THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **KECK SENG INVESTMENTS (HONG KONG) LIMITED**, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

KECK SENG INVESTMENTS (HONG KONG) LIMITED
激成投資(香港)有限公司

(incorporated in Hong Kong with limited liability)

Website: www.keckseng.com.hk

(Stock Code: 00184)

MAJOR TRANSACTION

ACQUISITION OF HOTEL PROPERTY

A letter from the Board is set out on page 3 to page 8 of this circular.

27 July 2009

CONTENTS

Pages

DEFINITIONS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

"Acquisition"	the acquisition of the Hotel Property by the Company from the Seller pursuant to the Purchase and Sale Agreement
"Board"	the board of Directors
"Closing"	completion of the Acquisition
"Closing Date"	30 July 2009, or such other date as agreed to in writing between the Seller and the Company
"Company"	Keck Seng Investments (Hong Kong) Limited, a company incorporated in Hong Kong under the Companies Ordinance (Cap. 32), the shares of which are listed on the Stock Exchange
"Directors"	the directors of the Company
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong Dollars
"Hotel Property"	the hotel facility located at 181 Third Street, San Francisco, California, United States, and commonly known as the "W San Francisco", which includes (but not limited to) the land, all buildings, structures, fixtures, properties and equipment on the land, all retail merchandise located at the hotel facility, all leases, operating agreements and union contracts regarding the hotel facility, IT systems, inventories, licenses and permits, intellectual property rights, accounts receivables (comprising the guest ledger) and liquor assets in relation to the hotel facility
"Latest Practicable Date"	20 July 2009, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Operating Agreement"	the agreement under which the Group shall engage the Operator for the operation of the Hotel Property under the W® brand

"Operator"	W Hotels Management, Inc., an affiliate of Starwood Hotels & Resorts Worldwide, Inc.
"PKF"	PKF Consulting, an independent valuer engaged by the Company in relation to the Acquisition
"Purchase and Sale Agreement"	the agreement dated 2 July 2009 between the Company and the Seller, pursuant to which the Company has agreed to buy and the Seller has agreed to sell the Hotel Property
"Purchase Price"	the consideration of the Acquisition, being US$90,000,000 (equivalent to approximately HK$697,500,000), subject to adjustments in accordance with the terms and conditions of the Purchase and Sale Agreement, as set out in the paragraph headed "Purchase Price and Payment Terms" in the Letter from the Board of this circular
"Seller"	Starwood San Francisco Realty I LLC, a wholly-owned subsidiary of Starwood Hotels & Resorts Worldwide, Inc.
"Shareholders"	the holders of shares of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US$"	United States Dollars
"%"	per cent.

In this circular, US$ has been translated into HK$ at the rate of US$1= HK$7.75 for reference purpose only.

KECK SENG INVESTMENTS (HONG KONG) LIMITED
激成投資(香港)有限公司

(incorporated in Hong Kong with limited liability)
Website: www.keckseng.com.hk
(Stock Code: 00184)

Executive Directors:
Mr. HO Kian Guan *(Executive Chairman)*
Mr. HO Kian Hock *(Deputy Executive Chairman)*
Mr. TSE See Fan Paul
Mr. CHAN Lui Ming Ivan
Ms. YU Yuet Chu Evelyn
Mr. HO Chung Tao
Mr. HO Chung Hui
Mr. HO Chung Kain *(alternate to HO Chung Hui)*

Non-Executive Directors:
Mr. HO Kian Cheong
Dr. CHAN Yau Hing Robin *(Independent)*
Mr. KWOK Chi Shun Arthur *(Independent)*
Ms. WANG Poey Foon Angela *(Independent)*

Registered office:
Room 2902 West Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

27 July 2009

Dear Sir or Madam

MAJOR TRANSACTION

ACQUISITION OF HOTEL PROPERTY

INTRODUCTION

By an announcement issued on 6 July 2009, the Board announced that the Company and the Seller entered into the Purchase and Sale Agreement on 2 July 2009, pursuant to which the Company has agreed to buy and the Seller has agreed to sell the Hotel Property, located in San Francisco, California, United States, at the Purchase Price of US$90,000,000 (equivalent to approximately HK$697,500,000).

The purposes of this circular are to provide you with further details of the Acquisition, including the financial and general information of the Group, the financial information and the valuation report of the Hotel Property, and the pro forma financial information of the Group.

THE PURCHASE AND SALE AGREEMENT

Date:	2 July 2009
Purchaser:	the Company
Seller:	Starwood San Francisco Realty I LLC To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Seller and the ultimate beneficial owner(s) of the Seller are third parties independent of the Company and any connected persons of the Company.
Property to be acquired:	The hotel facility located at 181 Third Street, San Francisco, California, United States, and commonly known as the "W San Francisco", which includes (but not limited to) the land, all buildings, structures, fixtures, properties and equipment on the land, all retail merchandise located at the hotel facility, all leases, operating agreements and union contracts regarding the hotel facility, IT systems, inventories, licenses and permits, intellectual property rights, accounts receivables (comprising the guest ledger) and liquor assets in relation to the hotel facility.

The Acquisition would be on an "as is" basis, subject to wear and tear from the date of the Purchase and Sale Agreement until Closing.

PURCHASE PRICE AND PAYMENT TERMS

The Purchase Price of US$90,000,000 was determined after arm's length negotiations between the Company and the Seller, and shall be adjusted at Closing for the purchase price of the liquor assets, prorations on specified items of revenue and expense and accounts receivable in accordance with the terms of the Purchase and Sale Agreement as at 11:59 p.m. on the day preceding the Closing Date.

Pursuant to the terms of the Purchase and Sale Agreement, the Purchase Price shall be payable by the Company to the Seller in the following manner:

1) a sum of US$2,500,000 (equivalent to approximately HK$19,375,000) has been deposited by the Company with an escrow agent within three business days after the execution and delivery of the Purchase and Sale Agreement as earnest money (the "**Earnest Money**"); and

2) at Closing, the Company shall (i) procure the escrow agent to disburse the Earnest Money to the Seller; and (ii) pay the Seller such amount equivalent to the Purchase Price less the Earnest Money disbursed to the Seller. Such amount shall be satisfied by internal cash resources of the Group.

CONDITIONS PRECEDENT

Closing is conditional upon the following:

i. the Company having paid to the Seller, or deposited with the escrow agent with written direction to disburse the same to the Seller, such amount equivalent to the Purchase Price as adjusted, and having delivered written direction to the escrow agent to disburse the Earnest Money to the Seller;

ii. the title company designated by the Purchase and Sale Agreement having committed to issue an owner's title insurance policy to the Company insuring the Company's title to the land, building, structure and other improvements in relation to the Hotel Property as of the date of Closing;

iii. all the deliverables having been delivered by the Company to the Seller and by the Seller to the Company or having been deposited with the escrow agent in accordance with the Purchase and Sale Agreement;

iv. the respective representations of the Seller and the Company in the Purchase and Sale Agreement shall remain true and correct as of the date of the Purchase and Sale Agreement and as of Closing;

v. the respective covenants and obligations of the Seller and the Company in the Purchase and Sale Agreement having been performed in all material respects;

vi. no litigation or other court action having been commenced adversary to the Acquisition and no preliminary or permanent injunction or any other order, decree or ruling having been issued that would make illegal or invalid or otherwise prevent the consummation of the Acquisition; and

vii. no applicable law having been enacted that would make illegal or invalid or otherwise prevent the consummation of the Acquisition.

As of the Latest Practicable Date, condition ii mentioned above has been fulfilled.

CLOSING DATE

The Closing Date will be 30 July 2009 or such other date as agreed to in writing between the Seller and the Company.

INFORMATION ON THE HOTEL PROPERTY

The Hotel Property comprises the 31-storey (and 2 basement floors), 404-room hotel facility located at 181 Third Street, San Francisco, California, United States, and commonly known as the "W San Francisco". W San Francisco is a 5 star full-service hotel located in the SoMa (South of Market) District, and in proximity to the Financial District, the central business district of San Francisco. It is equipped with three food & beverage outlets and a range of facilities including conference rooms, a spa, an indoor swimming pool and a fitness centre.

According to a valuation conducted by PKF, an independent valuer engaged by the Company in respect of the Acquisition, the value of the Hotel Property is US$91,000,000 (equivalent to approximately HK$705,250,000). The valuation was based on the sales comparison and income capitalisation approach. The valuation report prepared by PKF is set out in Appendix IV of this circular.

According to the management accounts of the Hotel Property provided by the Seller, the net operating profit attributable to the Hotel Property was US$12,208,106 (equivalent to approximately HK$94,612,822) and US$13,625,506 (equivalent to approximately HK$105,597,672) respectively for the years ended 31 December 2007 and 2008. The said net operating profit is calculated by deducting the fixed charges (except management fees) from the gross operating profit. No deductions have been made to take into account the management fees because prior to the Acquisition, management of the Hotel Property was carried out by an affiliate of the Seller and was therefore an intra-group transaction. It would be inappropriate to compare the terms of such intra-group transaction to the management of the Hotel Property after the Acquisition, as the terms of the latter was negotiated on arm's length basis between independent third parties.

Furthermore, as the management accounts provided by the Seller do not contain information on interest, taxes, depreciation and amortization expenses, these items have not been taken into account in the calculation of the net operating profit disclosed in this paragraph.

After completion of the Acquisition, the Group intends to continue the operation of the Hotel Property under the W® brand. Accordingly, prior to Closing, the Company or its permitted nominee, as the owner of the Hotel Property (the "**Owner**") will enter into the Operating Agreement with the Operator, under which the Operator will be engaged for the operation of the Hotel Property. For further details, please refer to the paragraph headed "Operating Agreement" below.

OPERATING AGREEMENT

Prior to Closing, the Owner will enter into the Operating Agreement with the Operator, under which the Operator will operate the Hotel Property under the W® brand and provide services including but not limited to general operation and management, maintenance and repairs, employment of personnel, marketing, use of the Operator's reservation system and administration of bank accounts. In consideration, the Owner will pay an operating fee to the Operator. The operating fee comprises (i) a base fee, which is based on the gross operating revenue of the Hotel Property, (ii) an incentive fee, which is based on the excess of the gross operating profit of the Hotel Property over and above the sum of the said base fee, real property taxes, insurance premiums paid, contribution to the reserve fund and an agreed amount of owner's priority return, and (iii) charges for the provision of system services by the Operator to the Hotel Property. The Operator shall set aside contributions to a reserve fund for routine improvements on the hotel facility, the amount of which will be determined by reference to the gross operating revenues.

Pursuant to the Operating Agreement, the Owner shall cause the renovation of the hotel facilities and, absent unforeseen circumstances, shall commence work within six months and complete such work within twenty four months of the signing of the Operating Agreement in accordance with an agreed property improvement plan.

The Operating Agreement is expected to be for a term commencing on the date of signing and expiring on 31 December after the 30th anniversary thereof.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Directors consider the Acquisition as a move to capitalize on the Group's experience in the hotel investment sector, as well as to utilize its strong financial capacity to acquire an established, well managed, branded hotel property in a prime location in a gateway city, and at a time of the economic cycle which allows the Acquisition to be conducted at a reasonable capital cost. The Directors believe that the Acquisition will enable the Group to strengthen its existing hotel property portfolio.

The Acquisition is expected to produce a more diversified and stable source of earnings in future years. On the asset side, as a result of the Acquisition, the balance sheet of the Company will become less cash-heavy. The Acquisition will also increase the proportion of property held for investment in the balance sheet. As the Purchase Price will be satisfied by internal cash resources at Closing, there will not be any changes to the make-up of liabilities in the balance sheet.

The Directors believe that the terms of the Acquisition are fair and reasonable and in the interests of the Shareholders as a whole. Accordingly, should a physical general meeting of the Company be required to consider and approve the Acquisition, the Directors would recommend the Shareholders to vote in favour of such resolution(s) to be proposed at the meeting to approve the same.

INFORMATION ON THE SELLER

The Seller is wholly-owned by Starwood Hotels & Resorts Worldwide, Inc., which is one of the leading hotel and leisure companies in the world. It is a fully integrated owner, operator and franchisor of hotels and resorts with the following internationally renowned brands: St.Regis®, The Luxury Collection®, Sheraton®, Westin®, Four Points® by Sheraton, W®, Le Méridien®, Aloft℠ and Element℠.

INFORMATION ON THE GROUP

The principal activities of the Group are hotel and club operations, property investment and development and the provision of management services. The Company's principal activity is investment holding.

GENERAL

As the applicable percentage ratios exceed 25% but are less than 100%, the Acquisition constitutes a major transaction of the Company under Rule 14.06(3) of the Listing Rules and is therefore subject to Shareholders' approval.

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval for the Acquisition may be obtained by way of written Shareholders' approval in lieu of holding a general meeting if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition; and (b) written approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% in nominal value of the issued share capital of the Company giving the right to attend and vote at that general meeting to approve the Acquisition.

The Directors confirm that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Seller and the ultimate beneficial owner(s) of the Seller are third parties independent of the Company and any connected persons of the Company, and no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition. Each of Goodland Limited and Kansas Holdings Limited, the two largest Shareholders holding 96,646,960 shares and 100,909,360 shares in the Company respectively, amounting to approximately 28.41% and 29.66% of the issued share capital of the Company, has given its written approval on the Acquisition. Both Goodland Limited and Kansas Holdings Limited are wholly-owned subsidiaries of Ocean Inc., which in turn is held as to 50% by each of Mr Ho Kian Guan, Executive Chairman of the Company, and Mr Ho Kian Hock, Deputy Executive Chairman of the Company. Owing to the common ownership of Goodland Limited and Kansas Holdings Limited, they form a closely allied group of Shareholders for the purpose of Rule 14.44 of the Listing Rules. As Goodland Limited and Kansas Holdings Limited together hold more than 50% of the issued shares of the Company and no Shareholder is required to abstain from voting, no general meeting for the Shareholders' approval of the Acquisition is required to be held.

FURTHER INFORMATION

Your attention is also drawn to the financial information of the Group, financial information on the Hotel Property, pro forma financial information, the valuation report, and the additional information set out in the appendices to this circular.

By Order of the Board
Keck Seng Investments (Hong Kong) Limited
HO Kian Guan
Executive Chairman

1. SUMMARY FINANCIAL INFORMATION

The financial information for the annual results of the Group for the years ended 31 December 2006, 31 December 2007 and 31 December 2008 have been extracted from the respective published audited financial statements of the Group. The auditors have expressed an unqualified opinion on those financial statements in their report for the years ended 31 December 2006, 31 December 2007 and 31 December 2008, respectively.

(i) Results

	31 December 2008	31 December 2007	31 December 2006
	HK$'000	*HK$'000*	*HK$'000*
Turnover	807,810	638,263	628,347
Cost of sales	(116,197)	(88,404)	(95,404)
	691,613	549,859	532,943
Other revenue	44,546	40,711	30,415
Other net (loss)/income	(23,332)	94,100	41,153
Direct costs and operating expenses	(228,015)	(197,650)	(187,771)
Marketing and selling expenses	(35,407)	(13,731)	(13,704)
Depreciation of fixed assets	(71,381)	(80,235)	(91,782)
Administrative and other operating expenses	(106,885)	(96,112)	(85,995)
Operating profit	271,139	296,942	225,259
Increase in fair value of investment properties	2,920	23,000	48,480
	274,059	319,942	273,739
Finance costs	(380)	(1,261)	(8,120)
Share of profits less losses of associates	23,250	20,407	13,446
Gain on disposal of an associate	–	–	2,420
Profit before taxation	296,929	339,088	281,485
Income tax	(15,710)	(11,029)	(15,822)
Profit for the year	281,219	328,059	265,663
Attributable to:			
Equity shareholders of the Company	185,250	235,355	203,031
Minority interests	95,969	92,704	62,632
Profit for the year	281,219	328,059	265,663

	31 December 2008 HK$'000	31 December 2007 HK$'000	31 December 2006 HK$'000
Dividend attributable to the year:			
Interim dividend paid – HK$0.05 (2007: HK$0.05 and 2006: HK$0.03) per share	17,010	17,010	10,206
Proposed final dividend – HK$0.125 (2007: HK$0.12 and 2006: HK$0.10) per share	42,525	40,824	34,020
	59,535	57,834	44,226
Basic and diluted earnings per share (cents)	54.5	69.2	59.7

(ii) Assets and liabilities

	31 December 2008 HK$'000	31 December 2007 HK$'000	31 December 2006 HK$'000
Non-current assets			
Fixed assets			
– Investment properties	247,400	244,480	221,480
– Other properties and fixed assets	653,979	616,652	661,847
– Interests in leasehold land held for own use under operating lease	120,959	122,245	120,567
	1,022,338	983,377	1,003,894
Properties under development	–	24,016	–
Interest in associates	138,177	133,078	104,259
Available-for-sale securities	1,785	3,702	1,785
Deferred tax assets	–	–	5,310
	1,162,300	1,144,173	1,115,248
Current assets			
Trading securities	37,692	57,395	–
Properties held for sale	332,767	331,842	335,671
Inventories	2,663	2,446	1,850
Trade and other receivables	36,303	26,272	82,760
Derivative financial assets	296	–	–
Deposits and cash	1,326,426	1,089,415	842,011
	1,736,147	1,507,370	1,262,292

	31 December 2008	31 December 2007	31 December 2006
	HK$'000	*HK$'000*	*HK$'000*
Current liabilities			
Bank loans	10,000	9,749	48,669
Trade and other payables	193,423	151,807	104,122
Loans from associates	1,364	1,364	1,364
Loans from minority shareholders	37,014	37,232	38,174
Loan from an affiliated company	28,733	28,926	28,840
Amount due to an affiliated company	20,890	28,562	29,561
Derivative financial liabilities	6,106	–	–
Taxation payable	29,974	30,315	38,578
	327,504	287,955	289,308
Net current assets	1,408,643	1,219,415	972,984
Total assets less current liabilities	2,570,943	2,363,588	2,088,232
Non-current liabilities			
Loans from minority shareholders	96,117	90,616	81,241
Deferred tax liabilities	11,654	10,917	10,635
	107,771	101,533	91,876
NET ASSETS	2,463,172	2,262,055	1,996,356
Capital and reserves			
Share capital	340,200	340,200	340,200
Reserves	1,686,769	1,563,373	1,371,676
Shareholders' equity	2,026,969	1,903,573	1,711,876
Minority interests	436,203	358,482	284,480
TOTAL EQUITY	2,463,172	2,262,055	1,996,356

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2008

Set out below are the audited consolidated income statement, consolidated balance sheet, consolidated statement of changes in equity and consolidated cash flow statement of the Group and the balance sheet of the Company and notes to the financial statements reproduced from the audited financial statements published in the Company's annual report for the year ended 31 December 2008.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2008

	Note	**2008** *HK$'000*	**2007** *HK$'000*
Turnover	2	807,810	638,263
Cost of sales		(116,197)	(88,404)
		691,613	549,859
Other revenue	*3(a)*	44,546	40,711
Other net (loss)/income	*3(b)*	(23,332)	94,100
Direct costs and operating expenses		(228,015)	(197,650)
Marketing and selling expenses		(35,407)	(13,731)
Depreciation of fixed assets	*12(a)*	(71,381)	(80,235)
Administrative and other operating expenses		(106,885)	(96,112)
Operating profit		271,139	296,942
Increase in fair value of investment properties	*12(a)*	2,920	23,000
		274,059	319,942
Finance costs	*4(a)*	(380)	(1,261)
Share of profits less losses of associates	*15(b)*	23,250	20,407
Profit before taxation	*4*	296,929	339,088
Income tax	*5(a)*	(15,710)	(11,029)
Profit for the year		281,219	328,059
Attributable to:			
Equity shareholders of the Company	*8*	185,250	235,355
Minority interests		95,969	92,704
Profit for the year		281,219	328,059
Dividend attributable to the year:	*9*		
Interim dividend paid – HK$0.05 (2007: HK$0.05) per share		17,010	17,010
Proposed final dividend – HK$0.125 (2007: HK$0.12) per share		42,525	40,824
		59,535	57,834
Basic and diluted earnings per share (cents)	*10*	54.5	69.2

CONSOLIDATED BALANCE SHEET
At 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Fixed assets	12(a)		
– Investment properties		247,400	244,480
– Other properties and fixed assets		653,979	616,652
– Interests in leasehold land held for own use under operating lease		120,959	122,245
		1,022,338	983,377
Properties under development	14	–	24,016
Interest in associates	15	138,177	133,078
Available-for-sale securities	16	1,785	3,702
		1,162,300	1,144,173
Current assets			
Trading securities	17	37,692	57,395
Properties held for sale	18	332,767	331,842
Inventories		2,663	2,446
Trade and other receivables	19	36,303	26,272
Derivative financial assets	27(c)	296	–
Deposits and cash	20	1,326,426	1,089,415
		1,736,147	1,507,370
Current liabilities			
Bank loans	21	10,000	9,749
Trade and other payables	22	193,423	151,807
Loans from associates	15	1,364	1,364
Loans from minority shareholders	23	37,014	37,232
Loan from an affiliated company	31(a)	28,733	28,926
Amount due to an affiliated company	31(a)	20,890	28,562
Derivative financial liabilities	27(c)	6,106	–
Taxation payable	24(a)	29,974	30,315
		327,504	287,955
Net current assets		1,408,643	1,219,415
Total assets less current liabilities		2,570,943	2,363,588
Non-current liabilities			
Loans from minority shareholders	23	96,117	90,616
Deferred tax liabilities	24(b)	11,654	10,917
		107,771	101,533
NET ASSETS		2,463,172	2,262,055
Capital and reserves			
Share capital	25	340,200	340,200
Reserves	26(a)	1,686,769	1,563,373
Shareholders' equity		2,026,969	1,903,573
Minority interests		436,203	358,482
TOTAL EQUITY		2,463,172	2,262,055

BALANCE SHEET

At 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Fixed assets	12(b)	3,558	3,635
Interest in subsidiaries	13	705,764	744,917
Interest in associates	15	25,347	29,636
Available-for-sale securities	16	1,785	3,702
		736,454	781,890
Current assets			
Trading securities	17	19,555	28,697
Properties held for sale	18	12,647	12,647
Trade and other receivables	19	788	1,539
Derivative financial assets	27(c)	296	–
Deposits and cash	20	435,446	393,073
		468,732	435,956
Current liabilities			
Bank loan	21	10,000	5,000
Trade and other payables	22	1,569	1,393
Derivative financial liabilities	27(c)	6,106	–
Taxation payable	24(a)	95	155
		17,770	6,548
Net current assets		450,962	429,408
Total assets less current liabilities		1,187,416	1,211,298
Non-current liabilities			
Amounts due to subsidiaries	13	(20,950)	(21,736)
NET ASSETS		1,166,466	1,189,562
Capital and reserves			
Share capital	25	340,200	340,200
Reserves		826,266	849,362
TOTAL EQUITY	26(b)	1,166,466	1,189,562

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2008

	Share capital	Share premium	Legal reserve	Other capital reserve	Exchange reserve	Fair value reserve	Retained profits	Sub-total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2008	340,200	158,105	12,758	13,219	19,225	3,110	1,356,956	1,903,573	358,482	2,262,055
Profit for the year	–	–	–	–	–	–	185,250	185,250	95,969	281,219
Dividends approved in respect of the current year *(note 9)*	–	–	–	–	–	–	(17,010)	(17,010)	–	(17,010)
Dividends approved in respect of the previous year *(note 9)*	–	–	–	–	–	–	(40,824)	(40,824)	–	(40,824)
Dividends paid by the subsidiaries to minority interests	–	–	–	–	–	–	–	–	(15,430)	(15,430)
Available-for-sale securities – change in fair value	–	–	–	–	–	(1,917)	–	(1,917)	–	(1,917)
Exchange difference on translation of financial statements of overseas subsidiaries and associates	–	–	–	–	3,338	–	–	3,338	(2,818)	520
Movement during the year	–	–	–	(5,441)	–	–	–	(5,441)	–	(5,441)
At 31 December 2008	340,200	158,105	12,758	7,778	22,563	1,193	1,484,372	2,026,969	436,203	2,463,172
At 1 January 2007	340,200	158,105	12,758	17,434	9,555	1,193	1,172,631	1,711,876	284,480	1,996,356
Profit for the year	–	–	–	–	–	–	235,355	235,355	92,704	328,059
Dividends approved in respect of the current year *(note 9)*	–	–	–	–	–	–	(17,010)	(17,010)	–	(17,010)
Dividends approved in respect of the previous year *(note 9)*	–	–	–	–	–	–	(34,020)	(34,020)	–	(34,020)
Dividends paid by the subsidiaries to minority interests	–	–	–	–	–	–	–	–	(15,430)	(15,430)
Available-for-sale securities – change in fair value	–	–	–	–	–	1,917	–	1,917	–	1,917
Exchange difference on translation of financial statements of overseas subsidiaries and associates	–	–	–	–	9,670	–	–	9,670	(3,243)	6,427
Movement during the year	–	–	–	(4,215)	–	–	–	(4,215)	(29)	(4,244)
At 31 December 2007	340,200	158,105	12,758	13,219	19,225	3,110	1,356,956	1,903,573	358,482	2,262,055

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Operating activities			
Profit before taxation		296,929	339,088
Adjustments for:			
– Increase in fair value on investment properties	*12(a)*	(2,920)	(23,000)
– Depreciation of fixed assets	*12(a)*	71,381	80,235
– Dividend income from available-for-sale and trading securities		(200)	(54)
– Interest income		(42,507)	(39,622)
– Finance costs		380	1,261
– Share of profits less losses of associates		(23,250)	(20,407)
– Loss on disposals of fixed assets		159	8,085
– Net realised and unrealised losses on trading securities		38,721	9,253
– Foreign exchange loss/(gain)		51,447	(89,264)
Operating profit before changes in working capital		390,140	265,575
Increase in properties under development		(60,173)	(24,016)
(Increase)/decrease in properties held for sale		(925)	3,829
Increase in inventories		(217)	(596)
(Increase)/decrease in trade and other receivables		(9,976)	56,488
Increase in trade and other payables		30,055	47,685
Decrease in amount due to an affiliated company		(8,042)	–
Cash generated from operations		340,862	348,965
Overseas tax paid		(15,151)	(10,128)
Net cash generated from operating activities		325,711	338,837

	Note	**2008** *HK$'000*	**2007** *HK$'000*
Investing activities			
Payment for the purchase of fixed assets	*12(a)*	(19,288)	(29,479)
Proceeds from disposals of fixed assets		92	1,906
Repayment/(advancement) of loans to associates		4,313	(3,646)
Net proceed from share redemption of an associate		–	6,060
Interest received		42,507	39,622
Increase in time deposit with maturity greater than 3 months		(18,039)	(16,011)
Payment for purchase of trading securities		(60,455)	(117,535)
Proceeds from disposal of trading securities		46,929	50,887
Dividends received from available-for-sale and trading securities		200	54
Net cash used in investing activities		(3,741)	(68,142)
Financing activities			
Advance of new bank loans		10,000	2,416
Repayment of bank loans		(9,749)	(41,336)
Interest paid		(380)	(1,261)
Dividends paid		–	(51,030)
Dividends paid to minority shareholders		(15,430)	(15,430)
Net cash used in financing activities		(15,559)	(106,641)
Net increase in cash and cash equivalents		306,411	164,054
Cash and cash equivalents at 1 January		1,073,404	842,011
Effect of foreign exchange rate changes		(87,439)	67,339
Cash and cash equivalents at 31 December	20	1,292,376	1,073,404

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

(i) These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

(ii) The HKICPA has issued the following new interpretations and an amendment to HKFRSs that are first effective for the current accounting period of the Group and the Company:

- HK(IFRIC) 11, HKFRS 2 – Group and treasury share transactions
- HK(IFRIC) 12, Service concession arrangements
- HK(IFRIC) 14, HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction
- Amendment to HKAS 39, Financial instruments: Recognition and measurement, and HKFRS 7, Financial instruments: Disclosures – Reclassification of financial assets

These HKFRS developments have had no material impact on the Group's financial statements as either they were consistent with accounting policies already adopted by the Group or they were not relevant to the Group's and the Company's operations.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see Note 33).

(b) Basis of preparation of the financial statements

(i) The consolidated financial statements for the year ended 31 December 2008 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

(ii) The measurement basis used in the preparation of the financial statements is the historical cost except where stated otherwise in the accounting policies set out below.

(iii) The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 32.

(c) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with Note 1(m) or Note 1(n).

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (Note 1(j)).

(d) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates for the year.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In the Company's balance sheet, its investments in associates are stated at cost less impairment losses (Note 1(j)).

(e) Fixed assets

(i) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (Note 1(i)) to earn rental income and/or for capital appreciation.

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in the income statement. Rental income from investment properties is accounted for as described in Note 1(s)(ii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (Note 1(i)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in Note 1(i).

(ii) Hotel property

Hotel property is stated in the balance sheet at cost less accumulated depreciation (Note 1(h)) and impairment losses (Note 1(j)).

(iii) Other properties and fixed assets

Other properties and fixed assets comprise of land and buildings, furniture, fixtures and equipment, and are stated in the balance sheet at cost less accumulated depreciation (Note 1(h)) and impairment losses (Note 1(j)).

Subsequent expenditure relating to an item of fixed asset that has already been recognised is added to the carrying amount of the assets when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the income statement on the date of retirement or disposal.

(iv) Properties under development

Properties under development represent the direct costs of construction incurred of property, plant and equipment less impairment losses (Note 1(j)). Properties under development are reclassified to the appropriate category of fixed assets when completed and ready for use.

(f) Investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in equity securities are initially stated at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss.

Investments in securities that do not fall into trading securities are classified as available-for-sale securities and are initially recognised at fair value plus transaction costs. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, except for impairment losses (Note 1(j)) and, in the case of monetary items such as debt securities, foreign exchange gains and losses which are recognised directly in the income statement. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the income statement. When these investments are derecognised or impaired (Note 1(j)), the cumulative gain or loss previously recognised directly in equity is recognised in the income statement.

Investments are recognised/derecognised on the date the Group and/or the Company commits to purchase/sell the investments or they expire.

(g) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is charged immediately to the income statement. However, where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(h) Depreciation

(i) Investment properties

No depreciation is provided on investment properties.

(ii) Properties under development

No depreciation is provided on properties under development.

(iii) Hotel properties

Depreciation on hotel properties is provided on a straight line basis over the shorter of the joint venture period and 25 years on the cost of the hotel properties.

(iv) Other properties and fixed assets

Depreciation is calculated to write off the cost of these assets on a straight line basis over their estimated useful lives as follows:

Land and buildings and other properties	–	unexpired period of the lease
Furniture, fixtures and equipment	–	3 to 5 years
Motor vehicles	–	$6^2/_3$ years

Where parts of an item of fixed asset have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately.

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (Note 1(e)(i)); and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased assets, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in Note 1(h). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 1(j). Finance charges implicit in the lease payments are charged to the income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (Note 1(e)(i)) or is held for development for sale (Note 1(k)).

(j) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment.

Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For current receivables and loans to related parties that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for current receivables and loans to relate parties are reversed if in a subsequent period the amount of the impairment loss decreases.

  For current receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

If in a subsequent period, the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale equity securities, the cumulative loss that had been recognised directly in equity is removed from equity and is recognised in the income statement. The amount of the cumulative loss that is recognised in the income statement is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in the income statement.

  Impairment losses recognised in the income statement in respect of available-for-sale equity securities are not reversed through the income statement. Any subsequent increase in the fair value of such assets is recognised directly in equity.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the income statement.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired, an impairment loss previously recognised no longer exists or may have decreased:

– fixed assets (other than investment properties carried at revalued amounts);

– pre-paid interests in leasehold land classified as being held under an operating lease; and

– investments in subsidiaries and associates.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its net selling price 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 time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in the income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(k) Inventories

Inventories in respect of hotel and club operation are carried at the lower of cost and net realisable value. Cost represents purchase cost computed on a first in first out basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– Property under development for sale

The cost of properties under development for sale comprises specifically identified cost, including acquisition cost of land, the aggregate cost of development, materials and supplies, wages and other direct expenses and an appropriate proportion of overheads and borrowing costs capitalised (Note 1(u)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– Completed property held for sale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (Note 1(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (Note 1(j)).

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the income statement over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(p) Employee benefits

Short term employee benefits and contributions to defined contribution retirement plans:

(i) Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and central pension schemes operated by the local governments in Mainland China are recognised as an expense in the income statement as incurred.

(iii) Contributions to the social insurance fund schemes operated by the local governments in Vietnam are recognised as an expense in the income statement as incurred.

Termination benefits:

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(q) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

All deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  • the same taxable entity; or

  • different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in the income statement on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in the income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with Note 1(r)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Revenue arising from the sale of properties is recognised upon the signing of the sale and purchase agreement or the issue of an occupation permit by the relevant government authorities, whichever is the later. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under trade and other payables.

(ii) Rental income receivable under operating leases is recognised in the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Hotel and club revenue from room rental, food and beverage sales, slot machine and other ancillary services is recognised when the services are rendered.

(iv) Interest income from bank deposits and overdue interest received from purchasers of properties are recognised as they accrue using the effective interest rate.

(v) Management fees are recognised when the services are rendered.

(vi) Dividend income from listed securities is recognised when the share price of the investment goes ex-dividend. Dividend from unlisted securities is recognised when the shareholder's right to receive payment is established.

(t) Translation of foreign currencies

(i) Functional and presentation currency

Items included on the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity ("functional currency"). The financial statements are presented in Hong Kong dollars ("presentation currency").

(ii) Foreign currency transactions

Foreign currency transactions during the year are translated into Hong Kong dollars at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into Hong Kong dollars at foreign exchange rates ruling at the dates the fair value was determined.

(iii) Financial information of foreign operation

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

(u) Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(v) Affiliated companies

An affiliated company is a company, not being a subsidiary or an associate, in which a director of the Company has a significant beneficial interest.

(w) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(x) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, borrowings, tax balances, corporate and financing expenses.

2. TURNOVER

The principal activities of the Group are hotel and club operations, property investment and development and the provision of management services.

Turnover represents income from hotel and club operations, the proceeds from the sale of properties, rental income and the provision of management services. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Hotel and club operations		
– Rooms	224,845	209,199
– Food and beverage	145,270	128,509
– Slot machine income *(Note)*	288,021	226,299
– Other	26,827	23,699
	684,963	587,706
Proceeds from the sale of properties	82,053	25,160
Rental income	34,488	19,032
Management fee income	6,306	6,365
	807,810	638,263

Note: The slot machine income represents net proceeds earned from the operation of slot machines at one of the Group's hotels.

3. OTHER REVENUE AND OTHER NET (LOSS)/INCOME

	2008	**2007**
	HK$'000	*HK$'000*
(a) Other revenue		
Interest income from bank deposits	42,507	39,622
Dividend income from listed available-for-sale and trading securities	200	54
Other revenue from hotel and club operations and miscellaneous income	1,839	1,035
	44,546	40,711

(b) Other net (loss)/income

Net exchange gain	15,548	111,824
Net realised and unrealised losses on trading securities	(38,721)	(9,253)
Loss on disposals of fixed assets	(159)	(8,085)
Others	–	(386)
	(23,332)	94,100

4. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2008	**2007**
	HK$'000	*HK$'000*
(a) Finance costs		
Interest on bank advances and other borrowings wholly repayable within five years	291	1,001
Interest payable on amount due to an affiliated company	86	200
Other borrowing costs	3	60
	380	1,261
(b) Staff costs		
Salaries, wages and other benefits	68,381	62,269
Contributions to defined contribution retirement plans	3,164	2,545
	71,545	64,814
(c) Other items		
Cost of properties sold *(Note 18)*	15,377	4,687
Cost of inventories	100,820	83,668
Auditors' remuneration		
– Audit services	1,468	1,334
– Tax and other non-audit services	445	403
Operating lease charges for hire of premises	205	186
Rentals receivable from investment properties less direct outgoings of HK$2,990,000 (2007: HK$2,506,000)	(30,768)	(15,842)
Other rental income less direct outgoings	(10,933)	(9,505)

5. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2008 *HK$'000*	2007 *HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	–	–
Current tax – Overseas		
Provision for the year	25,382	12,362
Over-provision in respect of prior years *(Note (v))*	(10,409)	(6,945)
	14,973	5,417
Deferred tax *(Note 24(b))*		
Change in value of investment properties	827	1,852
Future benefit of tax losses recognised	397	2,771
Origination and reversal of temporary differences	(487)	989
	737	5,612
	15,710	11,029

Notes:

(i) The provision for Hong Kong Profits Tax for 2008 is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the year.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in the Profits Tax rate from 17.5% to 16.5% with effect from the year of assessment 2008/09. The effect of such decrease has been reflected in measuring the current and deferred tax balances for the year ended 31 December 2008. Tax provision are reviewed regularly to take into account changes in legislation, practice and status of negotiations.

(ii) Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

(iii) The provision for Corporate Income Tax ("CIT") in Vietnam is calculated at 15% (2007: 15%) of the estimated taxable profits for the year. Under the terms of the investment license of a subsidiary of the Group that is incorporated in Vietnam, the subsidiary has an obligation to pay the CIT at the rate of 15% on taxable income for the first 12 years commencing from the first year of operation and at a rate of 25% on taxable income thereafter. In addition, pursuant to the terms of the subsidiary's investment license, the subsidiary is eligible for a 100% relief from CIT for two years from the first year it records taxable profits and, thereafter, they are subject to CIT at 50% of the applicable income tax rate for the following three years.

(iv) No provision has been made for the PRC Enterprise Income Tax as the subsidiary established in the PRC has sufficient tax losses bought forward from previous years to offset the taxable profit for the current year.

On 16 March 2007, the Standing committee of the Tenth National People's Congress of PRC approved the income tax law, which will change the tax rate from 33% to 25% for a subsidiary operating in the PRC from 1 January 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the deferred asset is realised or the deferred liability is settled.

With effect from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 5% to 10% on various types of passive income such as dividend derived from sources in the PRC. Distribution of the pre-2008 earnings are exempted from the above-mentioned withholding tax.

(v) In prior years, the Group made the provisions for Macau Complementary Tax based on information available to the Group at that time. During the year ended 31 December 2008, the Group has reassessed the adequacy of those provisions and as a result of this evaluation, provisions for Macau complementary tax charged to the income statement in previous years totalling HK$10,409,000 (2007: HK$6,945,000) have been credited to the consolidated income statement for the year ended 31 December 2008.

(vi) Share of associates' tax for the year ended 31 December 2008 of HK$9,942,000 (2007: HK$11,634,000) is included in the share of profits less losses of associates.

(b) Reconciliation between tax expense and profit before taxation at applicable tax rates:

	2008	**2007**
	HK$'000	*HK$'000*
Profit before taxation	296,929	339,088
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	46,075	54,505
Tax effect of non-deductible expenses	22,955	7,612
Tax effect of non-taxable revenue	(27,491)	(28,633)
Tax effect of previously unrecognised prior years' tax losses utilised this year	(1,161)	(4,889)
Tax effect of tax concession obtained	(13,705)	(10,519)
Over-provision in respect of prior years	(10,408)	(6,945)
Others	(555)	(102)
Actual tax expense	15,710	11,029

6. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Compensation for loss of office/ inducement for joining the Group	2008 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors						
HO Kian Guan	90	1,212	191	–	–	1,493
HO Kian Hock	50	1,212	191	–	–	1,453
TSE See Fan Paul	75	–	–	–	–	75
CHAN Lui Ming Ivan	40	360	50	–	–	450
YU Yuet Chu Evelyn	65	683	161	12	–	921
HO Chung Tao*	10	181	10	–	–	201
HO Chung Hui*	10	–	–	–	–	10
HO Chung Kain* *(alternate to HO Chung Hui)*	–	–	–	–	–	–
Non-executive director						
HO Kian Cheong	25	–	–	–	–	25
Independent non-executive directors						
CHAN Yau Hing Robin	80	–	–	–	–	80
KWOK Chi Shun Arthur	90	–	–	–	–	90
WANG Poey Foon Angela	90	–	–	–	–	90
	625	3,648	603	12	–	4,888

* *appointed on 15 October 2008*

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Compensation for loss of office/ inducement for joining the Group HK$'000	2007 Total HK$'000
Executive directors						
HO Kian Guan	100	1,080	90	–	–	1,270
HO Kian Hock	55	1,080	90	–	–	1,225
TSE See Fan Paul	80	–	–	–	–	80
CHAN Lui Ming Ivan	35	240	20	–	–	295
YU Yuet Chu Evelyn	65	624	117	12	–	818
Non-executive director						
HO Kian Cheong	25	–	–	–	–	25
Independent non-executive directors						
CHAN Yau Hing Robin	85	–	–	–	–	85
KWOK Chi Shun Arthur	90	–	–	–	–	90
WANG Poey Foon Angela	90	–	–	–	–	90
	625	3,024	317	12	–	3,978

The Company does not have any share option scheme for the purchase of ordinary shares in the Company. None of the directors have received any share based payments from the Company or any of its subsidiaries during the year ended 31 December 2008 (2007: HK$Nil).

During the years ended 31 December 2007 and 31 December 2008, there were no amounts paid to directors and senior executives for the compensation for loss of office and inducement for joining the Group.

7. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with highest emoluments, two (2007: two) are directors whose emoluments are disclosed in Note 6.

The aggregate of the emoluments in respect of the three (2007: three) individuals is as follows:

	2008 HK$'000	2007 HK$'000
Salaries and other emoluments	3,222	2,653
Discretionary bonuses	604	845
Retirement scheme contributions	97	–
	3,923	3,498

The emoluments of the three (2007: three) individuals with the highest emoluments are within the following bands:

	2008 **Number of individuals**	**2007** **Number of individuals**
HK$Nil – HK$1,000,000	–	1
HK$1,000,001– HK$1,500,000	3	2

8. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of HK$36,655,000 (2007: HK$207,225,000) which has been dealt with in the financial statements of the Company.

9. DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2008 *HK$'000*	**2007** *HK$'000*
Interim dividend declared and paid of HK$0.05 (2007: HK$0.05) per ordinary share	17,010	17,010
Final dividend proposed after the balance sheet date of HK$0.125 (2007: HK$0.12) per ordinary share	42,525	40,824
	59,535	57,834

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2008 *HK$'000*	**2007** *HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.12 per share (2007: HK$0.10 per share)	40,824	34,020

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK$185,250,000 (2007: HK$235,355,000) and on the 340,200,000 ordinary shares in issue during the years ended 31 December 2008 and 2007.

There is no potential diluted ordinary share during the years ended 31 December 2008 and 2007.

11. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Geographical segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

(a) Geographical segments by the location of assets

The Group's business operations are sub-divided into Macau, the People's Republic of China ("PRC"), the Socialist Republic of Vietnam ("Vietnam"), Canada and other markets classified by the location of assets.

Geographical segments

	2008					
	Macau	**PRC**	**Vietnam**	**Canada**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	125,588	61,384	617,960	1,180	1,698	807,810
Other revenue						
– allocated	13,074	328	6,292	–	–	19,694
– unallocated	–	–	–	–	24,852	24,852
Total revenue	138,662	61,712	624,252	1,180	26,550	852,356
Segment results*	61,711	4,028	190,671	428	(1,247)	255,591
Net exchange gain/(loss)	18,855	13,292	–	–	(16,599)	15,548
Increase in fair value of investment properties	2,920	–	–	–	–	2,920
Finance costs	(162)	(116)	–	–	(102)	(380)
Share of profits less losses of associates	–	–	14,815	8,435	–	23,250
Profit before taxation	83,324	17,204	205,486	8,863	(17,948)	296,929
Income tax						(15,710)
Profit after taxation						281,219
Minority interests	21,325	10,106	63,358	–	1,180	95,969
Profit attributable to equity shareholders						185,250
Depreciation of fixed assets	9,002	11,078	51,225	–	76	71,381
Capital expenditure incurred during the year	8,178	6,448	64,835	–	–	79,461
Segment assets #	670,262	188,490	536,752	–	68,113	1,463,617
Interest in associates	–	–	58,580	49,280	30,317	138,177
Unallocated assets	–	–	–	–	1,296,653	1,296,653
Total assets	670,262	188,490	595,332	49,280	1,395,083	2,898,447
Segment liabilities #	69,422	15,392	139,676	54	64,991	289,535
Unallocated liabilities	–	–	–	–	145,740	145,740
Total liabilities	69,422	15,392	139,676	54	210,731	435,275
Minority interests						436,203

* *Segment results of "Others" included net realised and unrealised losses on trading securities of HK$22,670,000.*

\# *Segment assets and liabilities are before elimination of inter-segment balances.*

	2007					
	Macau	**PRC**	**Vietnam**	**Canada**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	52,773	54,789	528,227	1,139	1,335	638,263
Other revenue						
– allocated	15,384	275	1,344	–	–	17,003
– unallocated	–	–	–	–	23,708	23,708
Total revenue	68,157	55,064	529,571	1,139	25,043	678,974
Segment results*	20,716	3,597	144,076	260	16,469	185,118
Net exchange gain	41,629	13,592	–	–	56,603	111,824
Increase in fair value of investment properties	23,000	–	–	–	–	23,000
Finance costs	(347)	(635)	–	–	(279)	(1,261)
Share of profits less losses of associates	(7)	–	13,508	6,906	–	20,407
Profit before taxation	84,991	16,554	157,584	7,166	72,793	339,088
Income tax						(11,029)
Profit after taxation						328,059
Minority interests	33,001	9,723	47,920	–	2,060	92,704
Profit attributable to equity shareholders						235,355
Depreciation of fixed assets	5,843	10,222	63,994	–	176	80,235
Capital expenditure incurred during the year	18,127	1,946	33,422	–	–	53,495
Segment assets #	677,792	185,340	516,607	–	82,791	1,462,530
Interest in associates	–	–	43,764	54,684	34,630	133,078
Unallocated assets	–	–	–	–	1,055,935	1,055,935
Total assets	677,792	185,340	560,371	54,684	1,173,356	2,651,543
Segment liabilities #	60,686	17,379	109,269	67	46,975	234,376
Unallocated liabilities	–	–	–	–	155,112	155,112
Total liabilities	60,686	17,379	109,269	67	202,087	389,488
Minority interests						358,482

* *Segment results of "Others" included net realised and unrealised losses on trading securities of HK$2,993,000.*

\# *Segment assets and liabilities are before elimination of inter-segment balances.*

(b) Business segments

The Group comprises the following main business segments:

(i) Hotel and club operations

(ii) Property development, investment and management

	2008			
	Hotel and club operations	**Property development, investment and management**	**Unallocated**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	685,365	122,445	–	807,810
Total assets #	834,763	714,950	1,348,734	2,898,447
Contribution to profit from operations	208,391	48,600	17,068	274,059
Capital expenditure incurred during the year	71,392	8,069	–	79,461

	2007			
	Hotel and club operations	**Property development, investment and management**	**Unallocated**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	588,027	50,236	–	638,263
Total assets #	802,632	753,330	1,095,581	2,651,543
Contribution to profit from operations	160,740	218,072	(58,870)	319,942
Capital expenditure incurred during the year	35,453	18,042	–	53,495

Segment assets are before elimination of inter-segment balances.

12. FIXED ASSETS

(a) The Group

	Investment properties HK$'000	Hotel properties HK$'000	Other properties and fixed assets HK$'000	Furniture, fixtures and equipment HK$'000	Interests in leasehold land held for own use HK$'000	Total HK$'000
Cost or valuation:						
At 1 January 2008	244,480	700,618	98,891	368,351	166,469	1,578,809
Additions	–	5,776	–	13,512	–	19,288
Transfer from properties under development *(Note 14)*	–	43,906	–	40,236	–	84,142
Disposals	–	–	(1,103)	(6,296)	–	(7,399)
Surplus on revaluation	2,920	–	–	–	–	2,920
Exchange adjustments	–	4,282	102	2,842	3,011	10,237
At 31 December 2008	247,400	754,582	97,890	418,645	169,480	1,687,997
Representing:						
Cost	–	754,582	97,890	418,645	169,480	1,440,597
Valuation – 2008	247,400	–	–	–	–	247,400
	247,400	754,582	97,890	418,645	169,480	1,687,997
Accumulated depreciation:						
At 1 January 2008	–	190,103	39,352	321,753	44,224	595,432
Charge for the year	–	34,404	3,606	29,822	3,549	71,381
Written back on disposals	–	–	(1,103)	(6,045)	–	(7,148)
Exchange adjustments	–	2,172	101	2,973	748	5,994
At 31 December 2008	–	226,679	41,956	348,503	48,521	665,659
Net book value:						
At 31 December 2008	247,400	527,903	55,934	70,142	120,959	1,022,338

	Investment properties HK$'000	Hotel properties HK$'000	Other properties and fixed assets HK$'000	Furniture, fixtures and equipment HK$'000	Interests in leasehold land held for own use HK$'000	Total HK$'000
Cost or valuation:						
At 1 January 2007	221,480	680,895	99,034	358,781	160,042	1,520,232
Additions	–	3,000	723	25,756	–	29,479
Disposals	–	–	(1,047)	(24,907)	–	(25,954)
Surplus on revaluation	23,000	–	–	–	–	23,000
Exchange adjustments	–	16,723	181	8,721	6,427	32,052
At 31 December 2007	244,480	700,618	98,891	368,351	166,469	1,578,809
Representing:						
Cost	–	700,618	98,891	368,351	166,469	1,334,329
Valuation – 2007	244,480	–	–	–	–	244,480
	244,480	700,618	98,891	368,351	166,469	1,578,809
Accumulated depreciation:						
At 1 January 2007	–	147,455	35,424	293,984	39,475	516,338
Charge for the year	–	37,559	4,519	34,726	3,431	80,235
Written back on disposals	–	–	(701)	(15,262)	–	(15,963)
Exchange adjustments	–	5,089	110	8,305	1,318	14,822
At 31 December 2007	–	190,103	39,352	321,753	44,224	595,432
Net book value:						
At 31 December 2007	244,480	510,515	59,539	46,598	122,245	983,377

(i) The investment properties comprise various units of Luso International Bank Building and Ocean Gardens in Macau.

The investment properties were revalued by Infinity Property Development and Planning Limited, an independent firm of professional surveyors, with experience in the location and category of property being valued at 31 December 2008, on an open market value basis, after taking into consideration the net rental income allowing for reversionary income potential.

(ii) The Group leases out investment properties under operating leases, which generally run for an initial period of one to nine years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

The gross amount of investment properties of the Group held for use in operating leases was HK$247,400,000 (2007: HK$244,480,000).

The Group's total future minimum lease payments under non-cancellable operating leases of investment and hotel properties are receivable as follows:

	2008	2007
	HK$'000	*HK$'000*
Within 1 year	25,047	19,954
After 1 year but within 5 years	51,943	74,588
After 5 years	18,015	34,163
	95,005	128,705

(iii) Land use rights were granted to the subsidiaries for their hotel properties in (a) Wuhan, the PRC with a period of 50 years after receiving an approval for extension of 20 years in 2004 in addition to the initial period of 30 years commencing on 21 August 1995, and (b) Ho Chi Minh City, Vietnam with a period of 48 years commencing on 7 May 1994.

(iv) A club house situated in Ocean Gardens is classified under other properties and fixed assets.

(b) The Company

	Other properties and fixed assets	Furniture, fixtures and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*
Cost:			
At 1 January 2008 and 31 December 2008	4,013	503	4,516
Accumulated depreciation:			
At 1 January 2008	378	503	881
Charge for the year	77	–	77
At 31 December 2008	455	503	958
Net book value:			
At 31 December 2008	3,558	–	3,558
Cost:			
At 1 January 2007 and 31 December 2007	4,013	503	4,516
Accumulated depreciation:			
At 1 January 2007	303	402	705
Charge for the year	75	101	176
At 31 December 2007	378	503	881
Net book value:			
At 31 December 2007	3,635	–	3,635

(c) The analysis of the tenure of title to properties at net book value or valuation is as follows:

The Group

	Investment properties	Hotel properties	Other properties and fixed assets	Interest in leasehold land held for own use	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Net book value or valuation:					
At 31 December 2008					
Held in Hong Kong					
– long lease	–	–	3,558	–	3,558
Held outside Hong Kong					
– short lease	192,800	–	51,146	186	244,132
– medium lease	54,600	527,903	–	120,773	703,276
	247,400	527,903	54,704	120,959	950,966
Net book value or valuation:					
At 31 December 2007					
Held in Hong Kong					
– long lease	–	–	3,635	–	3,635
Held outside Hong Kong					
– short lease	194,480	–	54,668	283	249,431
– medium lease	50,000	510,515	–	121,962	682,477
	244,480	510,515	58,303	122,245	935,543

The Company

	Other properties and fixed assets	
	2008	**2007**
	HK$'000	*HK$'000*
Net book value:		
Held in Hong Kong under long leases	3,558	3,635

13. INTEREST IN SUBSIDIARIES

	2008	2007
	HK$'000	*HK$'000*
Unlisted shares, at cost	39,667	39,667
Amounts due from subsidiaries – current account	666,097	705,250
	705,764	744,917
Amounts due to subsidiaries	20,950	21,736

Amounts due from/to subsidiaries are unsecured, interest-free and classified as non-current as they are not expected to be recovered/settled within next twelve months.

Details of the subsidiaries of the Group are set out in Note 34 to the financial statements.

14. PROPERTIES UNDER DEVELOPMENT

	The Group	
	2008	2007
	HK$'000	*HK$'000*
At 1 January	24,016	–
Additions	60,173	24,016
Transfer to fixed assets *(Note 12(a))*	(84,142)	–
Exchange adjustments	(47)	–
At 31 December	–	24,016

15. INTEREST IN ASSOCIATES

	The Group		The Company	
	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted shares, at cost	–	–	5	5
Share of net assets	109,208	99,796	–	–
Loans to associates	28,969	33,282	25,342	29,631
	138,177	133,078	25,347	29,636
Loans from associates	1,364	1,364	–	–

Details of the associates of the Group are set out in Note 35 to the financial statements.

(a) Loans to associates are unsecured, interest-free, have no fixed terms of repayment, and are not expected to be recovered/settled within one year.

Loans from associates are unsecured, interest-free with no fixed terms of repayment.

(b) Summary of financial information on associates:

	Assets	Liabilities	Equity	Revenues	Profit
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2008					
100 per cent	819,933	538,220	281,713	531,430	60,259
Group's effective interest	331,947	222,739	109,208	153,937	23,250
2007					
100 per cent	855,692	596,146	259,546	302,454	48,779
Group's effective interest	337,039	237,243	99,796	142,861	20,407

16. AVAILABLE-FOR-SALE SECURITIES

	The Group and the Company	
	2008	2007
	HK$'000	*HK$'000*
Shares listed outside Hong Kong, at market value	1,785	3,702

17. TRADING SECURITIES

	The Group		The Company	
	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Investment funds – unlisted but quoted	36,273	57,395	18,136	28,697
Listed equity securities – outside Hong Kong	1,419	–	1,419	–
	37,692	57,395	19,555	28,697

18. PROPERTIES HELD FOR SALE

	The Group		The Company	
	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January	331,842	335,671	12,647	12,647
Additions	16,302	858	–	–
Properties sold during the year *(Note 4(c))*	(15,377)	(4,687)	–	–
At 31 December	332,767	331,842	12,647	12,647

(i) Properties held for sale comprise Ocean Park (situated in Singapore), Heng Fa Chuen (situated in Hong Kong), Ocean Industrial Centre II, Keck Seng Industrial Centre III and Ocean Gardens (all situated in Macau).

(ii) The lease term of the properties held for sale by the Group and the Company is summarised as follows:

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Held in Hong Kong – long lease	1,920	1,920	1,920	1,920
Held outside Hong Kong				
– short lease	320,120	319,195	–	–
– freehold	10,727	10,727	10,727	10,727
	330,847	329,922	10,727	10,727
	332,767	331,842	12,647	12,647

At 31 December 2008, the carrying value of the short-term leasehold land held outside Hong Kong included in properties held for sale was HK$16,821,000 (2007: HK$18,257,000).

(iii) At 31 December 2008, a subsidiary had mortgaged its land and buildings on Taipa Island classified as properties held for sale with a carrying value of HK$101,437,000 (2007: HK$98,510,000) to a bank to secure banking facilities to the extent of HK$85,000,000 (2007: HK$85,000,000) granted to that subsidiary. None of the banking facilities were utilised at 31 December 2008 (2007: HK$Nil).

19. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts expected to be recoverable:				
– within one year	35,247	25,570	788	1,539
– after one year	1,056	702	–	–
	36,303	26,272	788	1,539

The Group's credit policy is set out in Note 27(a).

Included in trade and other receivables are trade receivables (net of impairment losses for bad and doubtful debts) with the following ageing analysis as of the balance sheet date:

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
Current or less than one month overdue	11,236	10,187
One to three months overdue	7,142	4,860
More than three months overdue but less than twelve months overdue	48	43
	18,426	15,090

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

The balance and the movement of the allowance for bad and doubtful debts as at 31 December 2008 and 31 December 2007 is not significant.

20. DEPOSITS AND CASH

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deposits with banks and other financial institutions	1,292,286	1,063,300	434,802	392,604
Cash at bank and in hand	34,140	26,115	644	469
	1,326,426	1,089,415	435,446	393,073
Less: Deposits with maturity greater than 3 months	(34,050)	(16,011)	(15,669)	–
Cash and cash equivalents in the consolidated cash flow statement	1,292,376	1,073,404	419,777	393,073

21. BANK LOANS

(a) At 31 December 2008, the bank loans were repayable as follows:

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year or on demand	10,000	9,749	10,000	5,000

(b) At 31 December 2008, the details of bank loans were as follows:

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Secured *(Note 18(iii))*	–	4,749	–	–
Unsecured	10,000	5,000	10,000	5,000
	10,000	9,749	10,000	5,000

(c) All bank loans bear interest at floating interest rates which approximate to market rates of interest.

22. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Payables and accruals	181,493	140,955	1,214	1,045
Sales deposits and receipts in advance	11,930	10,852	355	348
	193,423	151,807	1,569	1,393

Included in trade and other payables are trade creditors with the following ageing analysis:

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
Due within one month or on demand	8,517	9,632
Due after one month but within three months	15,726	6,458
Due after three months but within six months	1,655	3,461
	25,898	19,551

23. LOANS FROM MINORITY SHAREHOLDERS

Loans from minority shareholders are unsecured, non-interest bearing, and payable on demand, except for a loan with nominal value of HK$103,894,000 (2007: HK$103,835,000) (before the effect of discounting in the amount of HK$7,778,000 (2007: HK$13,219,000)) which is repayable on 30 April 2010.

24. INCOME TAX IN THE BALANCE SHEET

(a) Taxation in the balance sheet represents:

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Provision for overseas taxation for the year	25,381	12,362	95	71
Tax paid for the year	(15,151)	(4,003)	(154)	(72)
Balance of overseas tax provision relating to prior years	19,744	21,956	154	156
	29,974	30,315	95	155

(b) Deferred tax assets and liabilities recognised:

The Group

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	Revaluation of investment properties	**Tax losses recognised**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deferred tax arising from:				
At 1 January 2008	12,997	(2,567)	487	10,917
Charged/(credited) to the income statement *(Note 5(a))*	827	397	(487)	737
At 31 December 2008	13,824	(2,170)	–	11,654
At 1 January 2007	10,635	(5,203)	(107)	5,325
Charged to the income statement *(Note 5(a))*	1,852	2,771	989	5,612
Exchange difference	510	(135)	(395)	(20)
At 31 December 2007	12,997	(2,567)	487	10,917

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
Net deferred tax liability recognised in the balance sheet	11,654	10,917

The major component of unprovided deferred taxation of the Group is the future benefit of tax losses, which have been agreed with the relevant tax authorities, of HK$4,694,000 (2007: HK$4,050,000). The future benefit of tax losses which are subject to agreement by the relevant tax authorities at 31 December 2008 amounted to HK$388,000 (2007: HK$965,000), has not recognised as it is not probable that there will be sufficient taxable profits in the foreseeable future against which they may be offset.

The tax losses can be carried forward to offset against the taxable profits of the relevant subsidiaries in subsequent years for up to three to seven years from the year in which they were incurred or there is no restriction on their expiry depending on the tax jurisdiction concerned.

At 31 December 2008, the Company does not have any material deferred taxation assets and liabilities (2007: HK$Nil).

25. SHARE CAPITAL

	2008		**2007**	
	No. of shares	*HK$'000*	*No. of shares*	*HK$'000*
At 1 January and at 31 December				
Authorised:				
Ordinary shares of HK$1 each	500,000,000	500,000	500,000,000	500,000
Ordinary shares, issued and fully paid:	340,200,000	340,200	340,200,000	340,200

26. SHARE CAPITAL AND RESERVES

(a) The Group

Details of the movements in reserves of the Group during the years ended 31 December 2007 and 31 December 2008 are set out in the consolidated statement of changes in equity.

(b) The Company

	Share capital *HK$'000*	Share premium *HK$'000*	Exchange reserve *HK$'000*	Fair value reserve *HK$'000*	Revenue reserve *HK$'000*	Total *HK$'000*
At 1 January 2008	340,200	158,105	736	3,110	687,411	1,189,562
Dividends approved in respect of the previous year *(Note 9)*	–	–	–	–	(40,824)	(40,824)
Decrease in fair value of available-for-sale securities	–	–	–	(1,917)	–	(1,917)
Profit for the year	–	–	–	–	36,655	36,655
Dividends declared in respect of the current year *(Note 9)*	–	–	–	–	(17,010)	(17,010)
At 31 December 2008	340,200	158,105	736	1,193	666,232	1,166,466
At 1 January 2007	340,200	158,105	736	1,193	531,216	1,031,450
Dividends approved in respect of the previous year *(Note 9)*	–	–	–	–	(34,020)	(34,020)
Increase in fair value of available-for-sale securities	–	–	–	1,917	–	1,917
Profit for the year	–	–	–	–	207,225	207,225
Dividends declared in respect of the current year *(Note 9)*	–	–	–	–	(17,010)	(17,010)
At 31 December 2007	340,200	158,105	736	3,110	687,411	1,189,562

(c) Nature and purpose of reserves

(i) Share premium reserve

The application of the share premium account is governed by Sections 48B of the Hong Kong Companies Ordinance.

(ii) Legal reserve

The legal reserve is non-distributable and represents transfer from annual profits up to a maximum of 20 percent of the issued and paid up capital of the Macau subsidiaries in accordance with the Macau Commercial Code.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries and associates.

(iv) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the balance sheet date and is dealt with in accordance with the accounting policies in Note 1(f) and Note 1(j)(i).

(v) Other capital reserves

Other capital reserves represent the difference between the nominal value of the interest-free loans from minority shareholders and their carrying value accounted for in accordance with accounting policy set out in Note 1(m).

(vi) Distributable reserves

At 31 December 2008, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$666,232,000 (2007: HK$687,411,000).

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group currently has bank borrowings of HK$10,000,000 and has negative net debt on account of its large cash and cash equivalents. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

In order to monitor its capital structure, the Group may adjust the amount of dividends to be paid to shareholders, issue new shares, return capital to shareholders or raise new debt financing.

The adjusted capital at 31 December 2008 and 2007 was as follows:

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Equity	2,463,172	2,262,055	1,166,466	1,189,562
Less: proposed dividends	42,525	40,824	42,525	40,824
Adjusted capital	2,420,647	2,221,231	1,123,941	1,148,738

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

Substantially all the Group's cash and cash equivalents are deposited with financial institutions in Hong Kong, Macau, the PRC, Singapore, and Vietnam that are high-credit quality and meet the estimated credit rating or other criteria.

The Group's credit risk is primarily attributable to trade and other receivables. The Group has a defined credit policy. The general credit terms allowed range from 0 to 30 days. Trade receivables with balances that are more than three months overdue are requested to settle all outstanding balances before any further credit is granted. The exposures to these credit risks (including loans to associates) are monitored on an ongoing basis.

The Group does not have significant concentration of credit risk.

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay.

	The Group					
	Carrying amount	Total contractual undiscounted cash flow	Repayable within 1 year or on demand	Repayable more than 1 year but less than 2 years	Repayable more than 2 years but less than 5 years	Repayable more than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Bank loans	10,000	10,000	10,000	–	–	–
Trade and other payables	193,423	193,423	193,423	–	–	–
Loans from associates	1,364	1,364	1,364	–	–	–
Loan from an affiliated company	28,733	28,733	28,733	–	–	–
Loans from minority shareholders *(Note 23)*	133,131	140,908	37,014	103,894	–	–
Amounts due to an affiliated company	20,890	20,890	20,890	–	–	–
At 31 December 2008	387,541	395,318	291,424	103,894	–	–
Bank loans	9,749	9,749	9,749	–	–	–
Trade and other payables	151,807	151,807	151,807	–	–	–
Loans from associates	1,364	1,364	1,364	–	–	–
Loan from an affiliated company	28,926	28,926	28,926	–	–	–
Loans from minority shareholders *(Note 23)*	127,848	141,067	37,232	–	103,835	–
Amounts due to an affiliated company	28,562	28,562	28,562	–	–	–
At 31 December 2007	348,256	361,475	257,640	–	103,835	–

	The Company					
	Carrying amount	Total contractual undiscounted cash flow	Repayable within 1 year or on demand	Repayable more than 1 year but less than 2 years	Repayable more than 2 years but less than 5 years	Repayable more than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Bank loans	10,000	10,000	10,000	–	–	–
Trade and other payables	1,569	1,569	1,569	–	–	–
Amounts due to subsidiaries	20,950	20,950	20,950	–	–	–
At 31 December 2008	32,519	32,519	32,519	–	–	–
Bank loans	5,000	5,000	5,000	–	–	–
Trade and other payables	1,393	1,393	1,393	–	–	–
Amounts due to subsidiaries	21,736	21,736	21,736	–	–	–
At 31 December 2007	28,129	28,129	28,129	–	–	–

(c) Foreign currency risk

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. As the United States Dollar ("USD") is pegged to Hong Kong Dollar ("HKD"), the Group does not expect any significant movements in the USD/HKD exchange rate. The currencies giving rise to foreign currency risk are primarily denominated in Vietnamese Dong, Australian dollars, Pounds Sterling, Euros, Canadian dollars and Japanese Yen. The Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

(i) Forward foreign currency contracts

During the year, the Group entered into forward foreign exchange contracts to manage its foreign currency risk arising from anticipated transactions denominated in currencies other than the entities' functional currencies.

At 31 December 2008, the derivative financial assets/liabilities arose from the forward foreign exchange contracts entered during the year:

	The Group and the Company	
	2008	**2007**
	HK$'000	*HK$'000*
Forward foreign exchange contracts at fair value through profit or loss		
– positive fair value	296	–
– negative fair value	6,106	–

Forward foreign exchange contracts with notional amount of HK$222,418,000 (2007: HK$Nil) were not qualified for hedge accounting and their corresponding changes in fair values were recognised in the consolidated income statement. All forward foreign exchange contracts were settled subsequent to the balance sheet date.

(ii) Exposure to currency risk

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	The Group					
	Vietnamese Dong	**Pounds Sterling**	**Euro**	**Australian dollars**	**Canadian dollars**	**Japanese Yen**
	'000	*'000*	*'000*	*'000*	*'000*	*'000*
Trading securities	–	–	–	–	–	422,263
Cash and cash equivalents	65,305,970	–	–	56,432	60,707	202,448
Forward foreign exchange contract at fair value through profit or loss	–	–	–	21,544	16,034	–
At 31 December 2008	65,305,970	–	–	77,976	76,741	624,711
Trading securities	–	–	–	–	–	836,420
Cash and cash equivalents	103,528,548	8,977	35,337	30,109	28,684	201,888
At 31 December 2007	103,528,548	8,977	35,337	30,109	28,684	1,038,308

	The Company					
	Vietnamese Dong	**Pounds Sterling**	**Euro**	**Australian dollars**	**Canadian dollars**	**Japanese Yen**
	'000	*'000*	*'000*	*'000*	*'000*	*'000*
Amount due from an associated company	–	–	–	–	2,750	–
Trading securities	–	–	–	–	–	211,131
Cash and cash equivalents	–	–	–	15,188	7,670	–
Forward foreign exchange contracts at fair value through profit or loss	–	–	–	21,544	16,034	–
At 31 December 2008	–	–	–	36,732	26,454	211,131
Amount due from an associated company	–	–	–	–	2,750	–
Trading securities	–	–	–	–	–	418,208
Cash and cash equivalents	–	6,849	16,739	8,498	4,106	–
At 31 December 2007	–	6,849	16,739	8,498	6,856	418,208

(iii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit after tax and retained profits in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date. Other components of equity would not be affected by changes in the foreign exchange rates:

	2008		2007	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained earnings**	**Increase/ (decrease) in foreign exchange rates**	**Effect on profit after tax and retained earnings**
	%	*HK$'000*	*%*	*HK$'000*
Vietnamese Dong	10	2,967	5	2,507
	(10)	(2,967)	(5)	(2,507)
Pounds sterling	10	–	5	6,993
	(10)	–	(5)	(6,993)
Euro	10	–	5	20,395
	(10)	–	(5)	(20,395)
Australian dollars	10	41,788	5	10,368
	(10)	(41,788)	(5)	(10,368)
Canadian dollars	10	49,023	5	11,466
	(10)	(49,023)	(5)	(11,466)
Japanese Yen	10	5,366	5	3,562
	(10)	(5,366)	(5)	(3,562)

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to the Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. In this respect, it is assumed that the pegged rate between the Hong Kong dollars and the United States dollars would be materially unaffected by any changes in movement in value of the United States dollars against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effect on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the balance sheet date for presentation purposes. The analysis is performed on the same basis for 2007.

(d) Interest rate risk

The Group is exposed to interest rate risk through the impact of rates changes on income-earning financial assets, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or the maturity dates, if earlier.

		2008		2007	
	Fixed/ floating	**Effective interest rate**	**Within one year** *HK$'000*	**Effective interest rate**	**Within one year** *HK$'000*
Cash and cash equivalents	Floating	0.18% ~ 3.04%	34,140	1.35% ~ 3.62%	26,115
Cash and cash equivalents	Fixed	0.28% ~ 7.52%	1,292,286	2.00% ~ 6.73%	1,063,300

At 31 December 2008, the Group had bank borrowings of HK$10,000,000. A reasonably possible change of 110 basis points in interest rates would have no material impact on the Group's profit or loss during the year and there is no impact on the Group's equity.

(e) Fair values

Fair values of debtors, bank balances and other liquid funds, creditors, accruals, current borrowings and current provisions are assumed to approximate their carrying amount due to the short-term maturities of these assets and liabilities, except for the interest-free loans due to minority shareholders with a repayment date at 30 April 2010, the carrying amount of which at 31 December 2008 was HK$96,117,000 (2007: HK$90,616,000), approximating its fair value, with the face value of loans in the amount of HK$103,894,000 (2007: HK$103,835,000). The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

(f) Estimation of fair value

Listed securities and unlisted investment funds

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

Forward foreign exchange contracts

Fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date.

28. EMPLOYEE BENEFITS

The Group participates in defined contribution retirement schemes in Hong Kong, the PRC and Vietnam.

The companies of the Group operating in Hong Kong operate a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the plan vest immediately.

The employees of the Group's subsidiary operating in the PRC are members of central pension schemes operated by the local governments in the PRC and the subsidiary makes mandatory contributions to these central pension schemes to fund the employees' retirement benefits. The retirement contributions paid by the PRC subsidiary are based on 20% of the employees' salaries cost in accordance with the relevant regulations in the PRC and are charged to the consolidated income statement as incurred. The subsidiary discharges its retirement obligations upon payment of the retirement contributions to the central pension schemes operated by the local governments in the PRC.

The employees of the Group's subsidiary operating in Vietnam are members of social insurance fund schemes operated by the local governments in Vietnam and the subsidiary makes mandatory contributions to these social insurance fund schemes to fund the employees' retirement benefits, maternity benefits and sick leave benefits. The social insurance contributions paid by the Vietnam subsidiary are based on Social Insurance Regulations at the prevailing rate of 15% of basic salaries.

29. COMMITMENTS

(a) Capital commitments outstanding at 31 December 2008 not provided for in the financial statements as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Contracted for	14,302	40,647
Authorised but not contracted for	3,742	35,990
	18,044	76,637

(b) At 31 December 2008, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Leases on premises expiring within one year	259	192

30. CONTINGENT LIABILITIES

(a) At 31 December 2008, there were outstanding counter indemnities relating to guarantees issued by a subsidiary's bankers in favour of the Macau SAR Government in respect of properties held for sale amounting to HK$8,252,000 (2007: HK$8,252,000).

(b) At 31 December 2008, guarantees given by the Company to banks to secure banking facilities made available to an associate amounted to HK$65,989,000 (2007: HK$82,589,000).

(c) At 31 December 2008, guarantees given by a subsidiary and the Company to a bank to secure banking facilities made available to an associate amounted to HK$31,941,000 (CA$5,000,000) (2007: HK$39,975,000 (CA$5,000,000)).

(d) At 31 December 2008, the directors do not consider it probable that a claim would be made against the Group and the Company under any of the guarantees. The Group and the Company have not recognised any deferral income in respect of any of the above guarantee as their fair value cannot be reliably measured and they were issued many years ago and their transaction price was HK$Nil.

31. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions.

(a) During the year ended 31 December 2008, certain subsidiaries of the Company had the following transactions, which were on normal commercial terms, with Goodland Limited ("Goodland"), an affiliated company which holds 28% of equity interest of the Company at 31 December 2008:

(i) Loan from Goodland amounting to HK$28,733,000 at 31 December 2008 (2007: HK$28,926,000) which is unsecured, interest-free and repayable on demand.

(ii) Amount due to Goodland of HK$20,890,000 at 31 December 2008 (2007: HK$28,562,000) comprises of:

– interest bearing accounts with certain subsidiaries of the Company amounting to HK$2,703,000 at 31 December 2008 (2007: HK$5,531,000). Interest payable by the subsidiaries amounted to HK$86,000 for the year ended 31 December 2008 (2007: HK$200,000).

– non-interest bearing accounts with certain subsidiaries of the Company amounted to HK$18,187,000 at 31 December 2008 (2007: HK$23,031,000).

(iii) Loans from minority shareholders classified under non-current liabilities at 31 December 2008 include amounts due to Goodland of HK$54,702,000 (2007: HK$55,840,000) in nominal value (before the effect of discounting in the amount of HK$4,095,000 (2007: HK$7,109,000)), which are unsecured, non-interest bearing and repayable on 30 April 2010.

(iv) A subsidiary of the Company rented certain of its properties to Goodland and received rental income (net of outgoings) amounting to HK$743,000 for the year ended 31 December 2008 (2007: HK$676,000).

(v) Certain subsidiaries of the Company paid management fees to Goodland amounted to HK$3,204,000 for the year ended 31 December 2008 (2007: HK$3,204,000).

Messrs Ho Kian Guan and Ho Kian Hock each had 1/2 indirect interest in Goodland and are also directors of Goodland. They are deemed to be interested in the aforesaid transactions.

(b) During the year ended 31 December 2008, certain subsidiaries of the Company has the following transactions, which were on the normal commercial terms with Ho Kian Cheong ("KC Ho"), a non-executive director and a substantial shareholder of the Company at 31 December 2008:

(i) Amounts due to KC Ho represented non-interest bearing accounts with certain subsidiaries amounting to HK$4,256,000 (2007: HK$4,281,000).

(ii) Loan from KC Ho represented an interest-free loan to a subsidiary made by KC Ho for the year ended 31 December 2008 amounting to HK$6,960,000 (2007: HK$7,007,000), which is unsecured and payable on demand.

(iii) Loans from minority shareholders classified under non-current liabilities at 31 December 2008 include amounts due to KC Ho of HK$13,251,000 (2007: HK$13,526,000) in nominal value (before the effect of discounting in the amount of HK$992,000 (2007: HK$1,722,000)), which are unsecured, non-interest bearing and repayable on 30 April 2010.

32. ACCOUNTING ESTIMATES AND JUDGEMENTS

Note 27 contains information about the assumptions and their risk factors relating to financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Key sources of estimation uncertainty

(i) Valuation of investment properties

Investment properties are included in the balance sheet at their open market value, which is assessed annually by independent qualified valuers, after taking into consideration the net income allowing for reversionary potential. The assumptions adopted in the property valuation are based on the market conditions existing at the balance sheet date, with reference to current market sales prices and the appropriate capitalisation rate.

(ii) Estimated useful lives of properties, plant and equipment

The Group estimates the useful lives of fixed assets based on the periods over which the assets are expected to be available for use. The Group reviews annually their estimated useful lives, based on factors that include asset utilisation, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operation could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives of fixed assets would increase depreciation charges and decrease non-current assets.

(iii) Impairment of assets

The Group reviews internal and external sources of information at each balance sheet date to identify indications that assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased. The Group estimates the asset's recoverable amount when any such indication exists. The recoverable amount of an asset, or of the cash-generating unit to which it belongs, is the greater of its net selling price 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 time value of money and the risks specific to the assets. The preparation of projected future cash flows involves the estimation of future revenue and operating costs which are based on reasonable assumptions supported by information available to the Group. Changes in these estimates would result in additional impairment provisions or reversal of impairment in future years.

(iv) Impairment loss of available-for-sale equity securities

The Group determines that available-for-sale equity securities are impaired when there has been a significant or prolonged decline in the fair value below cost. The determination of when a decline in fair value below cost is not recoverable within a reasonable time period is judgemental by nature, so profit and loss could be affected by differences in this judgement.

(v) Deferred tax assets

The Group reviews the carrying amounts of deferred taxes at each balance sheet date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilised. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of its deferred tax assets to be utilised.

(vi) Fair value of derivative financial instruments

In determining the fair value of financial instruments, the Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. For financial instruments that are not traded in active markets, the fair values were based on the discounted cash flows method which discounts the future contractual cash flows at the current market foreign exchange rates for similar financial instruments that were available to the Group at the time.

(b) Critical accounting judgements in applying the Group's accounting policies

The Group has temporarily leased out certain properties but has decided not to treat these properties as investment properties because it is not the Group's intention to hold them in the long-term for capital appreciation or rental income. Accordingly, these properties are still classified under properties held for sale.

33. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2008

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting year ended 31 December 2008 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

In addition, the following developments are expected to result in amended disclosures in the Group's financial statements including restatement of comparative amounts in the first period of adoption:

		Effective for accounting periods beginning on or after
HKFRS 8	Operating segments	1 January 2009
HKAS 1 (revised 2007)	Presentation of financial statements	1 January 2009

34. SUBSIDIARIES

The following list contains the particulars of subsidiaries, all of which are controlled subsidiaries as defined under Note 1(c) and whose results, assets and liabilities have been consolidated into the Group financial statements. The class of shares held is ordinary unless otherwise stated.

Details of the subsidiaries are as follows:

			Proportion of ownership interest			
Name of company	Place of incorporation/ operation	Issued equity capital	Group's effective interest	Held by the Company	Held by subsidiaries	Principal activity
Ocean Incorporation Ltd	Macau	Two quotas of Ptc9,999,000 and Ptc1,000 respectively totalling Ptc10,000,000	100%	100%	–	Property investment and investment holding
Carrigold Limited*	British Virgin Islands/ Hong Kong	1 share of US$1	100%	100%	–	Investment holding
Crichton Assets Limited*	British Virgin Islands/ Hong Kong	1 share of US$1	100%	100%	–	Investment holding
Labond Developments Limited*	British Virgin Islands/ Hong Kong	1 share of US$1	100%	100%	–	Investment holding
KSB Enterprises Limited*	Canada	1 share of no par value issued at CA$1	100%	100%	–	Investment holding
Bardney Investment Limited*	Republic of Liberia/Macau	2 shares of no par value issued at HK$5,000 each	100%	–	100%	Investment holding
Lam Ho Investments Pte Limited	Singapore	32,507,299 shares	91.60%	–	91.60%	Investment holding
Shun Seng International Limited	Hong Kong	100,000 shares of HK$1 each	75.01%	–	75.01%	Investment holding
Golden Crown Development Limited	Macau	70,000,000 shares of Ptc1 each	70.61%	–	70.61%	Property development and property investment
Ocean Gardens Management Company Limited*	Macau	Two quotas of Ptc99,000 and Ptc1,000 respectively totalling Ptc100,000	69.90%	–	99%	Building management
Honister Investment Limited	Republic of Liberia/Macau	2 shares of no par value issued at HK$5,000 each	70.61%	–	100%	Financial holding
Ocean Club Recreational Company Limited	Macau	100,000 shares of Ptc1 each	70.61%	–	100%	Club operation
Ocean Place Joint Venture Company Limited ("OPJV")	Vietnam	US$29,100,000	64.12%	–	70%	Operation of a hotel
Hubei Qing Chuan Hotel Company Limited*# ("Qing Chuan")	PRC	US$16,300,000	41.26%	–	55%	Operation of a hotel
Lam Ho Finance Limited*	British Virgin Islands/ Hong Kong	1 share of US$1	91.60%	–	100%	Financial investment

* *The financial statements of the subsidiaries not audited by KPMG and reflect total net assets and total turnover constituting approximately 7.76% (2007: 9.27%) and 9.71% (2007: 9.12%) respectively of the related consolidated totals.*

\# *Qing Chuan was incorporated in the PRC as Sino-foreign equity joint venture in 1995.*

35. ASSOCIATES

The following list contains the particulars of associates, all of which are unlisted corporate entities which affected the results or assets of the Group:

Name of associate	Form of business structure	Place of incorporation/ operation	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activity
Chateau Ottawa Hotel Inc – *note (a)*	Incorporated	Canada	50%	–	50%	Operation of a hotel
Worldwide Properties Limited	Incorporated	Macau	50%	–	50%	Dormant
Trans-International Development Limited	Incorporated	Macau	40%	–	40%	Dormant
Shun Cheong International Limited – *note (b)*	Incorporated	Hong Kong	35.01%	–	35.01%	Property investment
Porchester Assets Limited ("PAL") – *note (c)*	Incorporated	British Virgin Islands	49%	49%	–	Investment holding
KSF Enterprises Sdn Bhd ("KSF") – *note (d)*	Incorporated	Malaysia	25%	25%	–	Investment holding

Notes:

(a) Chateau Ottawa Hotel Inc owns a hotel in Ottawa licensed with Sheraton Inns Canada operating as the Sheraton Ottawa Hotel.

(b) Shun Cheong International Limited is engaged in property investment in the PRC.

(c) PAL has a wholly owned subsidiary, Glynhill Investments (Vietnam) Pte Ltd ("Glynhill"), which holds 51% in Chains Caravelle Hotel Joint Venture Company Limited ("CCH"). CCH is a joint venture company established under the laws of Vietnam between Glynhill and a local Vietnamese entity for the purpose of developing, renovating and operating the Caravelle Hotel in Vietnam. In accordance with the joint venture agreement and the subsequent increase in registered share capital on 19 May 1997, the legal capital of CCH is HK$143.8 million (US$18.6 million). Glynhill contributed HK$73.3 million (US$9.5 million) and the remaining balance of HK$70.5 million (US$9.1 million) was contributed by the Vietnamese joint venture partner in the form of the right of use to a parcel of land (2,612 sq.m.) for a term of 48 years. In addition, Glynhill is committed to secure on behalf of CCH or, alternatively, to provide further finance of up to HK$305.0 million (US$39.4 million) in the form of an interest bearing shareholder's loan towards the costs of developing and renovating the hotel and for general working capital requirements. The joint venture has a duration of 48 years from 8 October 1992 and may be extended for a further period subject to the mutual agreement of the joint venture partners and approval from the relevant local authority.

(d) KSF has a wholly owned subsidiary, KSD Enterprises Limited, which operates the Doubletree by Hilton at Toronto Airport and the Four Points Hotel by Sheraton in Gatineau, Quebec, Canada.

3. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Operating income is expected to be lower in 2009, as compared to 2008. This is due to the process of economic adjustment and down-sizing prevalent in all of the markets in which the Company is operating.

4. INDEBTEDNESS

At the close of business on 30 June 2009, being the latest practicable date for the purpose of preparing the indebtedness statement, the Group had indebtedness as follows:

Borrowings

	Note	*HK$'000*
Unsecured		
Loans from associates	*(i)*	1,364
Loans from minority shareholders	*(ii)*	129,117
Loans and advances from an affiliated company	*(iii)*	19,363
Total borrowings repayable within one year		149,844

(i) Loans from associates are unsecured, non-interest bearing and have no fixed terms of repayment.

(ii) Loans from minority shareholders are unsecured, non-interest bearing and repayable on demand except for a loan with nominal value of HK$103,996,000 (before the effect of discounting in the amount of HK$4,936,000) which is repayable on 30 April 2010.

(iii) Loans and advances from an affiliated company, Goodland Limited, are unsecured, non-interest bearing and repayable on demand except for the accounts with certain subsidiaries of the Company of HK$2,539,000 which are interest-bearing at HIBOR+0.5%.

Commitments

(a) At 30 June 2009, the Group had capital commitments of HK$25,196,000 which included the amount of HK$9,082,000 which was contracted for and the amount of HK$16,114,000 which was authorised but not contracted for.

(b) At 30 June 2009, the Group had total future minimum lease payments of HK$106,000 under non-cancellable operating leases in respect of premises expiring within one year.

Banking Facilities

At 30 June 2009, the Group had total banking facilities of HK$85,000,000, which were secured by the properties held for sale situated at Taipa Island with a carrying value of HK$101,437,000. None of the banking facilities were utilised at 30 June 2009.

Contingent liabilities

(a) At 30 June 2009, there were outstanding counter indemnities relating to guarantees issued by a subsidiary's bankers in favour of the Macau SAR Government in respect of properties held for sale amounted to HK$8,252,000.

(b) At 30 June 2009, guarantees given by the Company to banks to secure banking facilities made available to an associate amounted to HK$64,230,000.

(c) At 30 June 2009, guarantees given by a subsidiary and the Company to a bank to secure banking facilities made available to an associate amounted to HK$32,260,000 (CA$5,000,000).

The directors do not consider it probable that a claim would be made against the Group and the Company under any of the guarantees.

Forward foreign currency contracts

At 30 June 2009, the Group had outstanding forward foreign currency contracts with notional amount of HK$262,455,000 and the derivative financial assets and liabilities arose from the forward foreign currency contracts amounted to HK$3,221,000 and HK$8,082,000 respectively as at the date.

Disclaimer

Save as aforesaid and apart from intra-group liabilities and normal trade payables, the Group did not have any loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding at the close of business on 30 June 2009.

Save as disclosed above, the Directors have confirmed that there have been no material changes in the indebtedness of the Group since 30 June 2009, up to and including the Latest Practicable Date.

5. WORKING CAPITAL

The Directors are of the opinion that, following completion of the Acquisition, after taking into account the financial resources available to the Group, including internally generated funds and the available banking facilities, the Group has sufficient working capital for its present requirements for at least the next twelve months from the date of this circular, in the absence of unforeseeable circumstances.

UNAUDITED FINANCIAL INFORMATION OF THE HOTEL PROPERTY

The unaudited financial information on the Hotel Property set out below has been prepared by the Directors based on the information provided by the Seller. Other than such limited information, the Directors are unable to gain access to the underlying books and records of the Seller regarding the other operating expenses including depreciation, finance cost and tax provision in respect of the Hotel Property that were relevant for the preparation of the unaudited financial information on the Hotel Property.

		Year ended 31 December			For the three months ended 31 March	
		2006	**2007**	**2008**	**2009**	**2008**
	Notes	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Hotel revenue						
– Rooms		30,731	30,090	32,323	5,610	7,815
– Food and beverage		14,792	16,057	16,258	2,960	4,244
– Others	*1*	3,260	3,100	2,832	812	735
		48,783	49,247	51,413	9,382	12,794
Hotel expenses						
– Rooms		(8,601)	(8,357)	(8,980)	(1,952)	(2,299)
– Food and beverage		(11,622)	(12,815)	(13,440)	(2,777)	(3,488)
– Others	*2*	(15,314)	(15,867)	(15,368)	(3,198)	(3,916)
		(35,537)	(37,039)	(37,788)	(7,927)	(9,703)
Operating profit		13,246	12,208	13,625	1,455	3,091

Statement of income and expenditure of the Hotel Property for the three financial years ended 31 December 2008 and the three months ended 31 March 2009 and 31 March 2008 set out above has been prepared by the Directors of the Company based on the relevant information provided by the Seller using the accounting policies materially consistent with those of the Group.

No valuation of the Hotel Property for the three preceding years was disclosed in this circular as the Seller has informed the Company that it has not prepared any valuation reports of the Hotel Property. The valuation of the Hotel Property as at 1 June 2009 was performed by an external valuer, PKF Consulting Limited and the valuation report was set out in Appendix IV to this Circular.

Notes

1. Other hotel revenue represents ancillary service fee income from the operation of the Hotel Property.

2. Other hotel expenses represent staff costs, marketing and telecommunication expenses and other ancillary expenditures from the operation of the Hotel Property.

In accordance with paragraph 14.67(6)(b)(i) of the Listing Rules, the Directors of the Company engaged KPMG, the auditor of the Company, to perform procedures in respect of the compilation of the unaudited financial information of the Hotel Property in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The auditor of the Company agreed amounts included in the unaudited financial information of the Hotel Property as set out above which is prepared using accounting policies materially consistent with those of the Company to the underlying books and records of the Hotel Property or to amounts calculated based on the amounts recorded in the books and records of the Hotel Property. The auditor of the Company reported that they found that such information has been properly compiled, derived or calculated from the underlying books and records of the Hotel Property. The procedures performed by the auditor do not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA. Consequently, no assurance is provided by the auditor on the unaudited financial information of the Hotel Property.

The following is the full text of a report, prepared for the purpose of inclusion in this circular, received from the independent reporting accountants of the Company, KPMG, Certified Public Accountants, Hong Kong. As described in the section headed "Documents for inspection" in Appendix V, a copy of this report is available for inspection.

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

27 July 2009

The Board of Directors
Keck Seng Investments (Hong Kong) Limited

Dear Sirs

We report on the unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of Keck Seng Investments (Hong Kong) Limited (the "Company") and its subsidiaries (the "Group") set out in Appendix III of the Company's circular dated 27 July 2009 (the "Circular") in connection with an agreement dated 2 July 2009 entered into between the Company, and Starwood San Francisco Realty I LLC in relation to the acquisition of the W Hotel located in San Francisco, California, United States (the "Acquisition"), which has been prepared by the directors of the Company solely for illustrative purposes to provide information about how the Acquisition might have affected the financial information presented. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in the introduction and notes to the Unaudited Pro Forma Financial Information of the Group as set out in Appendix III of the Circular.

RESPONSIBILITIES

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with Paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 December 2008 or any future date.

OPINION

In our opinion:

a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 4.29(1) of the Listing Rules.

Yours faithfully

KPMG
Certified Public Accountants
Hong Kong

A. INTRODUCTION

The following is the unaudited pro forma statement of assets and liabilities of the Group immediately after the completion of the acquisition of the Hotel Property (the "Acquisition"), which has been prepared to illustrate the effect of the Acquisition on the assets and liabilities of the Group, as if the Acquisition had taken place on 31 December 2008, and is based on the historical consolidated balance sheet of the Group with further adjustments as explained in the notes below.

The unaudited pro forma statement of assets and liabilities has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group after the Acquisition had the Acquisition been completed on 31 December 2008 or any future date.

The historical consolidated balance sheet of the Group as at 31 December 2008 have been extracted from the published annual report of the Company for the year ended 31 December 2008.

B. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES

As at 31 December 2008

	The Group	Pro forma adjustments for the Acquisition	Note	The Group after the Acquisition
	HK$'000	*HK$'000*		*HK$'000*
	(Audited)	(Unaudited)		(Unaudited)
Non-current assets				
Fixed assets				
– Investment properties	247,400	–		247,400
– Other properties and fixed assets	653,979	702,925	*(i)*	1,356,904
– Interests in leasehold land held for own use under operating lease	120,959			120,959
	1,022,338	702,925		1,725,263
Interest in associates	138,177	–		138,177
Available-for-sale securities	1,785	–		1,785
	1,162,300	702,925		1,865,225
Current assets				
Trading securities	37,692	–		37,692
Properties held for sale	332,767	–		332,767
Inventories	2,663	–		2,663
Trade and other receivables	36,303	–		36,303
Derivative financial assets	296	–		296
Deposits and cash	1,326,426	(702,925)	*(i)*	623,501
	1,736,147	(702,925)		1,033,222
Current liabilities				
Bank loans	10,000	–		10,000
Trade and other payables	193,423	–		193,423
Loans from associates	1,364	–		1,364
Loans from minority shareholders	37,014	–		37,014
Loan from an affiliated company	28,733	–		28,733
Amounts due to an affiliated company	20,890	–		20,890
Derivative financial liabilities	6,106	–		6,106
Taxation payable	29,974			29,974
	327,504	–		327,504
Net current assets	1,408,643	(702,925)		705,718
Total assets less current liabilities	2,570,943	–		2,570,943

	The Group *HK$'000* (Audited)	Pro forma adjustments for the Acquisition *HK$'000* (Unaudited)	*Note*	The Group after the Acquisition *HK$'000* (Unaudited)
Non-current liabilities				
Loans from minority shareholders	96,117	–		96,117
Deferred tax liabilities	11,654			11,654
	107,771	–		107,771
NET ASSETS	2,463,172	–		2,463,172

Notes:

(i) The adjustments represent the acquisition cost of the Hotel Property amounting to US$90 million (equivalent to approximately HK$697.5 million) payable to the Seller and the incidental costs estimated to be approximately USD0.7 million (equivalent to approximately HK$5.4 million) payable in connection with the Acquisition, as if the Acquisition was completed on 31 December 2008.

(ii) No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 31 December 2008.

In the preparation of the pro forma financial information of the Group after the Acquisition, the financial results of the Hotel Property along with all other transactions and changes in net assets for the period from 1 January 2009 to the completion date, and adjustments to the fair value of the Hotel Property at the completion date, are considered to be future events or decisions subsequent to 31 December 2008 and are not considered as adjustments under Rule 4.29 (6) of the Listing Rules and therefore have not been taken into account in the preparation of the unaudited pro forma financial information.

(iii) In the preparation of the pro forma financial information of the Group after the Acquisition, amounts denominated in USD are translated into HK$ at the exchange rate of USD1 to HK$7.75.

The following is the text of a letter, summary of values and valuation certificate, prepared for the purpose of incorporation in this circular and received from PKF Consulting, an independent property appraiser, in connection with the valuation as of June 1, 2009 of the Hotel Property to be acquired by Keck Seng Investments (Hong Kong) Limited.

PKF
Consulting

50 California Street
19th Floor
San Francisco, CA 94111

Telephone (415) 288-3102
Telefax (415) 433-7844

27 July 2009

The Directors
Keck Seng Investments (Hong Kong) Limited
5670 W. Cog Hill Terrace
Dublin, California 94568 USA

Dear Sirs:

In accordance with the instructions from Keck Seng Investments (Hong Kong) Limited (the “Company", together with its subsidiaries, the “Group”), we have completed an appraisal of the 404-room W Hotel (the “Subject”) located at 181 Third Street in San Francisco, California, the United States of America ("USA”).

The purpose of this appraisal is to estimate the market value “as is” of the fee simple interest in the above-referenced property as of June 1, 2009 for incorporation in a public circular. Our valuation of the property to be acquired by the Company is our opinion of its market value which we would define as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.” The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. The Subject is valued on a going-concern basis, including all rights in realty, personalty, and intangible value.

The scope of our work included an inspection of the Subject, analysis of local economic and market conditions, examination of the historical operating performance of the Subject, estimation of the Subject’s future operating performance, and derivation of value using the Income Capitalization and Sales Comparison Approaches to valuation. In the Income Capitalization Approach, the estimated market value of the property was based on analysis of the income and expenses generated by projecting operating financial results of the facility. The value of the property was estimated using both a direct capitalization technique and a discounted cash flow analysis. In the Sales Comparison Approach, we identified seven comparable sales of hotels in San Francisco. These sales were deemed comparable to the Subject in terms of market orientation and physical layout. However, as the seven sales occurred prior to 2008, significant adjustments would be required for market conditions, as the lack of debt capital available in the marketplace today has placed downward pressure on property values. As a result, we have deemed a meaningful conclusion under this approach to be inconclusive. We then performed a reconciliation of the value indications under these approaches to conclude to a final estimate of value. It should be noted that the Cost Approach was not utilized as it is not considered to be a meaningful indicator of value for the Subject.

To the best of our belief, this valuation conforms to requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, the Uniform Standards of Professional Appraisal Practice (USPAP) as established by the Appraisal Standards Board of the Appraisal Foundation, and the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). To the best of our belief, this valuation report contains all material details of the basis of valuation, which follows the “Hong Kong Guidance Notes on the Valuation of Property Assets” published by The Royal Institution of Chartered Surveyors (Hong Kong Branch) and The Hong Kong Institute of Surveyors as required under Rule 5.05 of the Listing Rules. It is not the intent of this brief letter report to provide an extensive discussion of our research and analysis, but instead, to constitute a statement of final value. A complete discussion of our research and analysis is contained in our full narrative report of the Subject prepared for the Company.

Sources of information for the appraisal included interviews with management of the Subject, personnel of competitive properties, representatives of local government and community agencies, industry professionals, local realtors and brokers, and in-house data. Financial statements for the Subject were provided by the Company and Jones Lang LaSalle, the real estate listing broker on this transaction. Since these statements were not prepared by us, we do not take responsibility for their accuracy, but have assumed that they are correct. That being said, we have no reason to doubt the truth and accuracy of the information provided to us by the Company and Jones Lang LaSalle which is material to our valuation. We have also sought confirmation from the Company that no material facts have been omitted from the information provided.

No allowance has been made in our valuation for any charges, mortgages, local taxation or amounts owing on the Subject. Unless otherwise stated, it is assumed that the Subject is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its market value.

Unless otherwise stated, all money amounts stated in our report are in U.S. Dollars (USD$). No allowance has been made for the transference of such funds from USA to Hong Kong. In addition, this appraisal is subject to the following four extraordinary assumptions.

- The Subject is currently owned and managed by Starwood Hotels & Resorts Worldwide (“Starwood”). As we understand it, the Company has agreed to purchase the Subject from Starwood per the Letter of Intent (“LOI”) dated April 28, 2009. Based on our review of the LOI, the Company has agreed to retain Starwood to manage the Subject. For the purpose of this appraisal, which assumes a sale of the Subject, we have also assumed that all agreements with Starwood would be assigned to the new owner and the hotel sold encumbered as to Starwood management. The deduction of a management fee is the primary means of extracting the going-concern value from the Subject. The resulting income (net of management fee) is used to calculate the value of the real and personal property. The sale of the Subject is scheduled to close 30 July 2009.

- As we understand it, the Subject requires minor capital improvements in the food & beverage outlets and three "E-WOW" suite rooms. Based on our review of Starwood's Property Improvement Plan ("PIP") we are of the opinion that the PIP would add significant value and thus represent the highest and best use. Accordingly, we have incorporated the planned renovation into our "as is" value estimate. Based on conversations with Michael Pace (General Manager of the Subject), we understand that the PIP would cost approximately $2.0 million ($4,950 per room). As such, we have deducted the $2.0 million cost of the PIP to arrive at our "as is" market value estimate of the Subject. The projected impact to the future market performance of the Subject from the aforementioned renovation has been modeled into our cash flow forecast. The renovation is assumed to be completed within 18 months of the scheduled closing date.

- Starwood leases approximately 5,100 square feet on the fourth floor to Bliss World LLC for the operation of Bliss, a full-service spa and salon that is a wholly owned subsidiary of Starwood. For the purpose of this appraisal, we have assumed that Bliss World LLC would continue to operate the spa and the lease would be assigned to the Company.

- The Subject does not have onsite parking. Accordingly, Starwood has entered into an agreement with the adjacent parking garage controlled by the San Francisco Museum of Modern Art located at 147 Minna Street. For the purpose of this appraisal, we have assumed that the Company would assume this lease.

Neither the whole nor any part of this Valuation Certificate or any reference thereto may be included in any published document, circular or statement nor published in any way without the appraiser's written approval of the form and context in which it may appear.

We declare hereby that we are independent of the Group, and are not beneficially interested in the share capital of any member of the Group and do not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Enclosed herein is our summary of value and valuation certificate.

Yours sincerely,

PKF Consulting

By: **Thomas E. Callahan**, *CPA, CRE, FRICS, MAI*
Chief Executive Officer – West
thomas.callahan@pkfc.com (415) 788-3102
State of California Certified General
Real Estate Appraiser AG009618

By: **Christopher A. Kraus,** *MAI*
Senior Vice President
chris.kraus@pkfc.com (406) 582-8189
State of California Certified General
Real Estate Appraiser AG029222

Note: Thomas E. Callahan, *CPA, CRE, FRICS, MAI* and Christopher A. Kraus, *MAI* have over 25 yeras and 10 years of experience respectively in the appraisal of lodging facilities in the United States of America.

SUMMARY OF VALUES

Property	Market Value "As Is" June 1, 2009
Property to be acquired by the Company held as an investment	
W Hotel 181 Third Street San Francisco, California 94107 USA Assessor's Parcel No. 25-3722-81	USD$ $91,000,000

VALUATION CERTIFICATE

Property to be acquired by the Company held as investment

Property	Description and tenure	Particulars of occupancy	Market Value "As Is" June 1, 2009
W Hotel 181 Third Street San Francisco, California 94107 USA Assessor's Parcel No. 25-3722-81	The property is a 33-story (including 2 basement floors), 404-room, W Hotel built in 1999. The gross building area of the hotel is 289,418 square feet. The hotel is situated on a 0.5-acre (22,440 square feet) parcel.	The property is currently a 404-room hotel. The hotel is held in a fee simple estate. Under the applicable laws, no ground rent or government rent is payable.	USD$ $91,000,000

Note:

1. The fee simple interest in the property is currently held by SLT Realty, LP, an entity controlled by Starwood Hotels & Resorts Worldwide. Starwood Hotels and Resorts Worldwide developed the property in 1999 and has been the sole owner.

2. Based on our review of documents provided to us by the Company, there are no options or rights of pre-emption concerning or affecting the property or other material encumbrances registered against the property that would adversely affect the market value of the property.

3. The W Hotel is zoned C-3-S (Downtown Support District). The C-3 designation is for the Downtown Commercial District, which includes downtown San Francisco, a center for city, regional, national, and international commerce. The C-3-S district allows for a wide variety of residential and commercial uses including office, retail, residential, entertainment, and institutional. Hotels are a conditional use. The W Hotel is a legal, conforming use of the C-3-S district.

4. In 2008, the W Hotel achieved an average daily rate of USD $288.23 at an occupancy of 75.6 percent, resulting in a gross operating profit of USD $16,949,843 and net operating income of USD $11,184,963.

5. The W Hotel leases approximately 5,100 square of the fourth floor to Bliss Spa. The annual rent in 2009 is approximately USD $106,121 or approximately USD $8,843 on a monthly basis.

6. This valuation is subject to the following key assumptions

Key Valuation Assumptions	
Capitalization Rate (Stabilized Year)	9.0%
Capitalization Rate (Terminal Year)	9.5%
Capitalization Rate (Year 1 net operating income)	6.0%
Discount Rate	12.0%
Tax Rate	1.16300%
Assumed Annual Inflation Rate	3.0%
Annual Escalation in Property Taxes	2.0%

1. RESPONSIBILITY STATEMENT

This document includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at the Latest Practicable Date, the interests of the Directors and chief executive of the Company in the shares, underlying shares (within the meaning of Part XV of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) (the "SFO") or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which would be required to be: (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which a Director or chief executive of the Company would be taken or deemed to have under such provisions of the SFO); (ii) entered into the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors or Listed Issuer (the "**Model Code**") are as follows:

Number of ordinary shares (unless otherwise specified)

Long positions:

Name of Company	Name of Directors	Personal Interests[1]	Corporate Interests	Total	% Interest
Keck Seng Investments (Hong Kong) Limited	Ho Kian Guan	204,480	197,556,320[2]	197,760,800	58.13
	Ho Kian Hock	480	197,556,320[2]	197,556,800	58.07
	Ho Kian Cheong	55,160,480	–	55,160,480	16.21
	Tse See Fan Paul	288,720	–	288,720	0.08
	Chan Yau Hing Robin	180,000	720,000[3]	900,000	0.26
	Kwok Chi Shun Arthur	202,000	–	202,000	0.06
Lam Ho Investments Pte Ltd	Ho Kian Guan	–	32,410,774[4]	32,410,774	99.70
	Ho Kian Hock	–	32,410,774[4]	32,410,774	99.70
	Ho Kian Cheong	96,525	–	96,525	0.30
Shun Seng International Ltd	Ho Kian Guan	–	83,052[5]	83,052	83.05
	Ho Kian Hock	–	83,052[5]	83,052	83.05
	Ho Kian Cheong	1,948	–	1,948	1.95
Hubei Qing Chuan Hotel Co Ltd – paid in registered capital in US$	Ho Kian Guan	–	13,163,880[6]	13,163,880	80.76
	Ho Kian Hock	–	13,163,380[6]	13,163,880	80.76
	Ho Kian Cheong	1,017,120	–	1,017,120	6.24
	Kwok Chi Shun Arthur	–	489,000[7]	489,000	3.00
Golden Crown Development Ltd – common shares	Ho Kian Guan	–	56,675,000[8]	56,675,000	80.96
	Ho Kian Hock	–	56,675,000[8]	56,675,000	80.96
	Ho Kian Cheong	1,755,000	–	1,755,000	2.51
	Tse See Fan Paul	50,000	–	50,000	0.07

Name of Company	Name of Directors	Personal Interests[1]	Corporate Interests	Total	% Interest
Ocean Gardens Management Co Ltd	Ho Kian Guan	–	100,000[9]	100,000	100.00
	Ho Kian Hock	–	100,000[9]	100,000	100.00
Shun Cheong International Ltd	Ho Kian Guan	–	4,305[10]	4,305	43.05
	Ho Kian Hock	–	4,305[10]	4,305	43.05
	Ho Kian Cheong	195	–	195	1.95
	Kwok Chi Shun Arthur	–	5,500[11]	5,500	55.00
KSF Enterprises Sdn Bhd	Ho Kian Guan	–	10,000[12]	10,000	100.00
	Ho Kian Hock	–	10,000[12]	10,000	100.00
Chateau Ottawa Hotel Inc – common shares	Ho Kian Guan	–	4,950,000[13]	4,950,000	55.00
	Ho Kian Hock	–	4,950,000[13]	4,950,000	55.00
Chateau Ottawa Hotel Inc – preferred shares	Ho Kian Guan	–	2,475,000[14]	2,475,000	55.00
	Ho Kian Hock	–	2,475,000[14]	2,475,000	55.00

Notes:

1. This represents interests held by the relevant directors as beneficial owners.

2. This represents 100,909,360 shares held by Kansas Holdings Limited and 96,646,960 shares held by Goodland Limited, in which companies each of Ho Kian Guan and Ho Kian Hock had 1/2 interest indirectly. Ho Kian Guan, Ho Kian Hock, Tse See Fan Paul and Chan Lui Ming Ivan are directors of Kansas Holdings Limited and Ho Kian Guan, Ho Kian Hock and Tse See Fan Paul are directors of Goodland Limited.

3. This represents interests held by United Asia Enterprises Inc controlled by Dr Chan Yau Hing Robin by virtue of the fact that United Asia Enterprises Inc or its directors were accustomed to act in accordance with the directions of Dr Chan.

4. This represents 29,776,951 shares (91.6%) indirectly held by the Company and 2,633,823 shares (8.1%) held by Goodland Limited in which each of Ho Kian Guan and Ho Kian Hock had 1/2 interest indirectly.

5. This represents 75,010 shares (75.01%) indirectly held by the Company and 8,042 shares (8.04%) held by Goodland Limited in which each of Ho Kian Guan and Ho Kian Hock had 1/2 interest indirectly.

6. This represents US$8,965,000 (55%) indirectly contributed by the Company and US$4,198,880 (25.76%) contributed by Goodland Limited in which each of Ho Kian Guan and Ho Kian Hock had 1/2 interest indirectly.

7. This represents interests held by AKAA Project Management International Limited which was wholly owned by Kwok Chi Shun Arthur.

8. This represents 49,430,000 shares (70.61%) indirectly held by the Company and 7,245,000 shares (10.35%) held by various companies in which each of Ho Kian Guan and Ho Kian Hock had 1/2 interest indirectly.

9. This represents 1 quota of Ptc99,000 (99%) indirectly held by the Company and 1 quota of Ptc1,000 (1%) held by Goodland Limited in which each of Ho Kian Guan and Ho Kian Hock had 1/2 interest indirectly.

10. This represents 3,501 shares (35.01%) indirectly held by the Company and 804 shares (8.04%) held by Goodland Limited in which each of Ho Kian Guan and Ho Kian Hock had 1/2 interest indirectly.

11. This represents interests held by Larcfort Incorporated in which Kwok Chi Shun Arthur had a controlling interest.

12. This represents 2,500 shares (25%) directly held by the Company, 2,499 shares (24.99%) held by Goodland Limited in which each of Ho Kian Guan and Ho Kian Hock had 1/2 interest indirectly and 5,001 shares (50.01%) held by Keck Seng (Malaysia) Bhd in which each of Ho Kian Guan and Ho Kian Hock was a substantial shareholder and a director.

13. This represents 4,500,000 common shares (50%) indirectly held by the Company and 450,000 common shares (5%) held by Allied Pacific Investments Inc in which each of Ho Kian Guan and Ho Kian Hock had 1/2 interest indirectly.

14. This represents 2,250,000 preferred shares (50%) indirectly held by the Company and 225,000 preferred shares (5%) held by Allied Pacific Investments Inc in which each of Ho Kian Guan and Ho Kian Hock had 1/2 interest indirectly.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares (within the meaning of Part XV of the SFO) or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which a Director or chief executive of the Company would be taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

3. DIRECTORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date, there existed the following arrangements for an indefinite period:

(a) Goodland Limited ("**Goodland**") acts as the project manager of Golden Crown Development Limited for its Ocean Gardens development in Taipa Island, Macau for a management fee and is also responsible for marketing the development.

(b) Goodland provides management services to Ocean Incorporation Ltd in return for a management fee.

Messrs Ho Kian Guan and Ho Kian Hock were interested in the above arrangements as substantial shareholders and directors of Goodland.

4. DIRECTORS' INTERESTS IN COMPETING BUSINESS

One of the direct competitors of the Group's hotel in Wuhan, Holiday Inn Riverside Wuhan, is the Shangri-La Hotel, Wuhan whose majority owner and operator is Shangri-La Asia Limited ("**SAL**").

Mr Ho Kian Guan is a non-executive director of SAL, a company whose shares are listed on the Hong Kong Stock Exchange and Mr Ho Kian Hock is his alternate on the board of SAL.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, there was no existing or proposed service contract between any Director and any member of the Group which is not determinable within one year without payment of compensation other than by statutory compensation.

6. MATERIAL CONTRACTS

Save and except the Purchase and Sale Agreement, details of which are disclosed in the letter from the Board set out in this circular, no contracts, not being contracts entered in the ordinary course of business of the Group, have been entered into by members of the Group within two years immediately preceding the date of this circular and up to and including the Latest Practicable Date which are or may be material.

7. MATERIAL ADVERSE CHANGE

The Company is not aware of any material adverse change in the financial or trading position of the Group since 31 December 2008, being the date to which the latest published audited financial statements of the Company were made up.

8. LITIGATION

No member of the Group is engaged in any litigation or claim of material importance and, so far as the Directors are aware, no litigation or claim of material importance is pending or threatened against any member of the Group.

9. EXPERTS' QUALIFICATION AND CONSENT

Each of KPMG and PKF has given and has not withdrawn its respective written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which its appear.

The following are the qualifications of the experts who have given their opinion or advice which are contained in this circular:

Name	**Qualification**
KPMG	certified public accountants
PKF	State of California general real estate appraisers

10. DIRECTORS' AND EXPERTS' INTERESTS IN GROUP ASSETS

As at the Latest Practicable Date, each of the Directors, KPMG and PKF did not have any direct or indirect interest in any asset which had been acquired, disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2008, the date to which the latest audited financial statements of the Group was made up; and was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

11. GENERAL

(a) The English text of this circular shall prevail over the Chinese text.

(b) The company secretary of the Company is Ms YUEN Chiu Yuk, Ida who has held office as the company secretary of the Company since 1 December 1989.

(c) The registered office of the Company is at Room 2902 West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

(d) The share registrar of the Company is Tricor Tengis Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

12. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Room 2902 West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong during normal business hours on any business day (Saturdays excluded) from the date of this circular up to any including 10 August 2009 (14 days after the date of this circular):

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for each of the two years ended 31 December 2008;

(c) the valuation report issued by PKF on the Hotel Property as set out in Appendix IV to this circular;

(d) the written consents referred to in the paragraph headed "Experts' Qualifications and Consent" in this Appendix;

(e) the Purchase and Sale Agreement;

(f) this circular; and

(g) the report on unaudited pro forma financial information of the Group as set out in Appendix III to this circular.