>23</i>	31,177	59,864
Rental and other deposits received		18,804	15,162
Advance from immediate holding company	<i>33(a)</i>	76,557	144,161
Advance from an intermediate holding company	<i>33(d)</i>	5,973	–
Advance from ultimate holding company	<i>33(e)</i>	405	51,072
Advance from a fellow subsidiary	<i>33(c)</i>	4,745	4,745
Tax liabilities		18,525	20,210
Bank loans	<i>25</i>	676,325	1,074,411
		832,511	1,369,625
Liabilities associated with assets classified as held for sale	<i>24</i>	202,030	–
		1,034,541	1,369,625
NET CURRENT LIABILITIES		(391,974)	(1,127,774)
TOTAL ASSETS LESS CURRENT LIABILITIES		5,569,063	4,817,809

Consolidated Statement of Financial Position (Continued)

At 31st December, 2013

	<i>Notes</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
CAPITAL AND RESERVES			
Share capital	26	89,471	89,471
Share premium and reserves		5,200,964	4,603,896
Equity attributable to owners of the Company		5,290,435	4,693,367
Non-controlling interests		144,539	–
		5,434,974	4,693,367
NON-CURRENT LIABILITIES			
Rental deposits received		25,762	22,625
Deferred tax liabilities	28	108,327	101,817
		134,089	124,442
		5,569,063	4,817,809

The consolidated financial statements on pages 26 to 87 were approved and authorised for issue by the Board of Directors on 19th February, 2014 and are signed on its behalf by:

Albert HUI Wing Ho
DIRECTOR

William CHENG Kai Man
DIRECTOR

Statement of Financial Position

At 31st December, 2013

	<i>Notes</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	14	2,000	2,550
Investments in subsidiaries	18	456,512	427,343
Amounts due from subsidiaries	18	1,895,764	1,762,782
Available-for-sale investments	19	780	780
		<u>2,355,056</u>	<u>2,193,455</u>
CURRENT ASSETS			
Other receivables		153	187
Other deposits and prepayments		780	802
Bank balances and cash	21	203,044	100,525
		<u>203,977</u>	<u>101,514</u>
CURRENT LIABILITIES			
Other payables and accruals		23,254	41,975
Advance from immediate holding company	33(b)	55,223	144,161
Amounts due to subsidiaries	22	270,128	2,022
Tax liabilities		5,957	740
		<u>354,562</u>	<u>188,898</u>
NET CURRENT LIABILITIES		<u>(150,585)</u>	<u>(87,384)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,204,471</u>	<u>2,106,071</u>
CAPITAL AND RESERVES			
Share capital	26	89,471	89,471
Share premium and reserves	27	2,114,715	2,016,334
		<u>2,204,186</u>	<u>2,105,805</u>
NON-CURRENT LIABILITY			
Deferred tax liability	28	285	266
		<u>2,204,471</u>	<u>2,106,071</u>

Albert HUI Wing Ho
DIRECTOR

William CHENG Kai Man
DIRECTOR

Consolidated Statement of Changes in Equity

For the Year Ended 31st December, 2013

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Special capital reserve HK\$'000	Property revaluation reserve HK\$'000 (Note a)	Securities revaluation reserve HK\$'000 (Note b)	Foreign currency translation reserve HK\$'000	Other reserve HK\$'000 (Note c)	Retained profits HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1st January, 2012	89,471	752,455	612,477	179	60,014	20,075	-	2,607,034	4,141,705	-	4,141,705
Exchange differences arising on translation of foreign operations	-	-	-	-	-	1,236	-	-	1,236	-	1,236
Fair value gain on available-for-sale investments	-	-	-	-	54,341	-	-	-	54,341	-	54,341
Other comprehensive income for the year	-	-	-	-	54,341	1,236	-	-	55,577	-	55,577
Profit for the year	-	-	-	-	-	-	-	536,347	536,347	-	536,347
Total comprehensive income for the year	-	-	-	-	54,341	1,236	-	536,347	591,924	-	591,924
Final dividend for year ended 31st December, 2011 paid (note 12)	-	-	-	-	-	-	-	(26,841)	(26,841)	-	(26,841)
Interim dividend for the six months ended 30th June, 2012 paid (note 12)	-	-	-	-	-	-	-	(13,421)	(13,421)	-	(13,421)
At 31st December, 2012	89,471	752,455	612,477	179	114,355	21,311	-	3,103,119	4,693,367	-	4,693,367
Exchange differences arising on translation of foreign operations	-	-	-	-	-	2,043	-	-	2,043	-	2,043
Fair value gain on available-for-sale investments	-	-	-	-	31,323	-	-	-	31,323	-	31,323
Other comprehensive income for the year	-	-	-	-	31,323	2,043	-	-	33,366	-	33,366
Profit for the year	-	-	-	-	-	-	-	622,770	622,770	3,361	626,131
Total comprehensive income for the year	-	-	-	-	31,323	2,043	-	622,770	656,136	3,361	659,497
Final dividend for year ended 31st December, 2012 paid (note 12)	-	-	-	-	-	-	-	(44,735)	(44,735)	-	(44,735)
Interim dividend payable for the six months ended 30th June, 2013 (note 12)	-	-	-	-	-	-	-	(17,894)	(17,894)	-	(17,894)
Disposal of partial interest in a subsidiary	-	-	-	-	-	-	3,561	-	3,561	141,178	144,739
At 31st December, 2013	89,471	752,455	612,477	179	145,678	23,354	3,561	3,663,260	5,290,435	144,539	5,434,974

Notes:

- The special capital reserve represents the difference arising from the reduction of the nominal value of the Company's share in 1999. Details are set out in note 27.
- 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.
- The other reserve represents the difference between the sales proceed from the disposal of partial interest in a subsidiary and the reduction of interest in the carrying amounts of assets and liabilities of the subsidiary.

Consolidated Statement of Cash Flows

For the Year Ended 31st December, 2013

	<i>Notes</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
OPERATING ACTIVITIES			
Profit before taxation		688,645	584,729
Adjustments for:			
Interest income from bank deposits		(1,616)	(752)
Finance costs		19,435	15,533
Increase in fair value of investment properties		(299,213)	(298,220)
Gain on disposal of property, plant and equipment		(1,050)	(11)
Gain on disposal of a subsidiary	35	(40,140)	–
Depreciation of property, plant and equipment		66,932	34,113
Release of prepaid lease payments for land		1,613	1,502
		<hr/>	<hr/>
Operating cash flows before movements in working capital		434,606	336,894
Increase in inventories		(55)	(303)
Decrease (increase) in trade and other receivables		2,194	(10,635)
Increase in other deposits and prepayments		(5,189)	(355)
Decrease in trade and other payables and accruals		(790)	(3,754)
Increase in rental and other deposits received		8,989	4,008
		<hr/>	<hr/>
Cash generated from operations		439,755	325,855
Hong Kong Profits Tax paid		(37,873)	(24,454)
Income tax elsewhere paid		(4,390)	(3,900)
Interest from bank deposits received		1,616	752
		<hr/>	<hr/>
NET CASH FROM OPERATING ACTIVITIES		399,108	298,253
INVESTING ACTIVITIES			
Deposit received from disposal of subsidiaries	24	180,000	–
Proceed from disposal of a subsidiary, net of cash and cash equivalents	35	62,133	–
Expenditure on properties under development		(47,852)	(133,036)
Acquisition of property, plant and equipment		(5,374)	(22,444)
Proceeds from disposal of property, plant and equipment		1,081	47
Decrease in pledged bank deposits		110	–
		<hr/>	<hr/>
NET CASH FROM (USED IN) INVESTING ACTIVITIES		190,098	(155,433)

Consolidated Statement of Cash Flows (Continued)

For the Year Ended 31st December, 2013

	2013 HK\$'000	2012 HK\$'000
FINANCING ACTIVITIES		
Interest paid	(22,347)	(30,036)
Repayments of bank loans	(398,086)	(36,546)
Dividend paid to shareholders	(58,156)	(26,841)
Advance from ultimate holding company	693	2,132
Repayment to ultimate holding company	(51,360)	(11,020)
Advance from an intermediate holding company	38,440	–
Repayment to an intermediate holding company	(805)	–
Advance from immediate holding company	235,590	44,442
Repayment to immediate holding company	(193,297)	(4,526)
	<u>(449,328)</u>	<u>(62,395)</u>
NET CASH USED IN FINANCING ACTIVITIES	(449,328)	(62,395)
NET INCREASE IN CASH AND CASH EQUIVALENTS	139,878	80,425
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	179,759	99,540
Effect of foreign exchange rate changes	(247)	(206)
	<u>319,390</u>	<u>179,759</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	319,390	179,759
Represented by:		
Bank balances and cash	314,280	179,759
Bank balances and cash classified as held for sale	5,110	–
	<u>319,390</u>	<u>179,759</u>

Notes to the Consolidated Financial Statements

For the Year Ended 31st December, 2013

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

The Company’s immediate and intermediate holding company are Shun Ho Technology Holdings Limited (“Shun Ho Technology”) and Shun Ho Resources Holdings Limited (“Shun Ho Resources”), respectively, both are public limited companies incorporated in Hong Kong whose shares are listed on the Hong Kong Stock Exchange. The directors consider the Company’s ultimate holding company to be Trillion Resources Limited (“Trillion Resources”), 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 dollars, 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”)

The Group has applied for the first time in the current year the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Impact of the application of HKFRS 10 “Consolidated Financial Statements”

HKFRS 10 replaces the parts of HKAS 27 “Consolidated and Separate Financial Statements” that deal with consolidated financial statements and HK(SIC) Int-12 “Consolidation – Special Purpose Entities”. HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group as at 1st January, 2013.

Impact of the application of HKFRS 12 “Disclosure of Interests in Other Entities”

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (please see note 34 for details).

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

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

HKFRS 13 “Fair Value Measurement”

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of HKFRS 13 is broad; the fair value measurement requirements of HKFRS 13 apply 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 for share-based payment transactions that are within the scope of HKFRS 2 “Share-based Payment”, leasing transactions that are within the scope of HKAS 17 “Leases”, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application from 1st January, 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the standard in comparative information provided for periods before the initial application of the standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period (please see notes 16 and 38 for the 2013 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 “Presentation of Items of Other Comprehensive Income”

The Group has applied the amendments to HKAS 1 “Presentation of Items of Other Comprehensive Income”. The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, the “statement of comprehensive income” is renamed as the “statement of profit or loss and other comprehensive income” and the “income statement” is renamed as the “statement of profit or loss”. 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 have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

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 HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ¹
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ²
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ³
HKFRS 9	Financial Instruments ³
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets ¹
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle ²
HK(IFRIC) – Int 21	Levies ¹

¹ Effective for annual periods beginning on or after 1st January, 2014

² Effective for annual periods beginning on or after 1st July, 2014

³ Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised

⁴ Effective for annual periods beginning on or after 1st July, 2014, with limited exceptions

The impact on the application of HKFRS 9 “Financial Instruments” in issue but not yet effective for current year are disclosed in the Group’s annual financial statements for the year ended 31st December, 2012.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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.

The significant accounting policies adopted are as follows:

Basis of preparation

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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

Notes to the Consolidated Financial Statements *(Continued)*

For the Year Ended 31st December, 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of preparation *(Continued)*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted 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, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

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; 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 HKFRS.

Notes to the Consolidated Financial Statements *(Continued)*

For the Year Ended 31st December, 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

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 is 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.

Income from property management service is recognised when services are rendered.

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 for 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 value. 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.

Notes to the Consolidated Financial Statements *(Continued)*

For the Year Ended 31st December, 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties *(Continued)*

Transfer from investment property to property, plant and equipment will be made when there is a change in use, evidenced by commencement of owner occupation. Transfer from investment property to property under development will be made where there is a change in use, evidenced by the commencement of redevelopment for the purpose of owner occupation. For a transfer from investment property carried at fair value to owner-occupied property, the property's deemed cost for subsequent accounting are determined by reference to its fair value at the date of change in use. Property interests held under operating lease previously classified as an investment property and accounted for as if it were a finance lease shall continue to account for the lease as a finance lease, even if subsequent event changes the nature of the property interest so that it is no longer classified as investment property.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. 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.

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 and the Company's statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. 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.

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. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. 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.

Notes to the Consolidated Financial Statements *(Continued)*

For the Year Ended 31st December, 2013

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. Costs of inventories are determined on first-in, first-out basis. Net realisable value represents the estimated selling price for inventories 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. When 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 immediately in profit or loss.

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 (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

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 ("AFS") 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 debt instrument, 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. Loans and receivables (including trade and other receivables, other deposits, amounts due from subsidiaries, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment losses (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

AFS financial assets

AFS financial assets are non-derivative that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Equity securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the fair value of AFS 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).

Dividends on AFS equity investments are recognised in profit or loss when the Group's right to receive dividends is established.

AFS 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).

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

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 AFS equity investment, a significant or prolonged decline in the fair value of the security 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, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the 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 financial asset's 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 AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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 investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in the securities revaluation reserve.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

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 instruments 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 immediate holding company, intermediate holding company, ultimate holding company and a fellow subsidiary, amounts due to subsidiaries and bank loans) are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets”; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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.

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 amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Notes to the Consolidated Financial Statements *(Continued)*

For the Year Ended 31st December, 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchanges prevailing at 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 at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) 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 heading of foreign currency translation reserve.

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 profit or loss and other comprehensive income because items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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.

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.

Notes to the Consolidated Financial Statements *(Continued)*

For the Year Ended 31st December, 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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 liabilities or deferred tax assets 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.

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 recognised as an expense when employees have rendered service entitling them to the contributions.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgment in applying accounting policies

The following is the critical judgment, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

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

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.

Key sources of estimation uncertainty

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

Taxation

At 31st December, 2013, a deferred tax asset of HK\$12,516,000 (2012: HK\$16,181,000) in relation to unused tax losses has been recognised as set out in note 28. No deferred tax asset has been recognised on the remaining tax losses of HK\$24,951,000 (2012: HK\$25,475,000) as it is not probable that taxable profit will be available against which the tax losses can be utilised. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more or less than expected, a material recognition or reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a 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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

5. REVENUE

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

	THE GROUP	
	2013	2012
	HK\$'000	HK\$'000
Income from operation of hotels	582,935	420,088
Income from property rental	105,801	100,415
	<u>688,736</u>	<u>520,503</u>

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 (*Note c*)
4. Hospitality services – Magnificent International Hotel, Shanghai
5. Hospitality services – Best Western Hotel Causeway Bay
6. Hospitality services – Best Western Hotel Harbour View (*Note a*)
7. Hospitality services – Best Western Grand Hotel (*Note b*)
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 a*)
13. Property development for hotel – 23 Austin Avenue (*Note b*)
14. Property development for hotel – 338 Queen's Road West

Notes:

- (a) The hotel development was completed in July 2012 and accordingly transferred to the segment of "Hospitality services – Best Western Hotel Harbour View".
- (b) The hotel development was completed in December 2012 and accordingly transferred to the segment of "Hospitality services – Best Western Grand Hotel".
- (c) The Group has entered into an agreement to dispose of the holding companies that hold Best Western Hotel Taipa, Macau (see note 24).

Information regarding the above segments is reported below.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

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		Segment profit	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Hospitality services	582,935	420,088	286,066	229,859
– Ramada Hotel Kowloon	78,512	81,333	38,985	41,933
– Ramada Hong Kong Hotel	95,635	102,928	51,541	62,757
– Best Western Hotel Taipa, Macau	64,304	64,936	33,943	36,184
– Magnificent International Hotel, Shanghai	18,733	19,781	1,729	3,239
– Best Western Hotel Causeway Bay	83,816	85,934	38,856	45,163
– Best Western Hotel Harbour View	112,314	60,579	63,549	38,800
– Best Western Grand Hotel	129,621	4,597	57,463	1,783
Property investment	105,801	100,415	404,416	398,274
– 633 King's Road	73,918	70,794	333,849	186,561
– Shun Ho Tower	19,565	18,203	23,849	89,094
– Shops	12,318	11,418	46,718	122,619
Securities investment and trading	–	–	–	–
Property development for hotel	–	–	–	–
– 239 Queen's Road West	–	–	–	–
– 23 Austin Avenue	–	–	–	–
– 338 Queen's Road West	–	–	–	–
	688,736	520,503	690,482	628,133
Other income and gains			19,905	16,739
Gain on disposal of a subsidiary			40,140	–
Central administration costs and directors' emoluments			(27,474)	(22,787)
Other expenses			(14,973)	(21,823)
Finance costs			(19,435)	(15,533)
Profit before taxation			688,645	584,729

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' emoluments, other income and gains, other expenses, gain on disposal of a subsidiary and finance costs. This is the measure reported to the chief operating decision maker, Chairman of the Company, for the purposes of resources allocation and performance assessment.

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales for both years.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

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:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Segment assets		
Hospitality services	2,501,969	2,561,116
– Ramada Hotel Kowloon	151,994	158,054
– Ramada Hong Kong Hotel	338,837	341,402
– Best Western Hotel Taipa, Macau	125,451	130,399
– Magnificent International Hotel, Shanghai	93,024	93,530
– Best Western Hotel Causeway Bay	384,516	397,010
– Best Western Hotel Harbour View	536,235	544,565
– Best Western Grand Hotel	871,912	896,156
Property investment	3,225,372	2,929,243
– 633 King's Road	2,160,974	1,901,902
– Shun Ho Tower	536,398	533,741
– Shops	528,000	493,600
Securities investment and trading	217,186	185,863
Property development for hotel	263,348	237,392
– 239 Queen's Road West	–	–
– 23 Austin Avenue	–	–
– 338 Queen's Road West	263,348	237,392
Unallocated assets	6,207,875	5,913,614
	395,729	273,820
	6,603,604	6,187,434

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

	2013 HK\$'000	2012 HK\$'000
Segment liabilities		
Hospitality services	35,092	53,363
– Ramada Hotel Kowloon	4,071	3,539
– Ramada Hong Kong Hotel	3,174	2,662
– Best Western Hotel Taipa, Macau	5,309	6,255
– Magnificent International Hotel, Shanghai	948	951
– Best Western Hotel Causeway Bay	2,135	4,405
– Best Western Hotel Harbour View	5,745	16,818
– Best Western Grand Hotel	13,710	18,733
Property investment	38,186	34,993
– 633 King's Road	27,632	23,630
– Shun Ho Tower	5,898	7,069
– Shops	4,656	4,294
Securities investment and trading	2	2
Property development for hotel	739	1,692
– 239 Queen's Road West	–	–
– 23 Austin Avenue	–	–
– 338 Queen's Road West	739	1,692
Unallocated liabilities	74,019	90,050
	1,094,611	1,404,017
	1,168,630	1,494,067

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 (including certain property, plant and equipment), 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, deposit received from disposal of subsidiaries, bank loans and current and deferred tax liabilities.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

6. SEGMENT INFORMATION (Continued)

Other segment information

	Depreciation of property, plant and equipment and release of prepaid lease payments for land		Additions to non-current assets (Note)		Increase in fair value of investment properties	
	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts included in the measure of segment profit or segment assets:						
Hospitality services	65,472	32,756	5,154	17,589	-	-
– Ramada Hotel Kowloon	6,442	6,657	925	1,157	-	-
– Ramada Hong Kong Hotel	3,564	3,498	693	664	-	-
– Best Western Hotel Taipa, Macau	3,407	3,434	34	101	-	-
– Magnificent International Hotel, Shanghai	2,960	2,865	256	230	-	-
– Best Western Hotel Causeway Bay	12,050	12,072	327	720	-	-
– Best Western Hotel Harbour View	6,927	3,029	210	7,613	-	-
– Best Western Grand Hotel	30,122	1,201	2,709	7,104	-	-
Property investment	8	39	50	2,114	299,213	298,220
– 633 King's Road	8	39	-	-	260,363	116,000
– Shun Ho Tower	-	-	50	2,114	4,450	71,020
– Shops	-	-	-	-	34,400	111,200
Securities investment and trading	-	-	-	-	-	-
Property development for hotel	-	-	25,938	134,934	-	-
– 239 Queen's Road West	-	-	-	48,776	-	-
– 23 Austin Avenue	-	-	-	75,169	-	-
– 338 Queen's Road West	-	-	25,938	10,989	-	-
	65,480	32,795	31,142	154,637	299,213	298,220

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

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:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Hong Kong	602,204	432,713
Macau	67,799	68,009
The PRC	18,733	19,781
	<u>688,736</u>	<u>520,503</u>

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

	Non-current assets (Note)	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Hong Kong	5,652,485	5,379,573
Macau	–	288,258
The PRC	91,366	91,889
	<u>5,743,851</u>	<u>5,759,720</u>

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

6. SEGMENT INFORMATION (Continued)

Revenue from major services

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

	2013 HK\$'000	2012 HK\$'000
Room revenue	562,994	404,825
Food and beverage	17,269	12,383
Property rental income	105,801	100,415
Others	2,672	2,880
	<u>688,736</u>	<u>520,503</u>

7. OTHER INCOME AND GAINS/OTHER EXPENSES

	THE GROUP	
	2013 HK\$'000	2012 HK\$'000
Other income and gains comprises:		
Management fee income for the provision of property management services	15,402	15,502
Interest income from bank deposits	1,616	752
Gain on disposal of property, plant and equipment	1,050	11
Others	1,837	474
	<u>19,905</u>	<u>16,739</u>
Other expenses comprises:		
Cost incurred for the provision of property management services	14,973	14,458
Hotel pre-operating expenses	-	7,365
	<u>14,973</u>	<u>21,823</u>

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

8. FINANCE COSTS

	THE GROUP	
	2013	2012
	HK\$'000	HK\$'000
Interests on:		
Bank loans wholly repayable within five years	18,655	23,215
Advance from ultimate holding company wholly repayable within five years (note 33(e))	693	2,132
Advance from immediate holding company wholly repayable within five years (note 33(a))	2,772	4,689
Advance from an intermediate holding company wholly repayable within five years (note 33(d))	227	—
	<u>22,347</u>	<u>30,036</u>
Less: amount capitalised in properties under development (Note)	<u>(2,912)</u>	<u>(14,503)</u>
	<u>19,435</u>	<u>15,533</u>

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	
	2013	2012
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	2,294	2,174
Staff costs including directors' emoluments	158,537	95,127
Depreciation of property, plant and equipment	66,932	34,113
Release of prepaid lease payments for land	1,613	1,502
Operating lease rental in respect of rented equipment	2,825	2,005
Gross rental income from investment properties	(105,801)	(100,415)
Less: Direct operating expenses incurred for investment properties that generated rental income during the year	<u>589</u>	<u>322</u>
	<u>(105,212)</u>	<u>(100,093)</u>

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

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, 2013				Total HK\$'000
	Directors' fees HK\$'000	Basic salaries, allowances and benefits- in-kind HK\$'000	Performance related bonus payments HK\$'000	Contributions to retirement benefits schemes HK\$'000	
Mr. William Cheng Kai Man	–	2,943	4,484	15	7,442
Mr. Albert Hui Wing Ho	–	1,515	232	15	1,762
Madam Mabel Lui Fung Mei Yee	17	–	–	–	17
Mr. Vincent Kwok Chi Sun	33	–	–	–	33
Mr. Chan Kim Fai	33	–	–	–	33
Mr. Hui Kin Hing	33	–	–	–	33
	116	4,458	4,716	30	9,320
	Year ended 31st December, 2012				Total HK\$'000
Directors' fees HK\$'000	Basic salaries, allowances and benefits- in-kind HK\$'000	Performance related bonus payments HK\$'000	Contributions to retirement benefits schemes HK\$'000		
Mr. William Cheng Kai Man	–	3,297	1,207	14	4,518
Mr. Albert Hui Wing Ho	–	1,374	184	14	1,572
Madam Mabel Lui Fung Mei Yee	17	–	–	–	17
Mr. Vincent Kwok Chi Sun	33	–	–	–	33
Mr. Chan Kim Fai	33	–	–	–	33
Mr. Hui Kin Hing	33	–	–	–	33
	116	4,671	1,391	28	6,206

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, 2013 and 31st December, 2012.

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, 2013 and 2012, no emolument was paid to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

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

(b) Employees' emoluments

Of the five individuals in the Group with the highest emoluments, two (2012: two) were directors of the Company whose emoluments are included above. The emoluments of the remaining three individuals (2012: three individuals), whose emoluments are individually below HK\$1,000,000, are as follows:

	THE GROUP	
	2013	2012
	HK\$'000	HK\$'000
Basic salaries, allowances and benefits-in-kind	2,529	2,236
Performance related bonus payments	259	287
Contributions to retirement benefits schemes	45	41
	<u>2,833</u>	<u>2,564</u>

11. INCOME TAX EXPENSE

	THE GROUP	
	2013	2012
	HK\$'000	HK\$'000
The taxation charge comprises:		
Current tax		
Hong Kong	43,555	30,057
The PRC	204	551
Other jurisdiction	3,572	3,840
	<u>47,331</u>	<u>34,448</u>
Overprovision in prior years (Note)		
Hong Kong	<u>(3,181)</u>	<u>(48)</u>
	<u>44,150</u>	<u>34,400</u>
Deferred tax (note 28)		
Current year	12,615	13,982
Underprovision in prior years (Note)	5,749	–
	<u>18,364</u>	<u>13,982</u>
	<u>62,514</u>	<u>48,382</u>

Note: During the year ended 31st December, 2013, the tax base of a subsidiary has been adjusted by reference to the tax written down value of the investment properties as agreed with the Inland Revenue Department, resulting in the overprovision of Hong Kong Profits Tax and an underprovision for deferred tax expense in prior years.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

11. INCOME TAX EXPENSE (Continued)

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%.

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 Group's PRC subsidiary of HK\$1,481,000 (2012: HK\$1,422,000) were provided as at 31st December, 2013.

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

	THE GROUP	
	2013	2012
	HK\$'000	HK\$'000
Profit before taxation	688,645	584,729
Tax at the Hong Kong Profits Tax rate of 16.5% (2012: 16.5%)	113,626	96,480
Tax effect of expenses not deductible for tax purpose	3,942	45
Tax effect of income not taxable for tax purpose	(57,884)	(47,550)
Under(over)provision in prior years	2,568	(48)
Tax effect of tax losses not recognised	31	179
Utilisation of tax losses previously not recognised	(117)	(177)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(448)	(713)
Deferred tax liabilities arising on undistributed profits of a PRC subsidiary	59	165
Others	737	1
Income tax expense	62,514	48,382

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

12. DIVIDEND

	THE GROUP	
	2013	2012
	HK\$'000	HK\$'000
Dividend recognised as distribution during the year:		
Final dividend in respect of the year ended 31st December, 2012 of HK0.5 cent (2012: Final dividend in respect of the year ended 31st December, 2011 of HK0.3 cent) per share was paid to shareholders	44,735	26,841
Interim dividend in respect of the six months ended 30th June, 2013 of HK0.2 cent (2012: Interim dividend in respect of the six months ended 30th June, 2012 of HK0.15 cent) per share will be paid to shareholders	17,894	13,421
	<u>62,629</u>	<u>40,262</u>

The final dividend in respect of the year ended 31st December, 2013 of HK0.575 cent per share amounting to HK\$51,446,000 has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

13. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company of HK\$622,770,000 (2012: HK\$536,347,000) and on 8,947,051,000 shares (2012: 8,947,051,000 shares) in issue during the year.

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$'000</i>	Leasehold land and hotel buildings <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles and vessels <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP					
COST					
At 1st January, 2012	76,852	1,240,872	56,876	17,684	1,392,284
Exchange realignment	–	1,057	48	1	1,106
Additions	–	–	19,306	3,138	22,444
Disposals	–	–	(14)	(60)	(74)
Transfer from properties under development	–	1,401,891	13,095	–	1,414,986
Reclassification	–	(9,324)	9,324	–	–
	<u>76,852</u>	<u>2,634,496</u>	<u>98,635</u>	<u>20,763</u>	<u>2,830,746</u>
At 31st December, 2012	76,852	2,634,496	98,635	20,763	2,830,746
Exchange realignment	–	2,079	242	3	2,324
Additions	–	2,237	2,837	300	5,374
Disposals	–	–	(40)	(3,887)	(3,927)
Transfer to assets classified as held for sale (note 24)	–	(119,000)	(5,346)	(596)	(124,942)
	<u>–</u>	<u>(119,000)</u>	<u>(5,346)</u>	<u>(596)</u>	<u>(124,942)</u>
At 31st December, 2013	<u>76,852</u>	<u>2,519,812</u>	<u>96,328</u>	<u>16,583</u>	<u>2,709,575</u>
DEPRECIATION					
At 1st January, 2012	6,336	185,012	50,897	17,027	259,272
Exchange realignment	–	200	93	1	294
Provided for the year	2,013	27,353	3,803	944	34,113
Eliminated on disposals	–	–	(1)	(37)	(38)
Reclassification	–	(145)	145	–	–
	<u>–</u>	<u>(145)</u>	<u>145</u>	<u>–</u>	<u>–</u>
At 31st December, 2012	8,349	212,420	54,937	17,935	293,641
Exchange realignment	–	497	250	3	750
Provided for the year	2,436	57,709	6,099	688	66,932
Eliminated on disposals	–	–	(9)	(3,887)	(3,896)
Transfer to assets classified as held for sale (note 24)	–	(23,623)	(5,193)	(597)	(29,413)
	<u>–</u>	<u>(23,623)</u>	<u>(5,193)</u>	<u>(597)</u>	<u>(29,413)</u>
At 31st December, 2013	<u>10,785</u>	<u>247,003</u>	<u>56,084</u>	<u>14,142</u>	<u>328,014</u>
CARRYING AMOUNTS					
At 31st December, 2013	<u>66,067</u>	<u>2,272,809</u>	<u>40,244</u>	<u>2,441</u>	<u>2,381,561</u>
At 31st December, 2012	<u>68,503</u>	<u>2,422,076</u>	<u>43,698</u>	<u>2,828</u>	<u>2,537,105</u>

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

14. 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:

	2013 HK\$'000	2012 HK\$'000	
In Hong Kong			
On long leases	849,634	857,929	
Under medium-term leases	1,367,549	1,410,282	
In Macau under medium-term leases	–	98,026	
In the PRC under medium-term leases	55,626	55,839	
	<u>2,272,809</u>	<u>2,422,076</u>	
	Furniture, fixtures and equipment HK\$'000	Motor vehicles and vessels HK\$'000	Total HK\$'000
THE COMPANY			
COST			
At 1st January, 2012	692	3,443	4,135
Additions	24	2,750	2,774
Disposals	(14)	–	(14)
At 31st December, 2012	702	6,193	6,895
Additions	48	–	48
Disposals	–	(2,687)	(2,687)
At 31st December, 2013	750	3,506	4,256
DEPRECIATION			
At 1st January, 2012	646	3,327	3,973
Provided for the year	22	351	373
Eliminated on disposals	(1)	–	(1)
At 31st December, 2012	667	3,678	4,345
Provided for the year	17	581	598
Eliminated on disposals	–	(2,687)	(2,687)
At 31st December, 2013	684	1,572	2,256
CARRYING AMOUNTS			
At 31st December, 2013	66	1,934	2,000
At 31st December, 2012	35	2,515	2,550

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

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%

15. PREPAID LEASE PAYMENTS FOR LAND

The prepaid lease payments comprise:

	THE GROUP	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Land in Macau on medium-term leases	–	25,537
Land in the PRC on medium-term leases	35,936	36,142
	35,936	61,679
Analysed for reporting purposes as:		
Non-current asset	35,014	60,177
Current asset	922	1,502
	35,936	61,679

16. INVESTMENT PROPERTIES

	THE GROUP	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
FAIR VALUE		
At the beginning of the year	2,925,100	2,626,880
Increase in fair value recognised in profit or loss	299,213	298,220
Adjustment on construction costs in prior year	(313)	–
Transfer to assets classified as held for sale (note 24)	(160,000)	–
At the end of the year	3,064,000	2,925,100

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

16. INVESTMENT PROPERTIES (Continued)

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Land and buildings in Hong Kong on land held:		
On long leases	2,808,000	2,535,000
Under medium-term leases	256,000	224,900
Land and buildings in Macau held under medium-term leases	–	165,200
	<u>3,064,000</u>	<u>2,925,100</u>

The fair value of the Group's investment properties at 31st December, 2013 has been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited and Dudley Surveyors Limited, independent qualified professional valuers not connected with the Group. The valuation reports on these properties are signed by directors of DTZ Debenham Tie Leung Limited and Dudley Surveyors Limited who are members of The Hong Kong Institute of Surveyors, and were arrived at by adopting the income capitalisation method and/or by making reference to comparable sales transactions as available in the market to assess the market value of the investment properties.

The fair value of the Group's investment properties at 31st December, 2012 had 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 was signed by a director of Dudley Surveyors Limited who was a member of The Hong Kong Institute of Surveyors, and was arrived at by adopting the direct comparison approach making reference to the recent transactions of similar properties in similar location and condition under the prevailing market conditions.

The investment properties of the Group with an aggregate carrying amount of approximately HK\$3,064 million (2012: HK\$2,925 million) were rented out under operating leases at the end of the reporting period.

In view of limited direct market comparable transactions and the properties are held for investment, the valuers consider that it is more appropriate to change the valuation method from direct comparison approach to income capitalisation method in the current year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The income capitalisation approach estimates the values of the properties on an open market basis by capitalising rental income on a fully leased basis having regard to the current passing rental income from existing tenancies and potential future reversionary income at the market level. In this valuation method, the rental income is divided into a current passing rental income over the existing lease and a potential future reversionary rental income over the residual land lease period. The term value involves the capitalisation of the current passing rental income over the existing lease term. The reversionary value is taken to be current market rental income upon the expiry of the lease and is capitalised on a fully leased basis. In this approach, the valuers have considered the term yield and reversionary yield. The term yield is used for capitalisation of the current passing rental income as at the date of valuation whilst the reversionary yield is used to convert reversionary rental income.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

16. INVESTMENT PROPERTIES (Continued)

Key inputs used to determine fair values are as follows:

(a) Capitalisation rate

It is estimated based on market lease over market value on comparables. The higher the capitalisation rates used, the lower the fair values of the investment properties. The market capitalisation rates of 3.54%, 4%, 3% and 3.5% are adopted for King's Road 633, Shun Ho Tower, shops of hotels located in Hong Kong and shop of hotel located in Macau respectively.

(b) Market rent

It is estimated based on the market lease comparable. The higher the market rent used, the higher the fair values of the investment properties. The average monthly rental of HK\$24.5, HK\$35, ranging from HK\$60 to HK\$68, and HK\$27 per square feet are adopted for King's Road 633, Shun Ho Tower, shops of hotels located in Hong Kong and shop of hotel located in Macau respectively.

Details of the Group's investment properties and information about the fair value hierarchy as at 31st December, 2013 are as follows:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Fair value as at 31st December, 2013 HK\$'000
Commercial property units located in Hong Kong and Macau	—	—	3,064,000	3,064,000

There were no transfers into or out of Level 3 during the year.

17. PROPERTIES UNDER DEVELOPMENT

	THE GROUP	
	2013 HK\$'000	2012 HK\$'000
At cost		
At the beginning of the year	237,338	1,517,390
Additions	25,938	134,934
Transferred to property, plant and equipment	—	(1,414,986)
At the end of the year	<u>263,276</u>	<u>237,338</u>

Included in the carrying amount of the properties under development at 31st December, 2013 are interest expenses of HK\$12,109,000 (2012: HK\$9,197,000) capitalised. The Group's properties under development are situated on leasehold land in Hong Kong on long leases and are mainly held for hotel development purpose.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

18. INVESTMENTS IN/AMOUNTS DUE FROM SUBSIDIARIES

	THE COMPANY	
	2013 HK\$'000	2012 HK\$'000
INVESTMENTS IN SUBSIDIARIES		
Unlisted shares, at cost, including deemed capital contribution in subsidiaries	<u>456,512</u>	<u>427,343</u>
AMOUNTS DUE FROM SUBSIDIARIES LESS ALLOWANCE RECOGNISED		
Amounts due from subsidiaries	1,921,439	1,788,457
Less: Impairment loss recognised	<u>(25,675)</u>	<u>(25,675)</u>
	<u>1,895,764</u>	<u>1,762,782</u>

The amounts due from subsidiaries are unsecured with no fixed repayment terms. In the opinion of the directors, the amounts will not be repayable within the next twelve months from the end of the reporting period, and accordingly classified as non-current. Such amounts to the extent of approximately HK\$1,437 million (2012: HK\$1,228 million) carry interests chargeable at 5% (2012: 5%) per annum with the remaining balance being interest-free. The interest-free amount is measured at amortised cost using the effective interest method, less any identified impairment losses. The carrying amounts of amounts due from subsidiaries are reduced by approximately HK\$21 million (2012: HK\$52 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 4.62% (2012: 4.61%) per annum.

Particulars regarding the principal subsidiaries at 31st December, 2013 and 2012 are set out in note 34.

19. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP	
	2013 HK\$'000	2012 HK\$'000
Listed equity securities in Hong Kong at fair value (Note a)	216,406	185,083
Unlisted equity investments (Note b)	<u>780</u>	<u>780</u>
	<u>217,186</u>	<u>185,863</u>

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

19. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

	THE COMPANY	
	2013	2012
	HK\$'000	HK\$'000
Unlisted equity investments (Note b)	780	780

Notes:

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

The Group's non-current equity securities listed in Hong Kong include approximately 12.69% (2012: 12.69%) interest in Shun Ho Technology and approximately 20.57% (2012: 20.57%) interest in Shun Ho Resources, both are public companies incorporated and listed in Hong Kong.

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

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

20. TRADE AND OTHER RECEIVABLES

Except for a credit period of 30 to 60 days granted to travel agencies and 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	
	2013	2012
	HK\$'000	HK\$'000
Not yet due	20,210	25,883
Overdue:		
0-30 days	2,338	2,547
31-60 days	164	456
61-90 days	13	195
	22,725	29,081

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

20. TRADE AND OTHER RECEIVABLES (Continued)

	THE GROUP	
	2013	2012
	HK\$'000	HK\$'000
Analysed for reporting as:		
Trade receivables	22,725	29,081
Other receivables	1,130	1,493
	<u>23,855</u>	<u>30,574</u>

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit rating limits. 89% (2012: 89%) 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\$2,515,000 (2012: HK\$3,198,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss, by taking into account the past default experience. The Group does not hold any collateral over these balances.

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

Aging of trade receivables which are past due but not impaired

	THE GROUP	
	2013	2012
	HK\$'000	HK\$'000
Overdue:		
0-30 days	2,338	2,547
31-60 days	164	456
61-90 days	13	195
Total	<u>2,515</u>	<u>3,198</u>

21. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

THE GROUP

At 31st December, 2012, the pledged bank deposits carried interest at prevailing deposit interest rate at 0.01% per annum and represented deposits pledged to a bank to secure short-term banking facilities granted to the Group. The pledged was released during the year.

Bank balances carry interest at prevailing deposit interest rates ranging from 0.001% to 1.5% (2012: 0.001% to 1.2%) per annum.

THE COMPANY

Bank balances carry interest at prevailing deposit interest rate at 0.001% (2012: 0.001%) per annum.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

22. AMOUNTS DUE TO SUBSIDIARIES

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

23. 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	
	2013	2012
	HK\$'000	HK\$'000
0-30 days	2,349	3,923
31-60 days	190	349
61-90 days	54	501
	<u>2,593</u>	<u>4,773</u>
Analysed for reporting as:		
Trade payables	2,593	4,773
Other payables and accruals (Note)	<u>28,584</u>	<u>55,091</u>
	<u>31,177</u>	<u>59,864</u>

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\$7,193,000 (2012: HK\$32,019,000).

24. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

On 20th December, 2013, the Group entered into an agreement with an independent third party for the disposal of entire equity interest in Himson Enterprises Limited ("Himson") and Longham Investment Limited ("Longham"), the wholly-owned subsidiaries incorporated in the BVI, together with shareholder's loans of Himson and Longham due to the Group for an aggregate consideration of HK\$900,000,000 (the "Disposal"). Himson and Longham hold 70% and 30% interests in Grand-Invest & Development Company Limited ("Grand Invest"), a company incorporated in Macau respectively and its principal activities are property investment and operation of Best Western Hotel Taipa, Macau. The Disposal is expected to be completed within twelve months from the end of the current reporting period. The Group has already received HK\$180,000,000 as deposit and included in liabilities associated with assets classified as held for sale.

Upon completion of the Disposal, it is estimated that the proceeds of the Disposal would exceed the carrying amount of the net assets, and accordingly, no impairment loss has been recognised on the assets which was classified as assets held for sale during the year.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

24. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

The major classes of assets and liabilities of Himson and Longham classified as held for sale are as follows:

	2013 HK\$'000
Property, plant and equipment (Note a)	95,529
Prepaid lease payments for land (Note a)	24,846
Investment properties (Note a)	160,000
Inventories	192
Trade and other receivables (Note b)	4,525
Other deposits and prepayments	358
Bank balances and cash	5,110
	<u>290,560</u>
Total assets classified as held for sale	<u>290,560</u>
Trade and other payable and accruals (Note b)	4,051
Rental and other deposits received	182,210
Tax liabilities	3,572
Deferred tax liabilities	12,197
	<u>202,030</u>
Total liabilities associated with assets classified as held for sale	<u>202,030</u>

Notes:

- (a) Property, plant and equipment, prepaid lease payments for land and investment properties are held under medium-term lease in Macau.
- (b) Trade receivables and trade payables presented based on the invoice date at the end of the reporting period. The trade receivables are not yet due while the trade payables are aged 0-30 days.

At 31st December, 2013, the shareholder's loans due to the Group, amounted to HK\$28,687,000, was eliminated in full on consolidation.

25. BANK LOANS

	THE GROUP	
	2013	2012
	HK\$'000	HK\$'000
Secured bank loans	<u>676,325</u>	<u>1,074,411</u>
Carrying amounts of bank loans that contain a repayment on demand clause:		
Repayable within one year from the end of the reporting period shown under current liabilities	284,592	298,928
Not repayable within one year from the end of the reporting period shown under current liabilities	<u>391,733</u>	<u>775,483</u>
Amounts shown under current liabilities	<u>676,325</u>	<u>1,074,411</u>

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% (2012: HIBOR plus a margin of approximately 2%) 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% (2012: 2.1%) per annum.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

26. SHARE CAPITAL

	Number of shares 2013 & 2012 '000	Nominal value 2013 & 2012 HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At the beginning of the year and the end of the year	<u>80,000,000</u>	<u>800,000</u>
Issued and fully paid:		
At the beginning of the year and the end of the year	<u>8,947,051</u>	<u>89,471</u>

27. SHARE PREMIUM AND RESERVES

	Share premium HK\$'000	Special capital reserve HK\$'000 (Note)	Retained profits HK\$'000	Total HK\$'000
THE COMPANY				
At 1st January, 2012	752,455	612,477	434,636	1,799,568
Profit for the year	–	–	257,028	257,028
Final dividend for the year ended 31st December, 2011 paid	–	–	(26,841)	(26,841)
Interim dividend for the period ended 30th June, 2012 paid	–	–	(13,421)	(13,421)
	<u>752,455</u>	<u>612,477</u>	<u>651,402</u>	<u>2,016,334</u>
At 31st December, 2012	752,455	612,477	651,402	2,016,334
Profit for the year	–	–	161,010	161,010
Final dividend for the year ended 31st December, 2012 paid	–	–	(44,735)	(44,735)
Interim dividend payable for the period ended 30th June, 2013	–	–	(17,894)	(17,894)
	<u>752,455</u>	<u>612,477</u>	<u>749,783</u>	<u>2,114,715</u>
At 31st December, 2013	<u>752,455</u>	<u>612,477</u>	<u>749,783</u>	<u>2,114,715</u>

Note: When sanctioning the reduction in the nominal value of the Company's shares in 1999, the High Court of the Hong Kong Special Administrative Region stipulated that the credit arising on the reduction be transferred to a special capital reserve, and that the reserve, which may be reduced by any increase in the issued share capital and share premium of the Company resulting from an issue of shares for cash or other new consideration or upon a capitalisation of distributable reserves, is not regarded as realised profit and distributable until all of the liabilities of the Company as at 22nd September, 1999, the date on which the reduction of share capital took effect, are settled. The liabilities of the Company at that date have not yet been fully settled at 31st December, 2013, accordingly the special capital reserve was not considered distributable.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

28. DEFERRED TAX LIABILITIES/ASSET

The following are the deferred tax liabilities (asset) recognised and movements thereon during the current and prior reporting periods:

THE GROUP

	Business combination HK\$'000	Fair value of investment properties HK\$'000	Accelerated tax depreciation HK\$'000	Withholding tax HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1st January, 2012	35,997	4,945	62,531	1,257	(16,895)	87,835
(Credit) charge to profit or loss	(952)	1,680	12,375	165	714	13,982
At 31st December, 2012	35,045	6,625	74,906	1,422	(16,181)	101,817
(Credit) charge to profit or loss	(952)	(625)	16,924	59	2,958	18,364
Disposal of a subsidiary (note 35)	–	–	(364)	–	707	343
Transfer to liabilities associated with assets classified as held for sale (note 24)	(6,167)	(6,000)	(30)	–	–	(12,197)
At 31st December, 2013	27,926	–	91,436	1,481	(12,516)	108,327

At the end of the reporting period, the Group has unused tax losses of HK\$100,805,000 (2012: HK\$123,542,000) available to offset against future profits. A deferred tax asset has been recognised in respect of such losses to the extent of HK\$75,854,000 (2012: HK\$98,067,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$24,951,000 (2012: HK\$25,475,000) due to the unpredictability of future profit streams. All the unrecognised tax losses may be carried forward indefinitely.

THE COMPANY

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1st January, 2012	11	(3,250)	(3,239)
Charge to profit or loss	255	3,250	3,505
At 31st December, 2012	266	–	266
Charge to profit or loss	19	–	19
At 31st December, 2013	285	–	285

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

29. PROJECT/CAPITAL COMMITMENTS

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

	2013 HK\$'000	2012 HK\$'000
(a) Property development expenditure	<u>114,535</u>	<u>8,023</u>
(b) Acquisition of property, plant and equipment	<u>-</u>	<u>285</u>

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

30. OPERATING LEASE COMMITMENTS

The Group as lessor

Rental income from investment properties earned during the year amounted to HK\$105,801,000 (2012: HK\$100,415,000). 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:

	2013 HK\$'000	2012 HK\$'000
Within one year	103,175	96,611
More than one year but not more than five years	<u>142,669</u>	<u>37,919</u>
	<u>245,844</u>	<u>134,530</u>

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:

	2013 HK\$'000	2012 HK\$'000
Within one year	898	937
More than one year but not more than five years	<u>133</u>	<u>717</u>
	<u>1,031</u>	<u>1,654</u>

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

31. CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

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

(a) Contingent liabilities

Guarantees issued by the Company to banks for its subsidiaries amounted to approximately HK\$846 million (2012: HK\$1,204 million), which were utilised to the extent of approximately HK\$676 million (2012: HK\$1,074 million), of which HK\$22,490,000 (2012: HK\$34,667,000) was recognised in the Company's statement of financial position as financial guarantee contracts included in other payables.

(b) Pledge of assets

- (i) investment properties, properties under development and property, plant and equipment of the Group with carrying amounts of approximately HK\$2,272 million (2012: HK\$2,004 million), HK\$263 million (2012: HK\$237 million), and HK\$2,070 million (2012: HK\$2,116 million), respectively;
- (ii) pledge of shares in and subordination of loans due from subsidiaries with an aggregate carrying amount of approximately HK\$1,294 million (2012: HK\$1,114 million);
- (iii) assignment of the Group's rentals and hotel revenue respectively; and
- (iv) bank deposits with a carrying amount of nil (2012: HK\$110,000).

32. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in funds under the control of trustees. The Group contributes 5% of relevant payroll costs (limited to HK\$15,000 (2012: HK\$13,750) 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\$4,031,000 (2012: HK\$3,445,000).

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

33. RELATED PARTY TRANSACTIONS

Other than those disclosed in respective notes to the consolidated financial statements, the Group and the Company had the following transactions and balances with related parties during the year:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
THE GROUP		
Shun Ho Technology and its subsidiaries*		
Rental expenses	1,040	1,040
Interest expenses on advance to the Group (<i>Note a</i>)	2,772	4,689
Corporate management fee income for administrative facilities provided	3,074	2,346
Dividend	44,524	28,623
Sale proceeds from disposal of partial interest in a subsidiary (<i>Note f</i>)	113,077	–
Shun Ho Resources		
Corporate management fee income for administrative facilities provided	100	100
Interest expenses on advance to the Group (<i>Note d</i>)	227	–
Sale proceeds from disposal of partial interest in a subsidiary (<i>Note f</i>)	31,662	–
Trillion Resources		
Interest expenses on advance to the Group (<i>Note e</i>)	693	2,132
Compensation of key management personnel (<i>Note g</i>)	9,320	6,206
	<u>2013</u> <i>HK\$'000</i>	<u>2012</u> <i>HK\$'000</i>

THE GROUP

Shun Ho Technology and its subsidiaries*		
Advance due by the Group at the end of the reporting period (<i>Note a</i>)	76,557	144,161
Advance due by the Group at the end of the reporting period (<i>Note c</i>)	4,745	4,745
Shun Ho Resources		
Advance due by the Group at the end of the reporting period (<i>Note d</i>)	5,973	–
Trillion Resources		
Advance due by the Group at the end of the reporting period (<i>Note e</i>)	405	51,072

* exclude the Company and its subsidiaries

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

33. RELATED PARTY TRANSACTIONS (Continued)

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
THE COMPANY		
Shun Ho Technology		
Advance due by the Company at the end of the reporting period (<i>Note b</i>)	<u>55,223</u>	<u>144,161</u>

Notes:

- (a) The advance amounted to HK\$21,334,000 (2012: nil) carries fixed interest at 5% (2012: nil) per annum and repayable on demand. The advance amounted to HK\$12,721,000 (2012: nil) is interest-free and repayable on 18th July, 2014. The remaining advance from the immediate holding company carries interest at HIBOR plus 4% (2012: HIBOR plus 4%) per annum and repayable on demand. The advance from immediate holding company is unsecured.
- (b) Except for the advance amounted to HK\$12,721,000 (2012: nil), which is interest-free and repayable on 18th July, 2014, the remaining advance from the immediate holding company carries interest at HIBOR plus 4% per annum and repayable on demand.
- (c) The amount is unsecured, interest-free and repayable on demand.
- (d) The advance from an intermediate holding company is unsecured, carries fixed interest at 5% per annum and repayable on demand.
- (e) The advance from ultimate holding company is unsecured, carries interest at HIBOR plus 4% (2012: HIBOR plus 4%) per annum and repayable on demand.
- (f) During the year, the Group has disposed of 25% and 7% equity interest of its wholly-owned subsidiary to its immediate holding company and intermediate holding company respectively.
- (g) The compensation of key management personnel comprised short-term and post employment benefits attributable to such personnel.

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Short-term benefits	9,290	6,178
Post-employment benefits	<u>30</u>	<u>28</u>
	<u>9,320</u>	<u>6,206</u>

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES

All the principal subsidiaries are incorporated and operating principally in Hong Kong except otherwise indicated. None of the subsidiaries had any debt securities outstanding at 31st December, 2013 or at any time during the year.

Name of subsidiary	Paid up issued ordinary share/ registered capital		Proportion of nominal value of issued ordinary share/ registered capital held by				Principal activities
	Number of shares	Par value	2013		2012		
			Company %	Subsidiaries %	Company %	Subsidiaries %	
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
Boutique Hotel Limited	2	HK\$1	100	–	100	–	Hotel investment and operation
Grand-Invest (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 (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 (“Joes River”)	2	HK\$1	–	–	100	–	Property trading
Longham Investment Limited	2	HK\$1	100	–	100	–	Investment holding
Longham (i)	1	US\$1	–	100	–	100	Investment holding
Magnificent International Hotel Limited	2	HK\$1	100	–	100	–	Hotel investment and operation
Mercury Fast Limited	2	HK\$1	100	–	100	–	Securities dealings and investment holding
New Champion Developments Limited (i)	1	US\$1	–	100	–	100	Vessel leasing
Shanghai Shun Ho (Lands Development) Limited (i)	1	US\$1	100	–	100	–	Investment holding
上海順豪房地產發展有限公司 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
Sino Money Investments Limited	10,000	HK\$1	–	100	–	100	Property development
Tennyland Limited	2	HK\$10	–	100	–	100	Property investment
Trans-Profit Limited (“Trans-Profit”)	1,000,000	HK\$1	–	68	–	100	Property investment
United Assets Company Limited	2,000,000	HK\$1	–	100	–	100	Hotel investment and operation and investment holding

(i) Incorporated in the BVI and have no operation in Hong Kong.

(ii) Incorporated and operating in Macau.

(iii) Sino foreign co-operative joint venture established and operating principally in the PRC.

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Details of non-wholly owned subsidiary that have material non-controlling interest

The table below shows details of non-wholly owned subsidiary of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2013	2012	2013	2012	2013	2012
				HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trans-Profit	Hong Kong	32%	–	3,361	–	144,539	–

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interest is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Trans-Profit	2013 HK\$'000	2012 HK\$'000
Current assets	<u>818</u>	<u>1,259</u>
Non-current assets	<u>569,006</u>	<u>559,009</u>
Current liabilities	<u>93,079</u>	<u>100,015</u>
Non-current liabilities	<u>7,193</u>	<u>7,943</u>
Equity attributable to owners of Trans-Profit	<u>469,552</u>	<u>452,310</u>

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Revenue, other income and gains and increase in fair value of investment properties	<u>32,570</u>	<u>92,407</u>
Expenses	<u>12,728</u>	<u>12,736</u>
Profit and total comprehensive income for the year	<u>19,842</u>	<u>79,671</u>
Profit and total comprehensive income attributable to owners of Trans-Profit	<u>19,842</u>	<u>79,671</u>
Dividend paid to owners of the Company	<u>2,600</u>	<u>–</u>
Net cash inflow from operating activities	<u>11,110</u>	<u>13,326</u>
Net cash outflow from investing activities	<u>(50)</u>	<u>(592)</u>
Net cash outflow from financing activities	<u>(11,699)</u>	<u>(11,724)</u>
Net cash (outflow) inflow	<u>(639)</u>	<u>1,010</u>

Change in ownership interest in a subsidiary

During the year, the Group disposed of 25% and 7% of its interest in Trans-Profit to the Company's immediate and intermediate holding company, Shun Ho Technology and Shun Ho Resources respectively, reducing its controlling interest to 68%. The total proceeds on disposal was HK\$144,739,000. An amount of HK\$141,178,000 (being the proportionate share of the carrying amount of the net assets of Trans-Profit) has been transferred to non-controlling interests.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

35. DISPOSAL OF A SUBSIDIARY

On 10th January, 2013, the Group entered into an agreement with an independent third party for the disposal of the entire issued share capital of Joes River, the wholly-owned subsidiary, together with the shareholder's loan of Joes River due to the Company for an aggregate consideration of HK\$63,000,000. The principal activity of Joes River is property trading in Hong Kong. The disposal is completed during the year.

The major classes of assets and liabilities of Joes River over which control was lost are as follows:

	2013 HK\$'000
Deferred tax asset	343
Properties held for sale	21,650
	<hr/>
Net assets disposed of	21,993
	<hr/> <hr/>
<i>Gain on disposal of a subsidiary</i>	
	2013 HK\$'000
Net consideration received	62,133
Net assets disposed of	(21,993)
	<hr/>
Gain on disposal	40,140
	<hr/> <hr/>

Joes River has no cash flows during the current and prior year.

36. MAJOR NON-CASH TRANSACTION

Sale proceeds from the disposal of partial interest in a subsidiary with the amounts of HK\$113,077,000 and 31,662,000 during the year are recognised by the Group through advances from immediate holding company and an intermediate holding company.

37. 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 include the advances from immediate holding company, an intermediate holding company, ultimate holding company and a fellow subsidiary disclosed in note 33, bank loans disclosed in note 25 (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 debts.

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

38. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

THE GROUP

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Financial assets		
Loans and receivables (including cash and cash equivalents)	342,993	215,809
Available-for-sale investments	217,186	185,863
	<u>560,179</u>	<u>401,672</u>
Financial liabilities		
Amortised cost	<u>788,271</u>	<u>1,322,900</u>

THE COMPANY

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Financial assets		
Loans and receivables (including cash and cash equivalents)	2,099,010	1,863,662
Available-for-sale investments	780	780
	<u>2,099,790</u>	<u>1,864,442</u>
Financial liabilities		
Amortised cost	330,548	150,572
Financial guarantee contracts	16,061	34,667
	<u>346,609</u>	<u>185,239</u>

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

38. 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 Company is exposed to fair value interest rate risk in relation to certain amounts due from its subsidiaries which carried fixed rate. The Group is exposed to fair value interest rate risk in relation to advance from immediate holding company and an intermediate holding company carried fixed rate.

The Group and the Company are exposed to cash flow interest rate risk in relation to pledged bank deposits, bank balances, advances from immediate holding company 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 immediate holding company 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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

38. 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 immediate holding company and ultimate holding company, and bank loans at the end of the reporting period. For floating-rate financial instruments, the analysis is prepared assuming the amount of financial instruments are outstanding for the whole year. A 50 basis points increase or decrease is used 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, 2013 would decrease/increase by HK\$2,584,000 (2012: HK\$4,883,000). 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 sensitivity analysis for the Company below have been determined based on the exposure to interest rates for non-derivative instruments including advance from immediate holding company at the end of the reporting period. For floating-rate financial instruments, the analysis is prepared assuming the amount of financial instruments are outstanding for the whole year.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's profit for the year ended 31st December, 2013 would decrease/increase by HK\$177,000 (2012: HK\$602,000). This is mainly attributable to the Company's exposure to interest rates on its floating rate from advance from immediate holding company at the end of the reporting period.

(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, 2013 would increase/decrease by HK\$21,641,000 (2012: HK\$18,508,000) 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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

38. 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, 2013 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position and the Company's statement of financial position, respectively. For the Company's maximum exposure to credit risk, exposure is also arising from the amount of contingent liabilities as detailed in note 31(a).

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 credit risk on the financial guarantee issued by the Company in respect of the facilities granted to its subsidiaries is minimal because the directors of the Company consider that the banking facilities are also secured by the pledged investment properties, properties under development and property, plant and equipment of the Group.

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

(v) Liquidity risk management

The Group had net current liabilities of approximately HK\$392 million (2012: HK\$1,128 million) at 31st December, 2013 which include bank loans and advances from immediate holding company, an intermediate holding company and ultimate holding company of approximately HK\$676 million, HK\$77 million, HK\$6 million and HK\$1 million (2012: HK\$1,074 million, HK\$144 million, nil and HK\$51 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\$846 million (2012: HK\$1,204 million), which was utilised to the extent of approximately HK\$676 million (2012: HK\$1,074 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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

38. FINANCIAL INSTRUMENTS (Continued)

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

(v) Liquidity risk management (Continued)

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 consider 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.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities based on agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

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

THE GROUP

	Weighted average effective interest rate %	On demand or less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
2013							
Non-interest bearing	-	23,838	-	17,894	-	41,732	41,732
Bank loans – variable interest rate	1.60	676,325	-	-	-	676,325	676,325
Other variable interest rate instruments	4.20	42,907	-	-	-	42,907	42,907
Fixed interest rate instruments	5.00	27,307	-	-	-	27,307	27,307
		770,377	-	17,894	-	788,271	788,271
Non-interest bearing (rental deposits received)	-	958	2,730	7,347	25,762	36,797	36,797
		771,335	2,730	25,241	25,762	825,068	825,068

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

38. FINANCIAL INSTRUMENTS (Continued)

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

(v) Liquidity risk management (Continued)

THE GROUP (Continued)

	Weighted average effective interest rate %	On demand or less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
2012							
Non-interest bearing	-	49,376	-	3,880	-	53,256	53,256
Bank loans – variable interest rate	1.60	1,074,411	-	-	-	1,074,411	1,074,411
Other variable interest rate instruments	4.30	195,233	-	-	-	195,233	195,233
		<u>1,319,020</u>	<u>-</u>	<u>3,880</u>	<u>-</u>	<u>1,322,900</u>	<u>1,322,900</u>
Non-interest bearing (rental deposits received)	-	1,144	-	8,391	22,625	32,160	32,160
		<u>1,320,164</u>	<u>-</u>	<u>12,271</u>	<u>22,625</u>	<u>1,355,060</u>	<u>1,355,060</u>

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. 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 agreements.

Maturity Analysis – Term loans subject to a repayment on demand clause based on scheduled repayments

	Less than 1 month HK\$'000	1 – 3 months HK\$'000	3 months to 1 year HK\$'000	1 – 5 years HK\$'000	Total undiscounted cash flows HK\$'000
2013	<u>4,294</u>	<u>9,887</u>	<u>279,044</u>	<u>407,798</u>	<u>701,023</u>
2012	<u>4,400</u>	<u>7,918</u>	<u>304,837</u>	<u>806,976</u>	<u>1,124,131</u>

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

38. FINANCIAL INSTRUMENTS (Continued)

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

(v) Liquidity risk management (Continued)

The Company had net current liabilities of approximately HK\$157 million (2012: HK\$87 million) at 31st December, 2013, which include advance from immediate holding company of approximately HK\$55 million (2012: HK\$144 million). The directors of the Company consider that sufficient internal financial resources can be obtained from its subsidiaries, and accordingly, the directors of the Company are of the opinion that the Company's liquidity risk is minimal.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities 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.

THE COMPANY

	Weighted average effective interest rate %	On demand or less than 1 month HK\$'000	1 – 3 months HK\$'000	3 months to 1 year HK\$'000	1 – 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
2013							
Non-interest bearing	-	270,152	-	17,894	-	288,046	288,046
Variable interest rate instruments	4.20	42,502	-	-	-	42,502	42,502
Financial guarantee	-	846,325	-	-	-	846,325	16,061
		<u>1,158,979</u>	<u>-</u>	<u>17,894</u>	<u>-</u>	<u>1,176,873</u>	<u>346,609</u>

	Weighted average effective interest rate %	On demand or less than 1 month HK\$'000	1 – 3 months HK\$'000	3 months to 1 year HK\$'000	1 – 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
2012							
Non-interest bearing	-	2,531	-	3,880	-	6,411	6,411
Variable interest rate instruments	4.30	144,161	-	-	-	144,161	144,161
Financial guarantee	-	1,204,411	-	-	-	1,204,411	34,667
		<u>1,351,103</u>	<u>-</u>	<u>3,880</u>	<u>-</u>	<u>1,354,983</u>	<u>185,239</u>

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31st December, 2013

38. FINANCIAL INSTRUMENTS (Continued)

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

(v) Liquidity risk management (Continued)

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

(c) Fair values of financial instruments

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

- the fair values of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices;
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair values of financial guarantee contracts are determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default.

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial asset	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)
	2013 HK\$'000	2012 HK\$'000		
Listed equity securities classified as available-for-sale investments	216,406	185,083	Level 1	Quoted bid prices in an active market

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

Financial Summary

CONSOLIDATED RESULTS

	For the year ended 31st December,				
	2009 <i>HK\$'000</i> (Restated)	2010 <i>HK\$'000</i> (Restated)	2011 <i>HK\$'000</i> (Restated)	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Revenue	249,506	304,595	401,648	520,503	688,736
Operating profit and profit before taxation	167,430	497,845	525,332	584,729	688,645
Income tax expense	(13,293)	(23,990)	(37,513)	(48,382)	(62,514)
Profit before non-controlling interests	154,137	473,855	487,819	536,347	626,131
Non-controlling interests	–	–	–	–	(3,361)
Profit for the year	154,137	473,855	487,819	536,347	622,770

CONSOLIDATED NET ASSETS

	At 31st December,				
	2009 <i>HK\$'000</i> (Restated)	2010 <i>HK\$'000</i> (Restated)	2011 <i>HK\$'000</i> (Restated)	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Property, plant and equipment	727,051	730,392	1,133,012	2,537,105	2,381,561
Prepaid lease payments for land	60,182	60,767	61,049	60,177	35,014
Investment properties	1,987,790	2,328,850	2,626,880	2,925,100	3,064,000
Properties under development	1,545,202	1,680,680	1,517,390	237,338	263,276
Other non-current assets	108,559	159,010	131,522	185,863	217,186
Net current liabilities	(1,145,646)	(1,164,597)	(1,213,320)	(1,127,774)	(391,974)
Non-current rental deposits received	(18,102)	(18,888)	(26,993)	(22,625)	(25,762)
Non-current mandatory convertible bonds liability	(11,193)	–	–	–	–
Deferred tax liabilities	(71,564)	(74,293)	(87,835)	(101,817)	(108,327)
Non-controlling interests	–	–	–	–	(144,539)
Net assets attributable to owners of the Company	3,182,279	3,701,921	4,141,705	4,693,367	5,290,435

Summary of Major Properties

At 31st December, 2013

A. HOTEL PROPERTIES

Location	Type of use	Approx. gross floor area (sq.m.)	Lease term	Group's attributable interest
Ramada Hong Kong Hotel No. 308 Des Voeux Road West Hong Kong	Hotel	14,402	Long lease	100%
Ramada Hotel Kowloon Nos. 73-75 Chatham Road South Tsimshatsui, Kowloon	Hotel	7,767	Medium-term lease	100%
Best Western Hotel Taipa, Macau Estrada Governador Nobre Carvalho No. 822 Taipa, Macau SAR	Hotel	19,479	Medium-term lease	100%
Magnificent International Hotel No. 381 Xizang Road South Shanghai, The PRC	Hotel	10,522	Medium-term lease	100%
Best Western Hotel Causeway Bay No. 38 Bowrington Road Causeway Bay Hong Kong	Hotel	5,865	Medium-term lease	100%
Best Western Hotel Harbour View No. 239 Queen's Road West Hong Kong	Hotel	8,863	Long lease	100%
Best Western Grand Hotel No. 23 Austin Avenue Tsimshatsui Kowloon, Hong Kong	Hotel	8,547	Medium-term lease	100%

Summary of Major Properties (Continued)

At 31st December, 2013

B. PROPERTIES HELD FOR INVESTMENT

Location	Type of use	Approx. gross floor area (sq.m.)	Lease term	Group's attributable interest
Shun Ho Tower Nos. 24-30 Ice House Street Central, Hong Kong	Commercial	5,130	Long lease	100%
No. 633 King's Road North Point, Hong Kong	Commercial	24,023	Long lease	100%

C. PROPERTY UNDER DEVELOPMENT

Location	Type of use	Approx. gross floor area (sq.ft.)	Approx. site area (sq.ft.)	Stage of completion at 31st December, 2013	Expected date of completion	Lease term	Group's attributable interest
No. 338 Queen's Road West Hong Kong	Hotel	60,000	4,890	Superstructure construction in progress	2014	Long lease	100%

Summary of Major Properties Valuation

At 31st December, 2013

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



DTZ

16/F, 1063 King's Road,
Quarry Bay, Hong Kong
Telephone: +852 2507 0507
www.dtz.com

19th February, 2014

The Directors
Magnificent Estates Limited
3/F, Shun Ho Tower
24-30 Ice House Street
Central
Hong Kong

Dear Sirs,

- Re:
1. Shun Ho Tower, Nos. 24-30 Ice House Street, Central, Hong Kong.
 2. Ramada Hotel Kowloon, Nos. 73-75 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong.
 3. Ramada Hong Kong Hotel, No. 308 Des Voeux Road West, Hong Kong.
 4. Best Western Hotel Causeway Bay, No. 38 Bowrington Road, Causeway Bay, Hong Kong.
 5. Best Western Grand Hotel, No. 23 Austin Avenue, Tsim Sha Tsui, Kowloon, Hong Kong.
 6. Best Western Hotel Harbour View, No. 239 Queen's Road West, Hong Kong.
 7. Magnificent International Hotel, No. 381 Xizang Road South (Lot No. 5-1), Huang Pu District, Shanghai, The PRC.
 8. Best Western Hotel Taipa, Macau, Estrada Governador Nobre De Carvalho No. 822, Taipa, Macau.
 9. No. 338 Queen's Road West, Hong Kong.
 10. Lot No. 64 in Demarcation District No. 251, Sai Kung, New Territories, Hong Kong.
 11. House No. 3, Aegean Villa, No. 5 Silver Cape Road, Sai Kung, New Territories, Hong Kong.

We refer to your instructions for us to carry out a market valuation of the properties which are held by Magnificent Estates Limited (the "Company") and/or its subsidiaries (together the "Group") in Hong Kong, Macau and the People's Republic of China ("The PRC") as at 31st December, 2013 for the Group's management reference purposes, we attached herewith summary of values of the above 11 property interests for reference.

Yours faithfully,

For and on behalf of

DTZ Debenham Tie Leung Limited

K. B. Wong

MHKIS, MRICS, RPS(GP)

Senior Director, Valuation & Advisory Services

Summary of Major Properties Valuation (Continued)

At 31st December, 2013

Summary of Values

	Property	Market value in existing state as at 31st December, 2013 HK\$
1.	Shun Ho Tower, Nos. 24-30 Ice House Street, Central, Hong Kong.	569,000,000
2.	Ramada Hotel Kowloon, Nos. 73-75 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong.	1,286,000,000
3.	Ramada Hong Kong Hotel, No. 308 Des Voeux Road West, Hong Kong.	1,572,000,000
4.	Best Western Hotel Causeway Bay, No. 38 Bowrington Road, Causeway Bay, Hong Kong.	1,180,000,000
5.	Best Western Grand Hotel, No. 23 Austin Avenue, Tsim Sha Tsui, Kowloon, Hong Kong.	2,136,000,000
6.	Best Western Hotel Harbour View, No. 239 Queen's Road West, Hong Kong.	1,880,000,000
7.	Magnificent International Hotel, No. 381 Xizang Road South (Lot No. 5-1), Huang Pu District, Shanghai, The PRC.	390,000,000
8.	Best Western Hotel Taipa, Macau, Estrada Governador Nobre De Carvalho No. 822, Taipa, Macau.	900,000,000
9.	No. 338 Queen's Road West, Hong Kong.	518,000,000
10.	Lot No. 64 in Demarcation District No. 251, Sai Kung, New Territories, Hong Kong.	8,400,000
11.	House No. 3, Aegean Villa, No. 5 Silver Cape Road, Sai Kung, New Territories, Hong Kong.	28,200,000

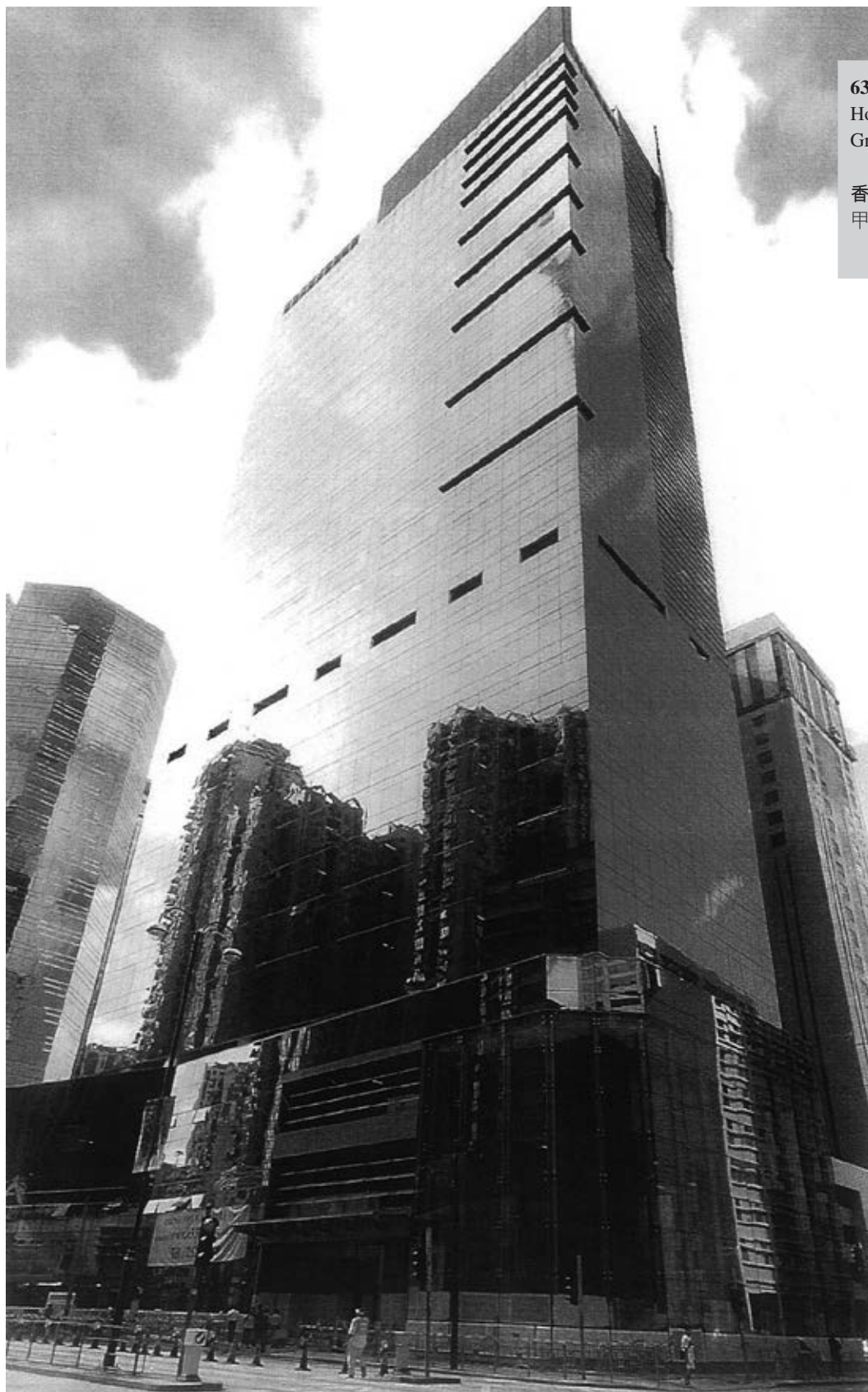
Property Portfolio 物業組合

Shun Ho Tower
24-30 Ice House Street,
Central, Hong Kong.

順豪商業大廈
位於香港中環雪廠街
二十四至三十號。



Property Portfolio
物業組合



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

香港英皇道六百三十三號
甲級商廈。

Property Portfolio

物業組合

Ramada Hotel Kowloon

A 206 guest-room (permission was obtained to increase to 305 guest-room) hotel, is excellently located at the heart of Tsimshatsui shopping centre providing good recurring income.

九龍華美達酒店

位於尖沙咀購物中心之優越地帶，具有二百零六間（已獲批准增加至三百零五間）客房並提供理想經常性收入。



Property Portfolio

物業組合



Ramada Hong Kong Hotel

308 Des Voeux Road West, Hong Kong. It comprises 318 guest-room, a restaurant, banquet facilities and car parks.

香港華美達酒店

位於香港德輔道西三百零八號。該酒店具有三百一十八間客房、一間餐廳、宴會設施及停車場。

Property Portfolio

物業組合

Best Western Hotel, Causeway Bay

A 258 guest-room hotel at
38 Bowrington Road,
Causeway Bay, Hong Kong.

銅鑼灣華麗精品酒店

位於香港銅鑼灣寶靈頓道
三十八號，具有二百五十八間
客房之酒店。



Property Portfolio
物業組合



Best Western Hotel Harbour View
239 Queen's Road West,
Hong Kong with 432 guest-room.
It comprise swimming pool,
a restaurant and banquet facilities.

華麗海景酒店
位於香港皇后大道西
二百三十九號，具有
四百三十二間客房。
設有游泳池、餐廳及宴會設施。

Property Portfolio

物業組合

Best Western Grand Hotel

23 Austin Avenue, Tsimshatsui, Kowloon. It comprises 396 guest-room, a restaurant and banquet facilities.

華麗酒店

位於九龍尖沙咀柯士甸路二十三號。設有三百九十六間客房、餐廳及宴會設施。



Property Portfolio

物業組合

Magnificent International Hotel

A 213 guest-room hotel which is nearby a shopping arcade located at the busy Xizang Road South, Shanghai.

華美國際酒店

位於上海西藏南路繁忙地帶，具有二百一十三間客房及鄰近購物中心。



Property Portfolio
物業組合



Hotel Development Project
214 guest-room
hotel development project,
338 Queen's Road West,
Hong Kong.

酒店發展項目
位於香港皇后大道西
三百三十八號，具有
二百一十四間酒店客房之
酒店發展項目。

