MAGNIFICENT HOTEL INVESTMENTS LIMITED

華大酒店投資有限公司

(Stock Code 股份代號: 201)

ANNUAL REPORT 2015

二零一五年年報

MAGNIFICENT HOTEL INVESTMENTS LIMITED

(Stock Code: 201)

2015 Final Results
Net profit after tax before revaluation, depreciation and extraordinary item: HK$214 million

Net Asset Value: HK$9.4 billion (by DTZ)
HK$1.05 per share

206 guest-room
Best Western Plus Hotel
Kowloon

318 guest-room
Best Western Plus Hotel
Hong Kong

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 guest-room
Grand City Hotel
Queen's Road West

213 guest-room
Magnificent International Hotel
Shanghai

Contents

Corporate Information

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

Non-Executive Director
Madam Mabel Lui Fung Mei Yee

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

Company Secretary
Mr. Huen Po Wah

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

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

CFN Lawyers
27th Floor, Neich Tower
128 Gloucester Road
Wan Chai, 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.magnificenthotelinv.com

I present to the shareholders my report on the results and operations of Magnificent Hotel Investments Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31st December, 2015.

RESULTS

The consolidated net profit after tax attributed to owners of the Company before revaluation gain of investment properties, gain on disposal of subsidiaries and depreciation and release of prepaid lease payment for land for the year ended 31st December, 2015 was HK$214 million (2014: HK$332 million), decreased by 36%.

The net assets deducting non-controlling interests before revaluation on all asset properties and before deferred tax of the Group amounted to HK$3,889 million (2014: HK$6,276 million), HK$0.43 (2014: HK$0.70) per ordinary share as at 31st December, 2015.

The **net assets deducting non-controlling interests after revaluation** on all asset properties but before deferred tax of the Group amounted to **HK$9,400 million**, (2014: HK$12,119 million), the **adjusted net assets value per ordinary share** is **HK$1.05** (2014: HK$1.36) as at 31st December, 2015. The asset properties of the Group are valued by DTZ Debenham Tie Leung Limited, the most well-known valuer worldwide. The decrease of the adjusted shareholders' fund was due to the special asset/cash distribution on 17th July, 2015.

DIVIDEND

The Board recommends the payment of a final dividend of HK0.5 cent per share for the year ended 31st December, 2015 (2014: HK0.575 cent per share) and will be payable on 15th July, 2016 to shareholders whose names appear on the register of members of the Company on 30th June, 2016. With reference to the announcement of 2015 interim results of the Company dated 17th August, 2015, shareholders are reminded that an interim dividend of HK0.2 cent per share for the six months ended 30th June, 2015 is also payable on 15th July, 2016 to shareholders whose names appear on the register of members of the Company on 30th June, 2016. Therefore, shareholders whose names appear on the register of members of the Company on 30th June, 2016 will receive dividends for a total sum of HK0.7 cent per share.

Dividend Payout Ratio of Market Hotels Companies

	Payout Ratio	2015 Interim Dividend	2015 Final Dividend
Magnificent Hotel Investments Limited	43%	HK0.2 cent	HK0.5 cent
Sino Hotels (Holdings) Limited	39%		
The Hongkong and Shanghai Hotels Limited	30%		
Shangri-La Asia Limited	29%		
Miramar Hotel and Investment Co Limited	22%		
Asia Standard Hotel Group Limited	13%		
Far East Hotels and Entertainment Limited	Nil		

The Company's dividend payout ratio is approximately 59% above the average of the above well-known hotel companies. In future, the Company's payout ratio may follow its hotel performance trend and more in line with market average payout ratio.

For 2015, the annual dividend to be received by shareholders was equivalent to 4% annual yield of the closing price of the Company's share immediately before the date of results announcement.

BOOK CLOSURE

To ascertain shareholders' eligibility to attend and vote at the Annual General Meeting to be held on Friday, 17th June, 2016 ("AGM"), the register of members will be closed from Monday, 13th June, 2016 to Friday, 17th June, 2016, 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, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 10th June, 2016.

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, 27th June 2016 to Thursday, 30th June, 2016, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 24th June, 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

From January to June 2015, the Group continued with its operations of property investment, property developments and operation of hotels.

From 17th July, 2015, the Company completed the reorganisation proposal to focus on hotel investment and development business thereafter and the disposal of commercial investment properties business, namely, 633 King's Road and Shun Ho Tower and change its name to Magnificent Hotel Investments Limited on 11th November, 2015.

Grand City Hotel in Hong Kong commenced business in August 2015 and contributed hotel income to the Group.

The consolidated net profit after tax attributed to owners of the Company before revaluation gain of investment properties, gain on disposal of subsidiaries and depreciation and release of prepaid lease payment for land for the year ended 31st December, 2015 was HK$214 million (2014: HK$332 million), decreased by 36%. *(See Note a)*

	2014 *HK$'000*	**2015** ***HK$'000***	Change
Revaluation profit of investment properties	18,600	**–**	-100%
Profit from operation of hotels	230,472	**122,700**	-47%
Properties rental	115,729	**67,009**	-42%
Income from securities investment	227	**5,640**	+2,385%
Other income	13,976	**12,113**	-13%
	379,004	**207,462**	-45%
Administrative and other expenses	(30,358)	**(30,609)**	+1%
Gain on disposal of subsidiaries	620,478	**–**	-100%
Income tax expense	(54,240)	**(31,152)**	-43%
Profit after taxation	914,884	**145,701**	-84%
Non-controlling interests	(9,212)	**(1,645)**	-82%
Profit after taxation and non-controlling interests	905,672	**144,056**	-84%
Less: Revaluation profit of investment properties and its related deferred taxation	(18,600)	**–**	
Less: Gain on disposal of subsidiaries	(620,478)	**–**	
Add: Properties depreciation and release of prepaid lease payments for land	65,743	**69,729**	
Net profit after tax before revaluation of investment properties	332,337	**213,785**	-36% *(Note a)*

The net assets deducting non-controlling interests before revaluation on all asset properties and before deferred tax of the Group amounted to HK$3,889 million (2014: HK$6,276 million), HK$0.43 (2014: HK$0.70) per ordinary share as at 31st December, 2015.

The **net assets deducting non-controlling interests after revaluation** on all asset properties but before deferred tax of the Group amounted to **HK$9,400 million** (2014: HK$12,119 million), the **adjusted net assets value per ordinary share** is **HK$1.05** (2014: HK$1.36) as at 31st December, 2015. The asset properties of the Group are valued by DTZ Debenham Tie Leung Limited, the most well-known valuer worldwide. The decrease of the adjusted shareholders' fund was due to the special asset/cash distribution on 17th July, 2015.

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 benefited from the development of these hotels from good operating incomes, but most important was their capital value gain. The Group presently owns and operates seven hotels, including: (1) Best Western Plus Hotel Kowloon (formerly known as Ramada Hotel Kowloon), (2) Best Western Plus Hotel Hong Kong, (3) Best Western Grand Hotel, (4) Best Western Hotel Causeway Bay, (5) Best Western Hotel Harbour View, (6) Grand City Hotel and (7) Magnificent International Hotel, Shanghai with 2,037 rooms which is one of the largest hotel groups in Hong Kong.

PERFORMANCES

Revenue affecting the profit and loss in 2015:–

	Amount *HK$*
After group reorganisation	
Losses of rental income	-$46.6 m
Property management fee income	-$7.2 m
No extraordinary profit from disposal of subsidiaries	-$620 m
Sharp downturn of hotel business	-$95.9 m
Further drop of cash deposit interest due to decrease in interest rate	-$5.6 m
Hotel property non-cash depreciation	-$65.6 m
Commencement business of Grand City Hotel in August 2015	+$16.2 m

- For the year ended 31st December, 2015, 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	2014 *HK$'000*	**2015** ***HK$'000***	Change	Reasoning
Income from operation of hotels	529,287	**435,821**	-18%	Hotel market trend
Properties rental income	118,909	**69,905**	-41% *(Note)*	Disposal of properties due to group reorganisation
Income from securities investment	227	**5,640**	+2,385%	
Other income	28,882	**19,641**	-32%	Loss of property management fee income due to disposal of properties
Total	677,305	**531,007**	-22%	

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

HOTEL PERFORMANCES

	Best Western Plus Hotel Kowloon		Best Western Plus Hotel Hong Kong		Best Western Grand Hotel		Best Western Hotel Causeway Bay		Best Western Hotel Harbour View		Grand City Hotel		Magnificent International Hotel, Shanghai	
	Avg Room Occupancy	Avg Room Rate	Avg Room Occupancy	Avg Room Rate	Avg Room Occupancy	Avg Room Rate	Avg Room Occupancy	Avg Room Rate	Avg Room Occupancy	Avg Room Rate	Avg Room Occupancy	Avg Room Rate	Avg Room Occupancy	Avg Room Rate
	%	*HK$*	*%*	*HK$*	*%*	*HK$*	*%*	*HK$*	*%*	*HK$*	*%*	*HK$*	*%*	*HK$*
2015														
Jan	98	865	98	722	99	756	98	734	98	603	N/A	N/A	66	312
Feb	99	905	99	736	99	839	99	802	99	657	N/A	N/A	67	333
Mar	97	781	98	681	98	676	95	720	96	565	N/A	N/A	82	359
Apr	94	758	98	624	96	629	96	660	99	567	N/A	N/A	92	381
May	100	605	99	546	99	540	99	513	100	486	N/A	N/A	88	371
Jun	99	610	99	537	99	525	99	515	100	467	N/A	N/A	81	354
Jul	99	633	98	545	99	585	99	519	100	467	N/A	N/A	93	383
Aug	99	707	99	586	99	651	98	610	100	479	19	433	95	398
Sep	100	701	98	565	99	594	97	565	99	466	77	540	89	374
Oct	99	926	99	778	99	820	98	842	99	706	98	706	92	400
Nov	100	864	99	732	99	787	99	780	100	635	100	686	87	364
Dec	100	887	99	713	99	810	99	699	100	607	99	640	80	333
Avg/yr	99	769	98	647	99	684	98	662	99	558	89	646	84	366
2015 Total		**HK$60,093,000**		**HK$78,052,000**		**HK$103,996,000**		**HK$63,406,000**		**HK$91,792,000**		**HK$16,229,000**		**HK$22,253,000**
Other incomes		HK$4,119,000		HK$2,520,000		N/A		N/A		N/A		N/A		N/A
Total income		**HK$64,212,000**		**HK$80,572,000**		**HK$103,996,000**		**HK$63,406,000**		**HK$91,792,000**		**HK$16,229,000**		**HK$22,253,000**
Annual expenses		HK$(33,436,000)		HK$(46,861,000)		HK$(46,755,000)		HK$(34,226,000)		HK$(47,329,000)		HK$(8,702,000)		HK$(15,737,000)
EBITDA		**HK$30,776,000**		**HK$33,711,000**		**HK$57,241,000**		**HK$29,180,000**		**HK$44,463,000**		**HK$7,527,000**		**HK$6,516,000**
EBITDA Margin (Based on Revenue)		**48%**		**42%**		**55%**		**46%**		**48%**		**46%**		**29%**

- Average occupancy rate in the Group's Hong Kong hotels was 98.43%.
- The Group's overall hotel revenue dropped by 18%.

OTHER INCOME amounted to HK$19.6 million (2014: HK$29 million) which was property management fee income of HK$8.4 million (2014: HK$16 million) with related expenses of HK$8 million (2014: HK$15 million), cash deposits interest income of HK$7.2 million (2014: HK$12.5 million) and gain on disposal of property, plant and equipment of HK$4 million (2014: HK$0.5 million).

From continuing and discontinued operations

	2014	**2015**	**2015 Segment**				
	HK$'000	***HK$'000***	***HK$'000***				
	Total	**Total**	Hotel	Hotel Shops	Office Rental	Securities Investment	Bank/ Others
Revenue	648,423	**507,772**	435,821	6,639	63,266	2,046	–
Cost of sales	(4,245)	**(4,296)**	(4,296)	–	–	–	–
Other service costs	(223,741)	**(229,179)**	(228,750)	–	(429)	–	–
Gross profit	420,437	**274,297**	202,775	6,639	62,837	2,046	–
Non cash depreciation	(65,743)	**(69,729)**	(65,602)	–	–	–	(4,127)
Other income and gains	28,882	**23,235**	–	–	8,390	3,594	11,251
Increase in fair value of investment properties	18,600	**–**	–	–	–	–	–
Gain on disposal of subsidiaries	620,478	**–**	–	–	–	–	–
Other expenses	(14,906)	**(12,673)**	(5,145)	–	(7,528)	–	–
Finance costs	(11,161)	**(11,795)**	(9,328)	–	(2,467)	–	–
Income tax expense	(50,650)	**(25,839)**	(16,613)	–	(9,226)	–	–
Net profit after tax	945,937	**177,496**	106,087	6,639	52,006	5,640	7,124
Overall Administrative expenses	(27,463)	**(26,482)**					
Corporate income tax expense	(3,590)	**(5,313)**					
Profit for the year	914,884	**145,701**					
Add: Non cash depreciation	65,743	**69,729**					
Less: Non-controlling interests, increase in fair value of investment properties and gain on disposal of subsidiaries	(648,290)	**(1,645)**					
Profit for the year before non cash depreciation and extraordinary items attributable to owners of the Company	332,337	**213,785**	-36%				

COST

- The **SERVICE COSTS** was HK$233.5 million (2014: HK$228 million), in which approximately HK$233 million (2014: HK$227 million) was for the hotel operations including food and beverage and costs of sales and approximately HK$0.5 million (2014: HK$1 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 approximate **OPERATING COSTS**, food and beverage and costs of sales for each operating hotel were as follows:–

Name of Hotel	2014 *HK$ million*	**2015** ***HK$ million***	Change
Best Western Plus Hotel Kowloon	33.0	**33.4**	+1%
Best Western Plus Hotel Hong Kong	44.3	**46.9**	+6%
Best Western Grand Hotel	46.3	**46.8**	+1%
Best Western Hotel Causeway Bay	34.6	**34.2**	-1%
Best Western Hotel Harbour View	46.6	**47.3**	+2%
Grand City Hotel	–	**8.7 (since Aug 2015)**	N/A
Magnificent International Hotel, Shanghai	15.0	**15.7**	+5%
Subtotal amount for the year	219.8	**233.0**	+6% *(Note)*
Best Western Hotel Taipa, Macau	7.2 (up to 20th March, 2014)	**–**	N/A
Total amount for the year	227.0	**233.0**	+3%

Note: The total operating cost for the year increased by 6% was mainly due to increase of salary and the commencement business of Grand City Hotel.

The **ADMINISTRATIVE EXPENSES** excluding depreciation was HK$26 million (2014: HK$27 million) for corporate management office including directors' fees, salaries for executive staff and employees, rental, marketing expenses and office expenses.

OTHER EXPENSES were property management expenses amounted to HK$8 million (2014: HK$15 million) and pre-operating expense of Grand City Hotel amounted to HK$5 million (2014: Nil).

FUNDING

- At 31st December, 2015, the **OVERALL DEBT** of the Group was HK$415 million (2014: HK$780 million), of which HK$402 million (2014: HK$622 million) was assets secured bank borrowings and HK$13 million (2014: HK$158 million) was advances from shareholders.

  The debt ratio was 4% (2014: 6%) in terms of overall debt of HK$415 million (2014: HK$780 million) against the fully revalued assets of the Group amounted to HK$9,864 million (2014: HK$12,936 million).

  The gearing ratio was 11% (2014: 13%) in terms of overall debt of HK$415 million (2014: HK$780 million) against funds employed of HK$3,796 million (2014: HK$6,159 million).

  The overall debts was analysed as follows:

	2014 *HK$ million*	**2015** ***HK$ million***	Change *HK$ million*	**Interest Paid 2015** ***HK$ million***
Bank loans	622	**402**	-220	**9.0**
Shareholders' loans	158	**13**	-145	**4.2**
Overall debt	780	**415**	-365	**13.2**
Debt ratio (Based on Fully Revalued Assets)	6%	**4%**		

- **FINANCE COST:** Of these loans, the total interest expenses amounted to HK$13.2 million (2014: HK$13.4 million), the bank loans interest expenses amounted to HK$9.0 million (2014: HK$10.4 million) and the shareholders loans interest expenses amounted to HK$4.2 million (2014: HK$3 million).

  Out of these interests expenses totally paid, HK$1.4 million (2014: HK$2.2 million) was capitalised and HK$11.8 million (2014: HK$11.2 million) reflected in the expenses account. The decrease of interest expense amount was corresponding to the decrease of loan amount.

  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. As at 31st December, 2015, the Group's staffing level is about 9% more than that of 31st December, 2014 due to the commencement of the operation of Grand City Hotel in August 2015.

Cash flow of the Group

	2014 HK$ million	**2015** ***HK$ million***
Gross income	1,298	**531**
Less:		
Operating expenses	(270)	**(273)**
Interests expenses	(14)	**(13)**
Normal dividend paid out	(69)	**(69)**
Net repayment of bank loans	(55)	**(45)**
Acquisition of property, plant and equipment	(11)	**(29)**
Cash Inflow	879	**102**
Less:		
Special dividend paid out	–	**(269)**
Various construction expenses	(110)	**(28)**
Available-for-sale investments (Tradeable stock)	(6)	**(183)**
Cash Inflow/(Outflow)	763	**(378)**

- 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, 2015 and the valuation surplus (before accounting for any deferred taxes) not included in the consolidated statement of financial position at 31st December, 2015 are as follows:

Name of properties	**Independent professional valuation report at 31.12.2015** *HK$'000*	**Carrying amounts (in the accounts under accounting standard) at 31.12.2015** *HK$'000*	**Valuation surplus not included in accounts (before accounting for any deferred taxes) at 31.12.2015** *HK$'000*
Best Western Plus Hotel Kowloon	1,190,000	387,439	802,561
Best Western Plus Hotel Hong Kong	1,430,000	435,273	994,727
Best Western Grand Hotel	1,940,000	795,326	1,144,674
Best Western Hotel Harbour View	1,710,000	507,773	1,202,227
Best Western Hotel Causeway Bay	1,110,000	347,623	762,377
Grand City Hotel	700,000	390,282	309,718
Magnificent International Hotel, Shanghai	375,000	79,997	295,003
Total	**8,455,000**	**2,943,713**	**5,511,287**

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

	HK$'000
Net Assets Value (before deferred tax) of the Group	3,889,164
Add: Valuation surplus (before accounting for any deferred taxes) not recognised in the accounts	5,511,287
Net Assets Value of the Group	**9,400,451**

(b) The accounting standards require hotel properties of the Group to provide depreciation which amounted to HK$66 million (2014: HK$63 million) for the year. The depreciation increased from HK$63 million to HK$66 million was mainly due to the commencement of business of Grand City Hotel during the year.

Depreciation of Hotel Properties

Name of Hotel	2014	**2015**	Change
	HK$'000	***HK$'000***	*HK$'000*
Best Western Plus Hotel Kowloon	7,045	**7,889**	+844
Best Western Plus Hotel Hong Kong	3,634	**3,587**	-47
Best Western Grand Hotel	30,221	**30,238**	+17
Best Western Hotel Causeway Bay	12,100	**12,142**	+42
Best Western Hotel Harbour View	7,000	**7,020**	+20
Grand City Hotel	–	**1,995**	+1,995
Magnificent International Hotel, Shanghai	2,841	**2,731**	-110
Total amount for the year	62,841	**65,602**	+2,761

	Leasehold land	**Hotel buildings**	**Furniture, fixtures and equipment and motor vehicles and vessels**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Depreciation	29,566	27,710	8,326	65,602

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 shorter
Furniture, fixtures and equipment	4%-33%
Motor vehicles and vessels	20%

LOOKING AHEAD

- Looking ahead, the hotel industry will continue to suffer a decline of overnight visitors, less spending power, increase of supply of new hotel rooms, competing room rate and occupancy. This situation is probably due to China experiencing low economic cycle which is our largest visitors segment (70%). Short term prospects remain pessimistic. Therefore, hotel revenue this year may suffer further decline. Because of the dropping trend of hotel revenue, the management must replenish or increase overall revenue by acquisition of hotel income producing properties. The management continues to seek good opportunities to further increase operating profit by the acquisition of hotel properties or serviced apartment hotel, if successfully acquired will be financed by internal cash resources or bank lending.

  For 2013, the total dividend was HK0.775 cent per share.
  For 2014, the total dividend was HK0.775 cent per share.
  For 2015, the total dividend was HK0.7 cent per share.

By Order of the Board

William CHENG Kai Man
Chairman

Hong Kong, 11th March, 2016

Directors' Profiles

Mr. William CHENG Kai Man, *Executive Director*
Aged 54. 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 twenty 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 53. 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 development and has over twenty 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 64. 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 Winston & Strawn.

Mr. Vincent KWOK Chi Sun, *Independent Non-Executive Director*
Aged 53. ACA (Aust), CPA (Practising). Appointed to the Board in 1999. He is also an independent non-executive director of Shun Ho Resources, Shun Ho Technology, China Digital Culture (Group) Limited and Evergreen International Holdings Limited. He is a partner of Vincent Kwok & Co.

Mr. CHAN Kim Fai, *Independent Non-Executive Director*
Aged 56. FCCA, CPA (Practising). Appointed to the Board in 2004. He is also an independent non-executive director of Shun Ho Resources, Shun Ho Technology and EGL Holdings Company Limited. 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 48. 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.

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 Corporate Governance Code

During the year ended 31st December, 2015, 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

Except an Independent Non-executive Director, 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

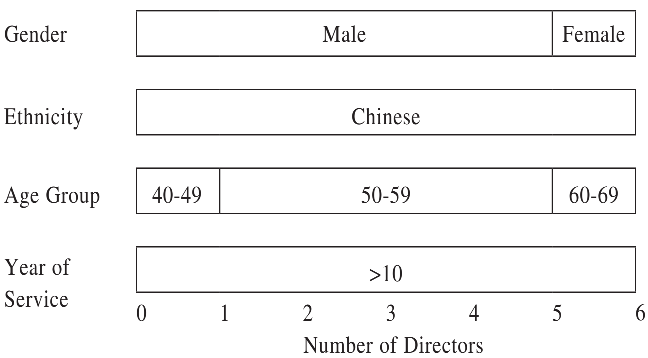
The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, the Company confirmed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

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, 2015, 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:



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 Executive or 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 11.

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

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

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

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

The Board 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.

The Board meets regularly and held four meetings in 2015 and the attendance of each director is set out below:

	Number of Board meetings attended in 2015	**Attendance rate**
Executive Directors		
William Cheng Kai Man *(Chairman)*	4/4	100%
Albert Hui Wing Ho	4/4	100%
Non-executive Director		
Mabel Lui Fung Mei Yee	2/4	50%
Independent Non-executive Directors		
Vincent Kwok Chi Sun	2/4	50%
Chan Kim Fai	2/4	50%
Hui Kin Hing	2/4	50%

Regular Board meetings of the year are scheduled in advance to give all Directors an opportunity to attend. The Directors can attend meetings in persons or through other means of electronic communication in accordance with the Company's Articles of Association.

Board papers are circulated not less than three days before the Board meetings to enable the Directors to make informed decisions on matters to be raised at the Board meetings. The Company Secretary or his assistant and Group Financial Controller shall attend all regular Board meetings to advise on corporate governance, statutory compliance, accounting and financial matters when necessary. Directors shall have full access to information on the Group and are able to obtain independent professional advice whenever deemed necessary by the Directors. The Company Secretary or his assistant shall prepare minutes and keep records of matters discussed and decisions resolved at all Board meetings.

Each newly appointed Director is provided with a package of orientation materials setting out the duties and responsibilities of Directors under the Listing Rules, related ordinances and relevant regulatory requirements of Hong Kong. Orientation meeting with newly appointed Director will be held for briefing on business and operations of the Company. Updates are provided to Directors when necessary to ensure that Directors are aware of the latest changes in the commercial and regulatory environment in which the Group conducts its businesses.

DIRECTORS' TRAINING

With effect from 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 2015 is set out below:

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

ATTENDANCE AT GENERAL MEETINGS

	Annual General Meeting (held on 18th June, 2015)
Executive Directors	
William Cheng Kai Man	√
Albert Hui Wing Ho	√
Non-executive Director	
Mabel Lui Fung Mei Yee	–
Independent Non-executive Directors	
Vincent Kwok Chi Sun	√
Chan Kim Fai	√
Hui Kin Hing	√

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group.

With the assistance of the Accounts Department which is under the supervision of the Group Financial Controller of the Company, the Directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the publication of the financial statements of the Group is in a timely manner.

The statement of the Auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 26.

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
	2

AUDITOR'S REMUNERATION

For the year ended 31st December, 2015, the Auditor of the Company received approximately HK$2.3 million for audit service and HK$0.2 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, 28th March, 2012 and 17th August, 2015 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 2015, the attendance of each member is set out below:

	Number of Audit Committee attended in 2015	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 2015;
- reviewed the interim report and the interim results announcement for the six months ended 30th June, 2015;
- reviewed the audit plan for year 2015 to assess the general scope of audit work; and
- reviewed the audited accounts and final results announcement for year 2014.

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, 2015 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 2015.

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. All committee members have attended the meeting to review the structure, size and composition of the Board and assess the independence of Independent Non-executive Directors.

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 2015, 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 call a general meeting pursuant to Sections 566 to 568 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "CO").

In accordance with Section 566 of the 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: shunho@netvigator.com); and must be authenticated by the person or persons making it. In accordance with Section 567 of the 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 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 Sections 615 and 616 of the CO.

Section 615 of the 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: shunho@netvigator.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 CO provides that the Company that is required under Section 615 of the 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.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Company ensures that all applicable laws, rules and regulations are duly complied with. All the Group's hotels in Hong Kong obtained hotel licences from Home Affair Departments and the hotel in the PRC obtained the business licence to operate hotel business. For operating hotel business, all the relevant permits, licenses, certificates and other approvals were obtained.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Company places significant emphasis on human capital. The remuneration and benefit were set with reference to the market so as to recruit and retain the staff with the particular skills required for the Company's strategies. The Company provides a health and safety management system, a fair workplace together with a range of opportunities for career advancement based on employees' merits and performance.

To enhance customer satisfaction and promote a customer-oriented culture within the Company, the Company takes 'Customer First' as one of our core values. The Company values the feedback from customers through daily communication, regular inspections and customer satisfaction surveys. The Company has also established the mechanism about customer service, support and complaints. We address customers' concern in a timely manner and in accordance with international standards.

The Company believes that our suppliers are equally important in driving quality delivery of our services. Our business suppliers deliver quality sustainable products and services. The Company assures the performance of our suppliers through supplier approval process and by spot checks on the delivered goods.

ENVIRONMENTAL POLICIES

With regard to the environmental policies, the Group aims to minimise the Group's environmental impact. The Group have adopted various environmental protection measures for energy efficiency, carbon reduction and to improve efficiency of water usage. They are regularly reviewed and results are closely monitored.

The Board present their annual report and the audited consolidated financial statements for the year ended 31st December, 2015.

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 32 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31st December, 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 27 to 28.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's prospects are provided in the Management Discussion and Analysis on pages 4 to 10 of the Annual Report. Description of principal risks and uncertainties that the Group is facing is provided in this Report of the Directors on page 25 of the Annual Report while the financial risk management objectives and policies of the Group can be found in notes 34 and 35 to the consolidated financial statements. An analysis of the Group's performance during the year using key performance indicators is provided in the Management Discussion and Analysis on pages 4 to 10 of the Annual Report and Financial Summary on page 85 of the Annual Report. In addition, discussions on the Group's compliance with relevant laws and regulations which have a significant impact on the Group, relationships with its key stakeholders and environmental policies are contained in the Corporate Governance Report on pages 12 to 18 of the Annual Report.

DIVIDEND

The Board recommends a final dividend of HK0.5 cent per share in respect of the year ended 31st December, 2015 (a final dividend of HK0.575 cent per share in respect of the year ended 31st December, 2014) payable on 15th July, 2016 to shareholders whose names appear on the register of members of the Company on 30th June, 2016.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 24 to the consolidated financial statements.

Regarding the general mandate to issue shares, the Board will only consider to issue new Shares pursuant to the general mandate of this financial year of 2016, if the Hong Kong authorities consider that the Company's share liquidity in the stock market is not sufficient.

RESERVES

Movements during the year in the reserves of the Group are set out on page 31 and those of the Company are set out in note 31 to the consolidated financial statements.

The Company's reserves available for distribution to shareholders as at 31st December, 2015 represent its retained profits of HK$1,813,623,000 (2014: HK$2,181,051,000).

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENT PROPERTIES

All the investment properties of the Group were revalued at 31st December, 2015. There are no revaluation gain or loss recorded during the year ended 31st December, 2015.

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$21 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.

BORROWINGS

An analysis of the repayment schedule of bank loans is set out in note 23 to the consolidated financial statements.

MAJOR PROPERTIES

Details of the major properties of the Group at 31st December, 2015 are set out on pages 86 of the Annual Report.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

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

DIRECTORS

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

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

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

* *independent non-executive directors*

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

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

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

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

DIRECTORS OF SUBSIDIARIES

The name of persons who have served on the board of the subsidiaries of the Company during the year and up to the date of this report are Mr. William CHENG Kai Man, Mr. Albert HUI Wing Ho and Ms. Jennie WONG Kwai Fong.

DIRECTORS' INTERESTS IN LISTED SECURITIES

As at 31st December, 2015, 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.

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	359,543,999	62.02
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") and was amended at the annual general meeting held on 18th June, 2014. 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)"). The purpose of the grant of options is to reward hotel senior management according to their performance in relation to the growth of hotel revenue. It is foreseeable that the hotel industry will be in decline in the coming year. Therefore, it is expected that no options will be granted in 2016 unless there is a revenue growth performance.

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) 5% 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 5 per cent. of the shares in issue on the date of the passing of the ordinary resolution on 18th June, 2014, being 447,352,566 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; and (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.

(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 447,352,566 shares, representing 5% 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, 2015.

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, 2015, 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.

EQUITY-LINKED AGREEMENTS

Details of the share option scheme are set out in this report.

Save as disclosed above, no equity-linked agreements were entered into during the year or subsisted at the end of 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 TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE AND RELATED PARTY TRANSACTIONS

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

Save as disclosed herein:

(a) no transactions, arrangements or contracts of significance subsisted at any time during the year or at the end of 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 or his/her connected entities 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.

PERMITTED INDEMNITY PROVISION

The Articles of Association of the Company provides that every director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto, and no director shall be liable for any loss, damages or misfortune which may happen to or be incurred by the Company in the execution of the duties of his office or in relation thereto, provided that this Article shall only have effect in so far as its provisions are not avoided by the Companies Ordinance.

The Company has taken out insurance against the liabilities and costs associated with defending any proceedings which may be brought against the Directors of the Company and its subsidiaries.

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 close associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's shares) has any interest in any of the Group's five largest customers or suppliers.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2015, 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 (L)	71.09
Omnico Company Inc. ("Omnico") *(Note 2)*	Interest of controlled corporations	6,360,663,987 (L)	71.09
Shun Ho Resources *(Note 2)*	Interest of controlled corporations	6,360,663,987 (L)	71.09
Trillion Resources *(Note 2)*	Interest of controlled corporations	6,360,663,987 (L)	71.09
Liza Lee Pui Ling *(Note 3)*	Interest of spouse	6,360,663,987 (L)	71.09
Fastgrow	Beneficial owner	2,978,198,581 (L)	33.29

Name of shareholder	Capacity	Number of shares/ underlying shares held	Approximate % of shareholding
Desmarais Andre (as trustee of the Desmarais Family Residuary Trust) *(Note 4)*	Trustee	536,704,000 (L)	6.00
Desmarais Jacqueline (as trustee of the Desmarais Family Residuary Trust) *(Note 4)*	Trustee	536,704,000 (L)	6.00
Desmarais Jr. Paul (as trustee of the Desmarais Family Residuary Trust) *(Note 4)*	Trustee	536,704,000 (L)	6.00
Fortin Guy (as trustee of the Desmarais Family Residuary Trust) *(Note 4)*	Trustee	536,704,000 (L)	6.00
IGM Financial Inc. *(Note 4)*	Interest of controlled corporations	536,704,000 (L)	6.00
Pansolo Holding Inc. *(Note 4)*	Interest of controlled corporations	536,704,000 (L)	6.00
Plessis-Belair Michel (as trustee of the Desmarais Family Residuary Trust) *(Note 4)*	Trustee	536,704,000 (L)	6.00
Power Corporation of Canada *(Note 4)*	Interest of controlled corporations	536,704,000 (L)	6.00
Power Financial Corporation *(Note 4)*	Interest of controlled corporations	536,704,000 (L)	6.00
The Bank of New York Mellon Corporation *(Note 5)*	Interest of controlled corporation	562,038,000(L) (LP)	6.28
The Bank of New York Mellon *(Note 5)*	Beneficial owner	562,038,000(L) (LP)	6.28

Notes:

1. Shun Ho Technology beneficially owned 2,709,650,873 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 6,360,585,437 Shares (71.09%). The above-mentioned companies were wholly-owned subsidiaries of Shun Ho Technology.

2. Shun Ho Technology is directly and indirectly owned as to 60.38% by Omnico, which was in turn owned as to 100% by Shun Ho Resources, which was in turn directly owned as to 50.6% 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 6,360,585,437 Shares by virtue of their direct or indirect interests in Shun Ho Technology.

3. Madam Liza Lee Pui Ling was deemed to be interested in 6,360,585,437 Shares by virtue of the interest in such Shares of her spouse, Mr. William Cheng Kai Man, a director of the Company.

4. Mackenzie Financial Corporation ("MFC") was interested in 536,704,000 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 60.21%) which was in turn an indirect non-wholly owned subsidiary of Power Corporation of Canada (held as to 65.59%). Power Corporation of Canada was 59.19% owned by Pansolo Holding Inc.. Desmarais Jr. Paul, Desmarais Andre, Desmarais Jacqueline, Fortin Guy and Plessis-Belair Michel (all were as trustees of the Desmarais Family Residuary Trust) became the holders of 99.99% of the interest in Pansolo Holding Inc.

5. The Bank of New York Mellon is a wholly-owned subsidiary of The Bank of New York Mellon Corporation. The Bank of New York Mellon Corporation was taken to be interested in 562,038,000 Shares held by The Bank of New York Mellon.

L: Long Position
LP: Lending Pool

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.

THE PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY

The following is a list of principal risks and uncertainties that are considered to be of significance and have potential to affect the Group's businesses, results of operations and financial conditions. However, this is non-exhaustive as there may be other risks and uncertainties arise resulting from changes in economic and other conditions over time.

The Group owns and operates 7 hotels, six in Hong Kong and one in the PRC. Hotel performance is usually subject to a high degree of fluctuations caused by both predictable and unpredictable factors including seasonality, social stability, epidemic diseases and changes in economic conditions. For instance, the recent Central Government Anti-corruption drive in Mainland, the policy change on the grant of multiple-entry permits to Shenzhen residents, together with the change in the foreign exchanges of the surrounding regions have varied the development pattern of the tourism and hospitality industry with heavily relied on the growth of visitor arrivals from Mainland. In this respect, hotel segment closely assesses the impact of the geopolitical outlook and economic development of different countries for building its portfolios and exposures to match with the Group's risk appetite. It also takes continual reviews of competition, legal and political changes as well as market trends for setting its business strategies including marketing and pricing to protect and drive profitability.

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, 11th March, 2016

Deloitte.
德勤

TO THE MEMBERS OF MAGNIFICENT HOTEL INVESTMENTS LIMITED
(FORMERLY KNOWN AS MAGNIFICENT ESTATES LIMITED)
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Magnificent Hotel Investments Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 84, which comprise the consolidated statement of financial position as at 31st December, 2015, 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 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 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 405 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 financial position of the Group as at 31st December, 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
11th March, 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31st December, 2015

	Notes	**2015**	2014
		HK$'000	*HK$'000*
			(Restated)
Continuing operations			
Revenue	*5*	**444,506**	538,558
Cost of sales		**(4,296)**	(4,245)
Other service costs		**(228,750)**	(222,692)
Depreciation of property, plant and equipment and release of prepaid lease payments for land		**(65,602)**	(62,841)
Gross profit		**145,858**	248,780
Decrease in fair value of investment properties		**–**	(8,000)
Other income and gains	*7*	**14,845**	13,281
Gain on disposal of subsidiaries	*33*	**–**	620,478
Administrative expenses			
– Depreciation		**(3,680)**	(1,999)
– Others		**(26,294)**	(27,137)
		(29,974)	(29,136)
Other expenses	*7*	**(5,145)**	–
Finance costs	*8*	**(9,328)**	(7,804)
Profit before taxation	*9*	**116,256**	837,599
Income tax expense	*11*	**(21,926)**	(37,903)
Profit for the year from continuing operations		**94,330**	799,696
Discontinued operations			
Profit for the year from discontinued operations	*22*	**51,371**	115,188
Profit for the year		**145,701**	914,884
Other comprehensive income (expense)			
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		**(4,759)**	(2,142)
Fair value gain on available-for-sale investments		**104,058**	34,221
Other comprehensive income for the year		**99,299**	32,079
Total comprehensive income for the year		**245,000**	946,963

Consolidated Statement of Profit or Loss and Other Comprehensive Income *(Continued)*

For the Year Ended 31st December, 2015

	Notes	**2015**	2014
		HK$'000	*HK$'000*
			(Restated)
Profit for the year attributable to owners of the Company			
– from continuing operations		**94,330**	799,696
– from discontinued operations		**49,726**	105,976
Profit for the year attributable to owners of the Company		**144,056**	905,672
Profit for the year from discontinued operations attributable to non-controlling interests		**1,645**	9,212
		145,701	914,884
Total comprehensive income attributable to:			
Owners of the Company		**243,355**	937,751
Non-controlling interests		**1,645**	9,212
		245,000	946,963
		HK cents	*HK cents*
Earnings per share	*13*		
From continuing and discontinued operations			
Basic		**1.61**	10.12
From continuing operations			
Basic	*13*	**1.05**	8.94

Consolidated Statement of Financial Position

At 31st December, 2015

	Notes	**2015**	2014
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*14*	**2,667,279**	2,324,497
Prepaid lease payments for land	*15*	**30,765**	33,440
Investment properties	*16*	**260,000**	3,082,700
Properties under development	*17*	**102,981**	382,339
Available-for-sale investments	*18*	**485,398**	257,036
		3,546,423	6,080,012
CURRENT ASSETS			
Inventories		**946**	891
Prepaid lease payments for land	*15*	**852**	901
Trade and other receivables	*19*	**18,664**	21,480
Other deposits and prepayments		**8,068**	7,912
Bank balances and cash	*20*	**778,062**	1,164,762
		806,592	1,195,946
CURRENT LIABILITIES			
Trade and other payables and accruals	*21*	**32,647**	41,295
Rental and other deposits received		**8,868**	11,261
Advance from immediate holding company	*30(a)*	**12,721**	145,203
Advance from an intermediate holding company	*30(c)*	**–**	12,491
Advance from ultimate holding company	*30(e)*	**438**	423
Tax liabilities		**4,953**	15,680
Bank loans	*23*	**401,570**	621,733
		461,197	848,086
NET CURRENT ASSETS		**345,395**	347,860
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,891,818**	6,427,872

	Notes	2015 HK$'000	2014 HK$'000
CAPITAL AND RESERVES			
Share capital	24	**841,926**	841,926
Reserves		**2,953,944**	5,316,920
Equity attributable to owners of the Company		**3,795,870**	6,158,846
Non-controlling interests		**–**	117,772
Total equity		**3,795,870**	6,276,618
NON-CURRENT LIABILITIES			
Rental deposits received		**2,654**	33,724
Deferred tax liabilities	25	**93,294**	117,530
		95,948	151,254
		3,891,818	6,427,872

The consolidated financial statements on pages 27 to 84 were approved and authorised for issue by the Board of Directors on 11th March, 2016 and are signed on its behalf by:

Albert HUI Wing Ho
DIRECTOR

William CHENG Kai Man
DIRECTOR

Consolidated Statement of Changes in Equity

For the Year Ended 31st December, 2015

	Attributable to owners of the Company										
	Share capital *HK$'000*	Share premium *HK$'000*	Special capital reserve *HK$'000* *(Note a)*	Property revaluation reserve *HK$'000* *(Note b)*	Securities revaluation reserve *HK$'000*	Foreign currency translation reserve *HK$'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, 2014	89,471	752,455	612,477	179	145,678	23,354	3,561	3,663,260	5,290,435	144,539	5,434,974
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(2,142)	–	–	(2,142)	–	(2,142)
Fair value gain on available-for-sale investments	–	–	–	–	34,221	–	–	–	34,221	–	34,221
Other comprehensive income (expense) for the year	–	–	–	–	34,221	(2,142)	–	–	32,079	–	32,079
Profit for the year	–	–	–	–	–	–	–	905,672	905,672	9,212	914,884
Total comprehensive income (expense) for the year	–	–	–	–	34,221	(2,142)	–	905,672	937,751	9,212	946,963
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance *(Note d)*	752,455	(752,455)	–	–	–	–	–	–	–	–	–
Final dividend for year ended 31st December, 2013 paid *(note 12)*	–	–	–	–	–	–	–	(51,446)	(51,446)	–	(51,446)
Interim dividend payable for the six months ended 30th June, 2014 *(note 12)*	–	–	–	–	–	–	–	(17,894)	(17,894)	–	(17,894)
Dividend distributed to non-controlling interests *(note 32)*	–	–	–	–	–	–	–	–	–	(35,979)	(35,979)
At 31st December, 2014	841,926	–	612,477	179	179,899	21,212	3,561	4,499,592	6,158,846	117,772	6,276,618
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(4,759)	–	–	(4,759)	–	(4,759)
Fair value gain on available-for-sale investments	–	–	–	–	104,058	–	–	–	104,058	–	104,058
Other comprehensive income (expense) for the year	–	–	–	–	104,058	(4,759)	–	–	99,299	–	99,299
Profit for the year	–	–	–	–	–	–	–	144,056	144,056	1,645	145,701
Total comprehensive income (expense) for the year	–	–	–	–	104,058	(4,759)	–	144,056	243,355	1,645	245,000
Final dividend for year ended 31st December, 2014 paid *(note 12)*	–	–	–	–	–	–	–	(51,446)	(51,446)	–	(51,446)
Interim dividend payable for the six months ended 30th June, 2015 *(note 12)*	–	–	–	–	–	–	–	(17,894)	(17,894)	–	(17,894)
Special cash dividend paid for the Disposal *(note 12)*	–	–	–	–	–	–	–	(268,412)	(268,412)	–	(268,412)
Dividend distributed to non-controlling interests	–	–	–	–	–	–	–	–	–	(2,006)	(2,006)
Disposal of subsidiaries *(note 33)*	–	–	–	–	–	–	–	(2,268,579)	(2,268,579)	(117,411)	(2,385,990)
At 31st December, 2015	841,926	–	612,477	179	283,957	16,453	3,561	2,037,317	3,795,870	–	3,795,870

Notes:

(a) The special capital reserve represents the difference arising from the reduction of the nominal value of the Company's share in 1999. Details are set out in note 31.

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

(c) The 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.

(d) The Company has no authorised share capital and its shares have no par value from the commencement date of the new Hong Kong Companies Ordinance (i.e. 3rd March, 2014).

Consolidated Statement of Cash Flows
For the Year Ended 31st December, 2015

	Notes	**2015** *HK$'000*	2014 *HK$'000*
OPERATING ACTIVITIES			
Profit before taxation		**176,853**	969,124
Adjustments for:			
Interest income from bank deposits		**(7,173)**	(12,798)
Finance costs		**11,795**	11,161
Increase in fair value of investment properties		**–**	(18,600)
Gain on disposal of property, plant and equipment		**(4,019)**	(455)
Gain on disposal of available-for-sale investments		**(3,594)**	–
Gain on disposal of subsidiaries	*33*	**–**	(620,478)
Depreciation of property, plant and equipment		**68,877**	64,842
Release of prepaid lease payments for land		**852**	901
Operating cash flows before movements in working capital		**243,591**	393,697
(Increase) decrease in inventories		**(55)**	127
(Increase) decrease in trade and other receivables		**(71)**	6,604
Increase in other deposits and prepayments		**(2,558)**	(635)
Increase (decrease) in trade and other payables and accruals		**1,853**	(185)
Increase (decrease) in rental and other deposits received		**5,755**	(176)
Cash generated from operations		**248,515**	399,432
Hong Kong Profits Tax paid		**(28,000)**	(47,141)
Income tax elsewhere paid		**(789)**	(4,313)
Interest from bank deposits received		**7,173**	12,798
NET CASH FROM OPERATING ACTIVITIES		**226,899**	360,776
INVESTING ACTIVITIES			
(Net cash outflow on) proceeds from disposal of subsidiaries, net of cash and cash equivalents	*33*	**(26,540)**	712,542
Proceeds from disposal of property, plant and equipment		**4,619**	2,207
Proceeds from disposal of available-for-sale investments		**62,783**	–
Expenditure on properties under development		**(27,806)**	(110,574)
Acquisition of property, plant and equipment		**(28,594)**	(10,746)
Purchase of available-for-sale investments		**(183,493)**	(5,629)
Expenditure on investment properties		**–**	(100)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(199,031)**	587,700

	2015	2014
	HK$'000	*HK$'000*
FINANCING ACTIVITIES		
Interest paid	**(13,228)**	(13,398)
New bank loans raised	**73,000**	–
Repayments of bank loans	**(118,538)**	(54,592)
Dividends paid to shareholders	**(337,752)**	(69,340)
Advance from ultimate holding company	**15**	18
Advance from an intermediate holding company	**549**	269
Repayment to an intermediate holding company	**(12,277)**	(1,621)
Advance from immediate holding company	**41,963**	71,755
Repayment to immediate holding company	**(48,047)**	(35,963)
NET CASH USED IN FINANCING ACTIVITIES	**(414,315)**	(102,872)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(386,447)**	845,604
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**1,164,762**	319,390
Effect of foreign exchange rate changes	**(253)**	(232)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	**778,062**	1,164,762

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 treasury investment.

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

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year:

Amendments to Hong Kong Accounting Standard ("HKAS") 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle

The application of the new or revised HKFRSs in the current year has had no material effect on the amounts reported and/or disclosures set out in the consolidated financial statements.

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

HKFRS 9	Financial Instruments[2]
HKFRS 14	Regulatory Deferral Accounts[4]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[1]

[1] Effective for annual periods beginning on or after 1st January, 2016, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1st January, 2018, with earlier application permitted.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for first annual HKFRS financial statements beginning on or after 1st January, 2016.

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

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9:

- all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The management of the Group anticipates that the application of HKFRS 9 in the future may have a material impact on the amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

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

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The management of the Group anticipates that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

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 HKFRS issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The provisions of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31st December, 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31st December, 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31st December, 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 "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, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

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.

The significant accounting policies adopted are as follows:

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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.

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 "Financial Instruments: Recognition and Measurement", 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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.

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.

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 measured initially 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 values of investment properties are included in profit or loss for the period in which they arise.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance leases) and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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.

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).

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement 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.

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 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).

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.

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 and ultimate holding company and bank loans) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

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

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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.

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.

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. 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, 2015, a deferred tax asset of HK$7,657,000 (2014: HK$405,000) in relation to unused tax losses has been recognised as set out in note 25. No deferred tax asset has been recognised on the remaining tax losses of HK$22,268,000 (2014: HK$25,763,000) 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.

5. REVENUE

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

	2015	2014
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Income from operation of hotels	**435,821**	529,287
Income from property rental	**6,639**	9,044
Dividend income	**2,046**	227
	444,506	538,558

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 – Best Western Plus Hotel Hong Kong
3. Hospitality services – Best Western Hotel Taipa, Macau *(Note a)*
4. Hospitality services – Magnificent International Hotel, Shanghai
5. Hospitality services – Best Western Hotel Causeway Bay
6. Hospitality services – Best Western Hotel Harbour View
7. Hospitality services – Best Western Grand Hotel
8. Hospitality services – Grand City Hotel *(Note b)*
9. Property investment – Shops
10. Securities investment
11. Property development for hotel *(Note b)*

Notes:

(a) The Group has disposed of the holding companies that hold Best Western Hotel Taipa, Macau during the year ended 31st December, 2014.

(b) The hotel development was completed in August 2015 and accordingly transferred to the segment of "Hospitality services – Grand City Hotel".

On 25th March, 2015, the Company entered into the sale and purchase agreement with its immediate holding company, Shun Ho Technology Holdings Limited, for the disposal of 100% interest in Houston Venture Limited and its subsidiary, Tennyland Limited, and 68% interest in Trans-Profit Limited ("Trans-Profit") (collectively referred to as "Disposed Subsidiaries") together with its shareholder's loan due to the Company (the "Disposal"). Upon completion of the Disposal, the Disposed Subsidiaries ceased to be subsidiaries of the Company. The Disposed Subsidiaries are principally engaged in property investment in commercial buildings, namely, 633 King's Road and Shun Ho Tower. Details of the Disposal and Disposed Subsidiaries are set out in note 22. Accordingly, the segment information reported below does not include financial information in respect of the discontinued operations related to the Disposed Subsidiaries, and the comparative figures in the segment information for the year ended 31st December, 2014 have been restated.

Information regarding the above segments is reported below.

6. SEGMENT INFORMATION *(Continued)*

Continuing operations

Segment revenue and results

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

	Segment revenue Year ended 31st December,		Segment profit Year ended 31st December,	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)
Hospitality services	**435,821**	529,287	**137,173**	239,509
– Ramada Hotel Kowloon	**60,093**	76,647	**18,768**	36,588
– Best Western Plus Hotel Hong Kong	**78,052**	95,218	**27,604**	47,301
– Best Western Hotel Taipa, Macau	**–**	14,258	**–**	7,038
– Magnificent International Hotel, Shanghai	**22,253**	21,318	**3,785**	3,456
– Best Western Hotel Causeway Bay	**63,406**	81,850	**17,037**	35,152
– Best Western Hotel Harbour View	**91,792**	111,235	**37,444**	57,716
– Best Western Grand Hotel	**103,996**	128,761	**27,003**	52,258
– Grand City Hotel	**16,229**	–	**5,532**	–
Property investment				
– Shops	**6,639**	9,044	**6,639**	1,044
Securities investment	**2,046**	227	**2,046**	227
Property development for hotel	**–**	–	**–**	–
	444,506	538,558	**145,858**	240,780
Other income and gains			**14,845**	13,281
Gain on disposal of subsidiaries			**–**	620,478
Central administration costs and directors' emoluments			**(29,974)**	(29,136)
Other expenses			**(5,145)**	–
Finance costs			**(9,328)**	(7,804)
Profit before taxation			**116,256**	837,599

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 subsidiaries and finance costs. This is the measure reported to the chief operating decision maker, Chairman of the Company, for the purposes of resources allocation and performance assessment.

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

6. SEGMENT INFORMATION *(Continued)*

Continuing operations *(Continued)*

Segment assets and liabilities

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

	2015	2014
	HK$'000	*HK$'000*
Segment assets		
Hospitality services	**2,757,168**	2,314,276
– Ramada Hotel Kowloon	**247,861**	151,410
– Best Western Plus Hotel Hong Kong	**330,523**	333,876
– Magnificent International Hotel, Shanghai	**81,101**	88,499
– Best Western Hotel Causeway Bay	**359,609**	370,948
– Best Western Hotel Harbour View	**522,054**	528,978
– Best Western Grand Hotel	**810,293**	840,565
– Grand City Hotel	**405,727**	–
Property investment		
– Shops	**260,000**	360,000
Securities investment	**485,398**	257,259
Property development for hotel	**–**	383,181
Total segment assets	**3,502,566**	3,314,716
Assets relating to Disposed Subsidiaries (now discontinued)	**–**	2,756,641
Unallocated assets	**850,449**	1,204,601
Consolidated assets	**4,353,015**	7,275,958

6. SEGMENT INFORMATION *(Continued)*

Continuing operations *(Continued)*

Segment assets and liabilities *(Continued)*

	2015 HK$'000	2014 HK$'000
Segment liabilities		
Hospitality services	**33,132**	25,394
– Ramada Hotel Kowloon	**5,064**	3,765
– Best Western Plus Hotel Hong Kong	**4,834**	2,978
– Magnificent International Hotel, Shanghai	**1,139**	1,219
– Best Western Hotel Causeway Bay	**3,058**	2,260
– Best Western Hotel Harbour View	**4,524**	4,225
– Best Western Grand Hotel	**7,794**	10,947
– Grand City Hotel	**6,719**	–
Property investment		
– Shops	**2,524**	3,615
Securities investment	**2**	2
Property development for hotel	**–**	11,985
Total segment liabilities	**35,658**	40,996
Liabilities relating to Disposed Subsidiaries (now discontinued)	**–**	309,487
Unallocated liabilities	**521,487**	648,857
Consolidated liabilities	**557,145**	999,340

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), and bank balances and cash; and

- all liabilities are allocated to operating and reportable segments other than the Group's head office corporate liabilities, bank loans and current and deferred tax liabilities.

6. SEGMENT INFORMATION *(Continued)*

Continuing operations *(Continued)*

Other segment information

	Depreciation of property, plant and equipment and release of prepaid lease payments for land Year ended 31st December,		Additions to non-current assets *(Note)* Year ended 31st December,		Increase (decrease) in fair value of investment properties Year ended 31st December,	
	2015	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:						
Hospitality services	**65,602**	62,841	**6,777**	8,974	**–**	–
– Ramada Hotel Kowloon	**7,889**	7,045	**885**	6,856	**–**	–
– Best Western Plus Hotel Hong Kong	**3,587**	3,634	**190**	334	**–**	–
– Magnificent International Hotel, Shanghai	**2,731**	2,841	**19**	145	**–**	–
– Best Western Hotel Causeway Bay	**12,142**	12,100	**109**	647	**–**	–
– Best Western Hotel Harbour View	**7,020**	7,000	**138**	591	**–**	–
– Best Western Grand Hotel	**30,238**	30,221	**300**	401	**–**	–
– Grand City Hotel	**1,995**	–	**5,136**	–	**–**	–
Property investment						
– Shops	**–**	–	**–**	–	**–**	(8,000)
Securities investment	**–**	–	**–**	–	**–**	–
Property development for hotel	**–**	–	**20,976**	119,063	**–**	–
Relating to Disposed Subsidiaries (now discontinued)	**–**	7	**–**	100	**–**	26,600
	65,602	62,848	**27,753**	128,137	**–**	18,600

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

6. SEGMENT INFORMATION *(Continued)*

Continuing operations *(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:

	2015	2014
	HK$'000	*HK$'000*
		(Restated)
Hong Kong	**422,253**	502,212
Macau	**–**	15,028
The PRC	**22,253**	21,318
	444,506	538,558

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

	Non-current assets *(Note)*	
	2015	2014
	HK$'000	*HK$'000*
Hong Kong	**2,981,414**	5,736,195
The PRC	**79,611**	86,781
	3,061,025	5,822,976

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

Information about major customers

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

6. SEGMENT INFORMATION *(Continued)*

Continuing operations *(Continued)*

Revenue from major services

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

	2015 *HK$'000*	2014 *HK$'000* (Restated)
Room revenue	**416,706**	509,377
Food and beverage	**16,796**	17,140
Property rental income	**6,639**	9,044
Dividend income	**2,046**	227
Others	**2,319**	2,770
	444,506	538,558

7. OTHER INCOME AND GAINS/OTHER EXPENSES

	2015 *HK$'000*	2014 *HK$'000* (Restated)
Continuing operations		
Other income and gains comprises:		
Interest income from bank deposits	**7,173**	12,798
Gain on disposal of property, plant and equipment	**4,019**	455
Gain on disposal of available-for-sale investments	**3,594**	–
Others	**59**	28
	14,845	13,281

Other expenses mainly represent hotel pre-operation expenses.

8. FINANCE COSTS

	2015	2014
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Interests on:		
Bank loans	**7,923**	8,265
Advance from ultimate holding company wholly repayable within five years *(note 30(e))*	**18**	18
Advance from immediate holding company wholly repayable within five years *(note 30(a))*	**2,820**	1,758
	10,761	10,041
Less: amount capitalised in properties under development *(Note)*	**(1,433)**	(2,237)
	9,328	7,804

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

	2015	2014
	HK$'000	*HK$'000*
		(Restated)
Profit before taxation from continuing operations has been arrived at after charging (crediting):		
Auditor's remuneration	**2,257**	2,351
Staff costs including directors' emoluments	**164,080**	150,564
Depreciation of property, plant and equipment	**68,430**	63,939
Gain on disposal of property, plant and equipment	**4,019**	455
Release of prepaid lease payments for land	**852**	901
Operating lease rental in respect of rented equipment	**2,350**	2,184
Gross rental income from investment properties	**(6,639)**	(9,044)
Less: Direct operating expenses incurred for investment properties that generated rental income during the year	**–**	–
	(6,639)	(9,044)

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, 2015				
	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*	**Total** *HK$'000*
Mr. William Cheng Kai Man	**–**	**5,603**	**921**	**18**	**6,542**
Mr. Albert Hui Wing Ho	**–**	**1,254**	**441**	**18**	**1,713**
Madam Mabel Lui Fung Mei Yee	**17**	**–**	**–**	**–**	**17**
Mr. Vincent Kwok Chi Sun	**52**	**–**	**–**	**–**	**52**
Mr. Chan Kim Fai	**50**	**–**	**–**	**–**	**50**
Mr. Hui Kin Hing	**50**	**–**	**–**	**–**	**50**
	169	**6,857**	**1,362**	**36**	**8,424**

	Year ended 31st December, 2014				
	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*	Total *HK$'000*
Mr. William Cheng Kai Man	–	6,505	921	17	7,443
Mr. Albert Hui Wing Ho	–	1,672	941	17	2,630
Madam Mabel Lui Fung Mei Yee	17	–	–	–	17
Mr. Vincent Kwok Chi Sun	38	–	–	–	38
Mr. Chan Kim Fai	38	–	–	–	38
Mr. Hui Kin Hing	42	–	–	–	42
	135	8,177	1,862	34	10,208

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, 2015 and 2014.

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, 2015 and 2014, no emolument was paid to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

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

(b) Employees' emoluments

Of the five individuals in the Group with the highest emoluments, two (2014: two) were directors of the Company whose emoluments are included above. The emoluments of the remaining three (2014: three) individuals are as follows:

	2015	2014
	HK$'000	*HK$'000*
Basic salaries, allowances and benefits-in-kind	**2,695**	2,641
Performance related bonus payments	**288**	538
Contributions to retirement benefits schemes	**54**	50
	3,037	3,229

The emoluments were within the following bands:

	Number of individuals	
	2015	2014
HK$nil to HK$1,000,000	**2**	1
HK$1,000,001 to HK$2,000,000	**1**	2
	3	3

11. INCOME TAX EXPENSE

	2015	2014
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
The taxation charge comprises:		
Current tax		
Hong Kong	**21,421**	29,267
The PRC	**780**	660
Other jurisdiction	**–**	715
	22,201	30,642
(Over) underprovision in prior years		
Hong Kong	**(221)**	18
	21,980	30,660
Deferred tax	**(54)**	7,243
	21,926	37,903

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 was 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 Company's PRC subsidiary of HK$1,910,000 (2014: HK$1,678,000) were provided as at 31st December, 2015.

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

	2015	2014
	HK$'000	*HK$'000*
		(Restated)
Profit before taxation (from continuing operations)	**116,256**	837,599
Tax at the Hong Kong Profits Tax rate of 16.5% (2014: 16.5%)	**19,182**	138,204
Tax effect of expenses not deductible for tax purpose	**5,248**	3,971
Tax effect of income not taxable for tax purpose	**(2,229)**	(102,448)
(Over) underprovision in prior years	**(221)**	18
Tax effect of tax losses not recognised	**158**	196
Utilisation of tax losses previously not recognised	**(735)**	(62)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(37)**	(228)
Deferred tax liabilities arising on undistributed profits of a PRC subsidiary	**232**	197
Others	**328**	(1,945)
Income tax expense	**21,926**	37,903

12. DIVIDEND

	2015	2014
	HK$'000	*HK$'000*
Dividend recognised as distribution during the year:		
Final dividend in respect of the year ended 31st December, 2014 of HK0.575 cent (2014: Final dividend in respect of the year ended 31st December, 2013 of HK0.575 cent) per share was paid to shareholders	**51,446**	51,446
Interim dividend in respect of the six months ended 30th June, 2015 of HK0.2 cent (2014: Interim dividend in respect of the six months ended 30th June, 2014 of HK0.2 cent) per share will be paid to shareholders	**17,894**	17,894
Special cash dividend in respect of the Disposal of HK3 cents per share paid to shareholders	**268,412**	–
	337,752	69,340

The final dividend in respect of the year ended 31st December, 2015 of HK0.5 cent per share amounting to HK$44,735,000 has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

13. EARNINGS PER SHARE

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

From continuing and discontinued operations

	2015	2014
	HK$'000	*HK$'000*
		(Restated)
Earnings		
Earnings for the purposes of basic earnings per share (profit for the year attributable to owners of the Company)	**144,056**	905,672

	2015	2014
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**8,947,051**	8,947,051

13. EARNINGS PER SHARE *(Continued)*

From continuing operations

	2015	2014
	HK$'000	*HK$'000*
		(Restated)
Earnings figures are calculated as follows:		
Earnings for the year attributable to owners of the Company	**144,056**	905,672
Less: Profit for the year from discontinued operations attributable to owners of the Company	**(49,726)**	(105,976)
Earnings for the purposes of basic earnings per share from continuing operations	**94,330**	799,696

From discontinued operations

Basic earnings per share for the discontinued operations is HK0.56 cent per share (2014: HK1.18 cents per share) based on the profit for the year from the discontinued operations of HK$50 million (2014: HK$106 million).

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

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold land and hotel buildings	Furniture, fixtures and equipment	Motor vehicles and vessels	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST					
At 1st January, 2014	76,852	2,519,812	96,328	16,583	2,709,575
Exchange realignment	–	(1,663)	(99)	(3)	(1,765)
Additions	1,142	168	2,618	6,818	10,746
Disposals	–	–	(7,516)	(3,567)	(11,083)
At 31st December, 2014	77,994	2,518,317	91,331	19,831	2,707,473
Exchange realignment	–	(3,801)	(254)	(7)	(4,062)
Additions	1,338	–	6,825	20,431	28,594
Transfer from properties under development	–	391,710	8,624	–	400,334
Disposal of subsidiaries	(17,040)	–	(2,469)	–	(19,509)
Overprovision of construction cost in prior year	–	(238)	–	–	(238)
Disposals	–	–	(386)	(12,766)	(13,152)
At 31st December, 2015	**62,292**	**2,905,988**	**103,671**	**27,489**	**3,099,440**
DEPRECIATION					
At 1st January, 2014	10,785	247,003	56,084	14,142	328,014
Exchange realignment	–	(460)	(86)	(3)	(549)
Provided for the year	1,592	55,085	7,136	1,029	64,842
Eliminated on disposals	–	–	(7,396)	(1,935)	(9,331)
At 31st December, 2014	12,377	301,628	55,738	13,233	382,976
Exchange realignment	–	(1,179)	(242)	(7)	(1,428)
Provided for the year	1,778	56,424	7,233	3,442	68,877
Disposal of subsidiaries	(4,231)	–	(1,481)	–	(5,712)
Eliminated on disposals	–	–	(272)	(12,280)	(12,552)
At 31st December, 2015	**9,924**	**356,873**	**60,976**	**4,388**	**432,161**
CARRYING AMOUNTS					
At 31st December, 2015	**52,368**	**2,549,115**	**42,695**	**23,101**	**2,667,279**
At 31st December, 2014	65,617	2,216,689	35,593	6,598	2,324,497

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

Notes:

(a) Leasehold land and buildings are situated on land in Hong Kong on medium-term 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:

	2015	2014
	HK$'000	*HK$'000*
In Hong Kong		
On long leases	**1,223,327**	841,340
Under medium-term leases	**1,277,408**	1,322,681
In the PRC under medium-term leases	**48,380**	52,668
	2,549,115	2,216,689

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 shorter
Furniture, fixtures and equipment	4% – 33%
Motor vehicles and vessels	20%

15. PREPAID LEASE PAYMENTS FOR LAND

The prepaid lease payments represent the land in the PRC on medium-term leases and are analysed for reporting purposes as:

	2015	2014
	HK$'000	*HK$'000*
Non-current asset	**30,765**	33,440
Current asset	**852**	901
	31,617	34,341

16. INVESTMENT PROPERTIES

	2015	2014
	HK$'000	*HK$'000*
FAIR VALUE		
At the beginning of the year	**3,082,700**	3,064,000
Additions	**–**	100
Increase in fair value recognised in profit or loss	**–**	18,600
Transfer to properties under development	**(100,000)**	–
Disposal of subsidiaries	**(2,722,700)**	–
At the end of the year	**260,000**	3,082,700

16. INVESTMENT PROPERTIES *(Continued)*

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

	2015	2014
	HK$'000	*HK$'000*
Land and buildings in Hong Kong on land held:		
On long leases	**110,000**	2,832,700
Under medium-term leases	**150,000**	250,000
	260,000	3,082,700

The fair values of the Group's investment properties at 31st December, 2015 and 2014 have been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited, an independent qualified professional valuer not connected with the Group. The valuation report on these properties is signed by a director of DTZ Debenham Tie Leung Limited who is a member 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 investment properties of the Group with an aggregate carrying amount of approximately HK$260 million (2014: HK$3,083 million) were rented out under operating leases at the end of the reporting period.

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.

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% are adopted for shops of hotels located in Hong Kong (2014: 3%). At 31st December, 2014, the market capitalisation rates of 4.5% and 4% were adopted for 633 King's Road and Shun Ho Tower 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 ranging from HK$55.58 to HK$100.97 per square feet are adopted for shops of hotels located in Hong Kong (2014: ranging from HK$55.6 to HK$65.19 per square feet). At 31st December, 2014, the average monthly rental of HK$31.93 and HK$36 per square feet were adopted for 633 King's Road and Shun Ho Tower respectively.

The Group's investment properties are commercial property units located in Hong Kong and are at Level 3 of the fair value hierarchy as at 31st December, 2014 and 2015.

There were no transfers into or out of Level 3 during both years.

17. PROPERTIES UNDER DEVELOPMENT

	2015	2014
	HK$'000	*HK$'000*
At cost		
At the beginning of the year	**382,339**	263,276
Additions	**20,976**	119,063
Transfer from investment properties	**100,000**	–
Transfer to property, plant and equipment	**(400,334)**	–
At the end of the year	**102,981**	382,339

Included in the carrying amount of the properties under development at 31st December, 2015 are interest expenses of nil (2014: HK$14,346,000) capitalised.

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

	2015	2014
	HK$'000	*HK$'000*
On long leases	**–**	382,339
Under medium-term leases	**102,981**	–
At the end of the year	**102,981**	382,339

18. AVAILABLE-FOR-SALE INVESTMENTS

	2015	2014
	HK$'000	*HK$'000*
Listed equity securities in Hong Kong at fair value *(Note a)*	**484,618**	256,256
Unlisted equity investments, at cost *(Note b)*	**780**	780
	485,398	257,036

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 11.75% (2014: 12.69%) interest in Shun Ho Technology and approximately 20.57% (2014: 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.

19. TRADE AND OTHER RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Analysed for reporting as:		
Trade receivables	**17,127**	18,030
Other receivables	**1,537**	3,450
	18,664	21,480

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:

	2015	2014
	HK$'000	*HK$'000*
Not yet due	**16,239**	17,042
Overdue:		
0 – 30 days	**855**	937
31 – 60 days	**23**	51
61 – 90 days	**10**	–
	17,127	18,030

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit rating limits. 95% (2014: 95%) 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$888,000 (2014: HK$988,000) 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

	2015	2014
	HK$'000	*HK$'000*
Overdue:		
0 – 30 days	**855**	937
31 – 60 days	**23**	51
61 – 90 days	**10**	–
Total	**888**	988

20. BANK BALANCES AND CASH

Bank balances carry interest at prevailing deposit interest rates ranging from 0.001% to 0.44% (2014: 0.001% to 1.20%) per annum.

21. TRADE AND OTHER PAYABLES AND ACCRUALS

	2015	2014
	HK$'000	*HK$'000*
Analysed for reporting as:		
Trade payables	**3,703**	3,198
Other payables and accruals *(Note)*	**28,944**	38,097
	32,647	41,295

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:

	2015	2014
	HK$'000	*HK$'000*
0 – 30 days	**2,953**	2,812
31 – 60 days	**722**	380
61 – 90 days	**28**	6
	3,703	3,198

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$5,182,000 (2014: HK$13,445,000).

22. DISCONTINUED OPERATIONS

On 25th March, 2015, the Company entered into the sale and purchase agreement with its immediate holding company, Shun Ho Technology Holdings Limited, for the disposal of interest in the Disposed Subsidiaries together with its shareholder's loan due to the Company. Upon completion of the Disposal, the Disposed Subsidiaries ceased to be subsidiaries of the Company. The Disposed Subsidiaries are principally engaged in property investment in commercial buildings, namely, 633 King's Road and Shun Ho Tower. Details of the Disposal are set out in the circular issued by the Company dated 28th May, 2015 (the "Circular").

The consideration was satisfied by the issue to the Company of Share Entitlement Note (as defined in the Circular), which shall confer on the holder the right to call for the issue of 147,626,347 shares of Shun Ho Technology Holdings Limited credited as fully paid.

22. DISCONTINUED OPERATIONS *(Continued)*

The completion of the Disposal involves various procedures as set out in the Circular. Those procedures are interconditional among each other and it is considered that the Disposal is in substance distributing the Disposal Subsidiaries to the Company's shareholders together with the Special Cash Dividend as defined in the Circular.

The Disposal was completed on 17th July, 2015.

The profit for the year from the discontinued operations is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the discontinued operations as a discontinued operation.

	2015	2014
	HK$'000	*HK$'000*
Profit of property investment in commercial buildings operation for the year	**51,371**	115,188

The results of the discontinued operations for the year which have been included in the consolidated statement of profit or loss and other comprehensive income were as follows:

	2015	2014
	HK$'000	*HK$'000*
Revenue	**63,266**	109,865
Other service costs	**(429)**	(1,049)
Depreciation of property, plant and equipment	**–**	(7)
Gross profit	**62,837**	108,809
Increase in fair value of investment properties	**–**	26,600
Other income and gains	**8,390**	15,601
Administrative expenses	**(635)**	(1,222)
Other expenses	**(7,528)**	(14,906)
Finance costs *(Note a)*	**(2,467)**	(3,357)
Profit before taxation	**60,597**	131,525
Income tax expense *(Note b)*	**(9,226)**	(16,337)
Profit for the year *(Note c)*	**51,371**	115,188

22. DISCONTINUED OPERATIONS *(Continued)*

Notes:

(a) Finance costs

	2015	2014
	HK$'000	*HK$'000*
Interests on:		
Bank loans wholly repayable within five years	**1,030**	2,124
Advance from immediate holding company wholly repayable within five years *(note 30(a))*	**1,194**	964
Advance from an intermediate holding company wholly repayable within five years *(note 30(c))*	**243**	269
	2,467	3,357

(b) Income tax expenses

	2015	2014
	HK$'000	*HK$'000*
Hong Kong Profits Tax	**8,276**	14,377
Deferred tax	**950**	1,960
	9,226	16,337

(c) Profit for the year has been arrived as after charging:

	2015	2014
	HK$'000	*HK$'000*
Auditor's remuneration	**118**	217
Depreciation of property, plant and equipment	**447**	903

During the year, Disposed Subsidiaries contributed HK$63,816,000 (2014: HK$91,502,000) to the Group's net operating cash flows, paid HK$34,259,000 (2014: HK$48,131,000) in respect of investing activities and paid HK$22,399,000 (2014: HK$50,043,000) in respect of financing activities.

The carrying amounts of the assets and liabilities of Disposed Subsidiaries at the date of disposal are disclosed in note 33.

23. BANK LOANS

	2015	2014
	HK$'000	*HK$'000*
Secured bank loans	**401,570**	621,733
Carrying amounts of bank loans that contain a repayment on demand clause:		
Repayable within one year from the end of the reporting period	**163,798**	287,432
Not repayable within one year from the end of the reporting period shown under current liabilities	**237,772**	334,301
Amounts shown under current liabilities	**401,570**	621,733

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 1.5% (2014: HIBOR plus a margin of approximately 1.5%) per annum. The bank loans are secured over certain of the Group's properties. Interest rates on the Group's bank loans are repriced according to the HIBOR monthly. Effective interest rate is 1.5% (2014: 1.6%) per annum.

24. SHARE CAPITAL

	Number of shares		Amount	
	2015	2014	2015	2014
	'000	*'000*	*HK$'000*	*HK$'000*
Ordinary shares				
Issued and fully paid:				
At the beginning of the year	**8,947,051**	8,947,051	**841,926**	89,471
Transfer from share premium upon abolition of par value *(Note)*	**–**	–	**–**	752,455
At the end of the year	**8,947,051**	8,947,051	**841,926**	841,926

Note: The Company has no authorised share capital and its shares have no par value from the commencement date of the new Hong Kong Companies Ordinance (i.e. 3rd March, 2014). There is no impact on the number of shares in issue or the relative entitlement of any of the shareholders as a result of this transition.

25. DEFERRED TAX LIABILITIES/ASSET

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

	Business combination *HK$'000*	Accelerated tax depreciation *HK$'000*	Withholding tax *HK$'000*	Tax losses *HK$'000*	Total *HK$'000*
At 1st January, 2014	27,926	91,436	1,481	(12,516)	108,327
(Credit) charge to profit or loss	(952)	(2,153)	197	12,111	9,203
At 31st December, 2014	26,974	89,283	1,678	(405)	117,530
(Credit) charge to profit or loss	(598)	8,514	232	(7,252)	896
Disposal of subsidiaries	(640)	(24,492)	–	–	(25,132)
At 31st December, 2015	**25,736**	**73,305**	**1,910**	**(7,657)**	**93,294**

At the end of the reporting period, the Group has unused tax losses of HK$68,674,000 (2014: HK$28,218,000) available to offset against future profits. A deferred tax asset has been recognised in respect of such losses to the extent of HK$46,406,000 (2014: HK$2,455,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK$22,268,000 (2014: HK$25,763,000) due to the unpredictability of future profit streams. All the unrecognised tax losses may be carried forward indefinitely.

26. PROJECT/CAPITAL COMMITMENTS

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

		2015 *HK$'000*	2014 *HK$'000*
(a)	Property development expenditure	**2,157**	14,282
(b)	Acquisition of property, plant and equipment	**–**	1,159

27. OPERATING LEASE COMMITMENTS

The Group as lessor

Rental income from investment properties earned during the year amounting to HK$6,639,000 (2014: HK$118,909,000). 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:

	2015	2014
	HK$'000	*HK$'000*
Within one year	**7,844**	119,335
More than one year but not more than five years	**6,595**	126,937
	14,439	246,272

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:

	2015	2014
	HK$'000	*HK$'000*
Within one year	**1,559**	1,154
More than one year but not more than five years	**444**	746
	2,003	1,900

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

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

28. PLEDGE OF ASSETS

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

(a) investment properties, properties under development and property, plant and equipment of the Group with carrying amounts as at 31st December, 2015 of approximately HK$110 million (2014: HK$2,280 million), nil (2014: HK$383 million), and HK$2,367 million (2014: HK$2,024 million), respectively;

(b) pledge of shares in and subordination of loans due from certain subsidiaries with an aggregate carrying amount as at 31st December, 2015 of approximately HK$1,129 million (2014: HK$1,171 million); and

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

29. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in funds under the control of trustees. The Group contributes 5% of relevant payroll costs capped at HK$1,500 (2014: HK$1,500) per month 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 amounting to HK$6,235,000 (2014: HK$5,697,000).

30. RELATED PARTY TRANSACTIONS

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

	2015	2014
	HK$'000	*HK$'000*
Shun Ho Technology and its subsidiaries*		
Rental expenses	**1,539**	1,040
Interest expenses on advance to the Group *(Note a)*	**4,014**	2,722
Corporate management fee income for administrative facilities provided	**3,118**	3,412
Dividend *(Note b)*	**241,679**	77,403
Shun Ho Resources		
Corporate management fee income for administrative facilities provided	**100**	100
Interest expenses on advance to the Group *(Note c)*	**243**	269
Dividend *(Note d)*	**439**	7,870
Trillion Resources		
Interest expenses on advance to the Group *(Note e)*	**18**	18
Compensation of key management personnel *(Note f)*	**8,424**	10,208

30. RELATED PARTY TRANSACTIONS *(Continued)*

	2015 *HK$'000*	2014 *HK$'000*
Shun Ho Technology and its subsidiaries*		
Advance due by the Group at the end of the reporting period *(Note a)*	**12,721**	145,203
Shun Ho Resources		
Advance due by the Group at the end of the reporting period *(Note b)*	**–**	12,491
Trillion Resources		
Advance due by the Group at the end of the reporting period *(Note e)*	**438**	423

* exclude the Company and its subsidiaries

Notes:

(a) The advance amounting to HK$12,721,000 (2014: HK$12,721,000) is interest-free and repayable on 15th July, 2016. At 31st December, 2014, the advance amounting to HK$44,610,000 carried fixed interest at 5% per annum and repayable on demand. The remaining advance from the immediate holding company carried interest at HIBOR plus 4% per annum and repayable on demand. The advance from immediate holding company is unsecured.

(b) The dividend amounting to HK$1,567,000 (2014: HK$28,109,000) is distributed by Trans-Profit prior to the Disposal. The remaining dividend is distributed by the Company.

(c) At 31st December, 2014, the advance from an intermediate holding company is unsecured, carries fixed interest at 5% per annum and repayable on demand.

(d) The dividend amounting to HK$439,000 (2014: HK$7,870,000) is distributed by Trans-Profit prior to the Disposal.

(e) The advance from ultimate holding company is unsecured, carries interest at HIBOR plus 4% (2014: HIBOR plus 4%) per annum and repayable on demand.

(f) 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:

	2015 *HK$'000*	2014 *HK$'000*
Short-term benefits	**8,388**	10,174
Post-employment benefits	**36**	34
	8,424	10,208

31. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**354**	91
Investments in subsidiaries *(Note)*	**439,500**	428,246
Amounts due from subsidiaries	**2,531,864**	2,270,188
Available-for-sale investments	**780**	780
	2,972,498	2,699,305
CURRENT ASSETS		
Other receivables	**303**	2,628
Other deposits and prepayments	**783**	781
Tax recoverable	**–**	154
Bank balances and cash	**423,108**	1,126,703
	424,194	1,130,266
CURRENT LIABILITIES		
Other payables and accruals	**17,810**	22,785
Advance from immediate holding company	**12,721**	100,593
Amounts due to subsidiaries	**97,162**	70,727
Tax liabilities	**929**	–
	128,622	194,105
NET CURRENT ASSETS	**295,572**	936,161
TOTAL ASSETS LESS CURRENT LIABILITIES	**3,268,070**	3,635,466
CAPITAL AND RESERVES		
Share capital	**841,926**	841,926
Reserves	**2,426,100**	2,793,528
Total equity	**3,268,026**	3,635,454
NON-CURRENT LIABILITY		
Deferred tax liability	**44**	12
	3,268,070	3,635,466

Note: Investments in subsidiaries are included in the Company's statement of financial position at cost (including deemed capital contribution) less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 11th March, 2016 and are signed on its behalf by:

Albert HUI Wing Ho
DIRECTOR

William CHENG Kai Man
DIRECTOR

31. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

Movement in the Company's equity

	Share capital *HK$'000*	Share premium *HK$'000*	Special capital reserve *HK$'000* *(Note)*	Retained profits *HK$'000*	Total *HK$'000*
At 1st January, 2014	89,471	752,455	612,477	749,783	2,204,186
Profit for the year	–	–	–	1,500,608	1,500,608
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance	752,455	(752,455)	–	–	–
Final dividend for the year ended 31st December, 2013 paid	–	–	–	(51,446)	(51,446)
Interim dividend for the period ended 30th June, 2014 paid	–	–	–	(17,894)	(17,894)
At 31st December, 2014	841,926	–	612,477	2,181,051	3,635,454
Profit for the year	–	–	–	669,745	669,745
Final dividend for the year ended 31st December, 2014 paid	–	–	–	(51,446)	(51,446)
Interim dividend payable for the period ended 30th June, 2015	–	–	–	(17,894)	(17,894)
Special cash dividend paid for the Disposal	–	–	–	(268,412)	(268,412)
Disposal of subsidiaries	–	–	–	(699,421)	(699,421)
At 31st December, 2015	**841,926**	**–**	**612,477**	**1,813,623**	**3,268,026**

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, 2015, accordingly the special capital reserve is not considered distributable.

32. 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, 2015 or at any time during the year.

Name of subsidiary	Paid up issued ordinary share/registered capital: Number of shares	Paid up issued ordinary share/registered capital: Share capital	Value of issued ordinary share/registered capital held by 2015: Company %	2015: Subsidiaries %	2014: Company %	2014: Subsidiaries %	Principal activities
Babenna Limited	2	HK$20	**100**	**–**	100	–	Investment holding
Beautiful Sky Investment Limited	2	HK$2	**100**	**–**	100	–	Hotel investment and operation and investment holding
Boutique Hotel Limited	2	HK$2	**100**	**–**	100	–	Hotel investment and operation
Harbour Rich Industrial Limited	10,000	HK$10,000	**–**	**100**	–	100	Property investment
Himson Enterprises Limited	2	HK$2	**100**	**–**	100	–	Hotel investment and operation
Houston Venture Limited	2	HK$2	**100**	**–**	100	–	Property investment
Houston Venture Limited (iii)	1	US$1	**–**	**–**	100	–	Investment holding
Magnificent International Hotel Limited	2	HK$2	**100**	**–**	100	–	Hotel investment and operation
Mercury Fast Limited	2	HK$2	**100**	**–**	100	–	Securities dealings and investment holding
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. (ii)	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$10,000	**–**	**100**	–	100	Hotel investment and operation
Tennyland Limited (iii)	2	HK$20	**–**	**–**	–	100	Property investment
Trans-Profit (iii)	1,000,000	HK$1,000,000	**–**	**–**	–	68	Property investment
United Assets Company Limited	2,000,000	HK$2,000,000	**–**	**100**	–	100	Hotel investment and operation and investment holding

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

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

(iii) Disposed of during the year ended 31st December, 2015.

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.

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

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

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	
		2015	2014	**2015**	2014	**2015**	2014
				HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trans-Profit	Hong Kong	**–**	32%	**1,645**	9,212	**–**	117,772

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

Trans-Profit	2014
	HK$'000
Current assets	2,074
Non-current assets	587,004
Current liabilities	(192,650)
Non-current liabilities	(8,374)
Equity attributable to owners of Trans-Profit	388,054

	2014
	HK$'000
Revenue, other income and gains and increase in fair value of investment properties	42,148
Expenses	(11,212)
Profit and total comprehensive income for the year	30,936
Dividend paid to owners of Trans-Profit	76,455
Dividend paid to non-controlling interests	35,979
	112,434
Net cash inflow from operating activities	16,521
Net cash outflow from investing activities	(100)
Net cash outflow from financing activities	(15,159)
Net cash inflow	1,262

Change in ownership interest in a subsidiary

During the year ended 31st December, 2015, the Group disposed of its remaining interest of 68% in Trans-Profit to the Company's immediate holding company, Shun Ho Technology. The Disposal is described in more details in note 22.

33. DISPOSAL OF SUBSIDIARIES

Disposal in 2015

The Disposal was completed on 17th July, 2015. The net assets of Disposed Subsidiaries at the date of disposal were as follows:

	2015
	HK$'000
Property, plant and equipment	13,797
Investment properties	2,722,700
Trade and other receivables	2,887
Other deposits and prepayments	2,402
Advance to immediate holding company	64,435
Bank balances and cash	24,302
Trade and other payables and accruals	(2,000)
Rental and other deposits received	(39,218)
Advance from immediate holding company	(132,334)
Advances from intermediate holding companies	(61,268)
Tax liabilities	(12,194)
Bank loan	(174,625)
Deferred tax liabilities	(25,132)
Net assets disposal of	2,383,752

Distribution of subsidiaries to shareholders:

	HK$'000
Cash consideration received	–
Net assets disposed of	2,383,752
Legal and professional fees directly attributable to the Disposal	2,238
Distribution of subsidiaries to shareholders	2,385,990

Net cash outflow arising on disposal:

	HK$'000
Cash consideration	–
Legal and professional fees paid during the year ended 31st December, 2015	(2,238)
Bank balances and cash disposed of	(24,302)
Net cash outflow	(26,540)

33. DISPOSAL OF SUBSIDIARIES *(Continued)*

Disposal in 2014

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 of Himson and Longham"). Himson and Longham hold 70% and 30% interests in Grand-Invest & Development Company Limited, a company incorporated in Macau respectively and its principal activities are property investment and operation of Best Western Hotel Taipa, Macau. The Disposal of Himson and Longham was completed on 20th March, 2014.

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

	HK$'000
Property, plant and equipment	95,529
Prepaid lease payments for land	24,846
Investment properties	160,000
Trade and other receivables	296
Other deposits and prepayments	205
Bank balances and cash	748
Rental and other deposits received	(1,615)
Deferred tax liabilities	(12,197)
Net assets disposal of	267,812

Gain on disposal of subsidiaries:

	HK$'000
Cash consideration received	900,000
Net assets disposed of	(267,812)
Legal and professional fees directly attributable to the Disposal of Himson and Longham	(11,710)
Gain on disposal	620,478

Net cash inflow arising on disposal:

	HK$'000
Cash consideration	900,000
Deposits received during the year ended 31st December, 2013	(180,000)
Legal and professional fees paid during the year ended 31st December, 2014	(6,710)
Bank balances and cash disposed of	(748)
Net cash inflow	712,542

34. 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 and ultimate holding company disclosed in note 30, bank loans disclosed in note 23 (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.

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2015	2014
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**802,375**	1,191,532
Available-for-sale investments	**485,398**	257,036
	1,287,773	1,448,568
Financial liabilities		
Amortised cost	**434,492**	811,565

(b) Financial risk management objectives and policies

The management of the Group 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 does not enter into derivative financial instruments for hedging or speculative purpose.

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

35. FINANCIAL INSTRUMENTS *(Continued)*

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

(i) Foreign currency risk management

The Group is subject to foreign currency risk which is mainly attributable to the exposure on Hong Kong dollars in respect of an inter-company 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.

(ii) Interest rate risk management

The Group is exposed to fair value interest rate risk in relation to advance from immediate holding company and an intermediate holding company which carried at fixed rate.

The Group is exposed to cash flow interest rate risk in relation to bank balances, advances from immediate holding company and ultimate holding company, and bank loans which are subject to floating interest rate. The Group currently does 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 exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity

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, 2015 would decrease/increase by approximately HK$1,678,000 (2014: HK$2,545,000). 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 bank balances has not been taken into account in preparing the sensitivity analysis because the effect involved is not significant.

35. FINANCIAL INSTRUMENTS *(Continued)*

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

(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, 2015 would increase/decrease by approximately HK$48,462,000 (2014: HK$25,626,000) for the Group, principally as a result of the changes in fair value of available-for-sale listed equity securities.

(iv) Credit risk management

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31st December, 2015 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.

The Group's credit risk is primarily attributable to trade and other receivables and other deposits. 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 reviews 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 credit risk is significantly reduced.

The credit risk on 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.

(v) Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

At the end of the reporting period, the available banking facilities of the Group amounted to approximately HK$622 million (2014: HK$842 million), which was utilised to the extent of approximately HK$402 million (2014: HK$622 million).

35. FINANCIAL INSTRUMENTS *(Continued)*

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

(v) Liquidity risk management *(Continued)*

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities based on agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest 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.

	Weighted average effective interest rate	On demand or less than 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2015							
Non-interest bearing	–	14,590	–	17,894	–	32,484	32,484
Bank loans – variable interest rate	1.50	401,570	–	–	–	401,570	401,570
Other variable interest rate instruments	4.20	438	–	–	–	438	438
		416,598	–	17,894	–	434,492	434,492
Non-interest bearing (rental deposits received)		–	296	472	2,654	3,422	3,422
		416,598	296	18,366	2,654	437,914	437,914

35. FINANCIAL INSTRUMENTS *(Continued)*

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

(v) Liquidity risk management (Continued)

	Weighted average effective interest rate	On demand or less than 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2014							
Non-interest bearing	–	26,542	–	17,894	–	44,436	44,436
Bank loans – variable interest rate	1.60	621,733	–	–	–	621,733	621,733
Other variable interest rate instruments	4.24	88,295	–	–	–	88,295	88,295
Fixed interest rate instruments	5.00	57,101	–	–	–	57,101	57,101
		793,671	–	17,894	–	811,565	811,565
Non-interest bearing (rental deposits received)	–	51	1,324	3,156	33,724	38,255	38,255
		793,722	1,324	21,050	33,724	849,820	849,820

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	**1 – 3 months**	**3 months to 1 year**	**1 – 5 years**	**Over 5 years**	**Total undiscounted cash flows**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2015	**3,431**	**6,863**	**159,484**	**198,396**	**52,641**	**420,815**
2014	5,641	11,158	278,499	297,902	47,874	641,074

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.

35. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair values of financial instruments

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

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

- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

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

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	**2015**	2014	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**
	HK$'000	*HK$'000*		
Listed equity securities classified as available-for-sale investments	**484,618**	256,256	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 other 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,				
	2011 *HK$'000* (Restated)	2012 *HK$'000*	2013 *HK$'000*	2014 *HK$'000*	**2015** ***HK$'000***
Revenue	401,648	520,503	688,736	648,423	**507,772**
Operating profit and profit before taxation	525,332	584,729	688,645	969,124	**176,853**
Income tax expense	(37,513)	(48,382)	(62,514)	(54,240)	**(31,152)**
Profit before non-controlling interests	487,819	536,347	626,131	914,884	**145,701**
Non-controlling interests	–	–	(3,361)	(9,212)	**(1,645)**
Profit for the year	487,819	536,347	622,770	905,672	**144,056**

CONSOLIDATED NET ASSETS

	As 31st December,				
	2011 *HK$'000* (Restated)	2012 *HK$'000*	2013 *HK$'000*	2014 *HK$'000*	**2015** ***HK$'000***
Property, plant and equipment	1,133,012	2,537,105	2,381,561	2,324,497	**2,667,279**
Prepaid lease payments for land	61,049	60,177	35,014	33,440	**30,765**
Investment properties	2,626,880	2,925,100	3,064,000	3,082,700	**260,000**
Properties under development	1,517,390	237,338	263,276	382,339	**102,981**
Other non-current assets	131,522	185,863	217,186	257,036	**485,398**
Net current (liabilities) assets	(1,213,320)	(1,127,774)	(391,974)	347,860	**345,395**
Non-current rental deposits received	(26,993)	(22,625)	(25,762)	(33,724)	**(2,654)**
Deferred lax liabilities	(87,835)	(101,817)	(108,327)	(117,530)	**(93,294)**
Non-controlling interests	–	–	(144,539)	(117,772)	**–**
Net assets attributable to owners of the Company	4,141,705	4,693,367	5,290,435	6,158,846	**3,795,870**

Major Properties

HOTEL PROPERTIES

Location	Type of use	Approx. gross floor area *(sq.m.)*	Lease term	Group's attributable interest
Best Western Plus Hotel Hong Kong No. 308 Des Voeux Road West Hong Kong	Hotel	14,402	Long lease	100%
Best Western Plus Hotel Kowloon Nos. 73-75 Chatham Road South Tsimshatsui, Kowloon	Hotel	7,767	Medium-term lease	100%
Best Western Grand Hotel No. 23 Austin Avenue Tsimshatsui Kowloon, Hong Kong	Hotel	8,542	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	8,864	Long lease	100%
Magnificent International Hotel No. 381 Xizang Road South Shanghai, The PRC	Hotel	10,522	Medium-term lease	100%
Best Western Grand City Hotel No. 338 Queen's Road West Hong Kong	Hotel	5,587	Long lease	100%