

Review of Operations

expansive
network





Transportation



The Group's visionary international, multi-modal transportation system continues to evolve. Its growing network of transportation links in the Pearl River Delta provides sea, land and air services to facilitate economic and cultural exchanges across the region.

Review of Operations

Transportation

Growth in tourist travel to and within the Pearl River Delta ("PRD") region continued to accelerate during 2006, particularly travel to Macau where tourist arrivals reached more than 21 million people for the year, a year-on-year increase of 18%.



Shun Tak-China Travel Shipping Investments Limited ("STCTS"), the Group's shipping operation and one of the largest high-speed ferry operators in Asia, has been the market leader on the popular Hong Kong-Macau route for over four decades. Operating under the name of "TurboJET", the division owns and operates a fleet of 32 vessels and is the only operator offering 24-hour ferry services between Hong Kong and Macau.

Reflecting the growing popularity of Macau's new and expanding attractions, TurboJET recorded a 13% increase in total passenger volume in 2006 to over 12.5 million passengers. The passenger volume on the well-traveled Hong Kong-Macau route reached 11 million passengers

in 2006, representing an increase of 13% over 2005 and a record-high milestone since TurboJET's establishment in 1999. Despite high fuel prices, the transportation division recorded a 26% year-on-year growth in operating profit to HK\$237 million for the year ended 31 December 2006 (2005: HK\$188 million).

Travelers continued to respond enthusiastically to the TurboJET Sea Express service between Hong Kong International Airport and key PRD destinations, including airports in Macau and Shenzhen. The service enables passengers to transit conveniently without Hong Kong customs and immigration formalities. The service has achieved continuing growth and passenger volume in 2006, achieving an increase of 28% as compared to 2005.



— TurboJET Sea Express
— TurboJET

The Group continued to explore and develop the most advantageous ways to enhance passenger convenience through its international multi-modal transportation network in the PRD region with Macau as the hub. In November 2006, Hong Kong International Airport Ferry Terminal Services Limited, in which STCTS owns a 40% interest, entered into an agreement with The Airport Authority Hong Kong to provide management services at SkyPier, the Hong Kong International Airport's new permanent cross-boundary ferry terminal scheduled for completion in 2008. The terminal is one of the key features of the SkyCity development, the major business and leisure development of the Hong Kong International Airport.

In a major initiative that extended its transportation network to air travel, the Group announced a joint venture with China National Aviation Company Limited to hold a 49% interest in a new Macau-based airline, Macau Asia Express Limited (MAX). MAX is a 51% subsidiary of Air Macau Company Limited, the enclave's flagship carrier. MAX plans to commence its operations in 2007 to destinations in mainland China and other parts of Asia and to offer individual travelers value-for-money flights and travel packages.



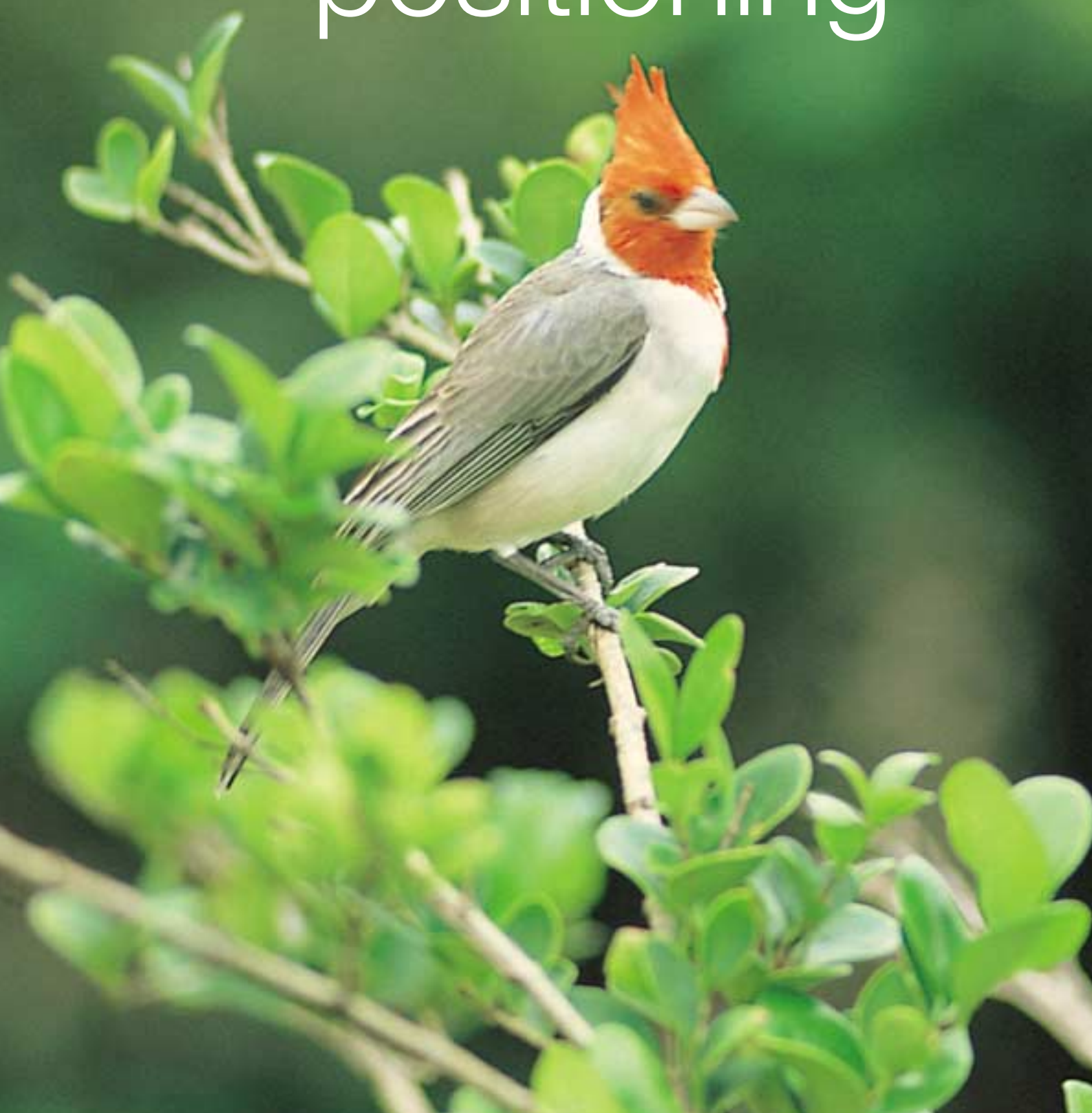
Established in 2005, Shun Tak & CITS Coach (Macao) Limited operates coach service within Macau and cross-boundary to several major cities in the Guangdong Province. The company acquired additional coaches in 2006 to accommodate increasing passenger demand.

With the robust economic development in the PRD region, and the complementary growth of leisure and business travel there, the transportation division has broadened its regional sales distribution network to capture a greater share of the passenger market. The Group anticipates continuing increased revenues and long-term growth from its sea, land and air transportation network as it expands the scope of its services and extends its reach in the region.

TURBOJET 喷射飞行 | **TurboJET & Asia Miles Partnership Ceremony**
喷射飞行及「亚洲万里通」结盟仪式



strategic
positioning



Property



Through its outstanding property sales and planned property developments in Macau, the Group has forged a leadership role in the property market in Macau. Its property investments offer significant opportunity for growth.

Review of Operations

Property

During the year, the Group's property development projects recorded significant progress and achieved strong results. The Group recognised a profit of HK\$328 million from the completion of Nova City Phase I in 2006, representing the Group's 25% share of profit from the development as included in the Group's share of results of associates.



In addition to this contribution, the Group recorded an operating profit of HK\$84 million from its property division for the year ended 31 December 2006, as compared to HK\$146 million in 2005, since completed development projects were mostly sold in previous years and new projects are currently under development.

With the successful launch of pre-sale of One Central Residences in November 2006, the joint venture development will provide substantial contribution to the Group in the future.

In Macau

One Central

One Central is the Group's joint-venture development with Hongkong Land Holdings Limited on a prime Macau NAPE waterfront site. Foundation works for One Central had been completed and superstructure works were commenced in March 2007. The development, which

offers unobstructed scenic views of Nam Van Lake, comprises approximately 1.6 million square feet of luxury residential and serviced apartments, an upscale retail mall of about 400,000 square feet and a 210-room luxury hotel that will be managed by the Mandarin Oriental Hotel Group. The development is scheduled for completion in 2009. The Group holds a 51% interest in the development.



In November 2006, the Group concluded two private en bloc sales of the first available residential units at One Central Residences to two institutional investors, followed by the successful public launch. The launch of One Central Residences received an overwhelming response with more than 95% of the total number of residential units sold by end of 2006.

Nova City

Nova City is one of the largest luxury property developments in Macau. Its deluxe clubhouse and landscaped gardens for Nova City Phase I, II and III, spanning 210,000 square feet, are among the largest in Macau's residential developments.

Almost all residential units of Nova City Phase I were sold by the end of 2006, while hand-over of units to individual purchasers commenced in September 2006.

Superstructure works for the four residential towers of Nova City Phase II commenced in October 2005 with completion scheduled for mid-2007. Superstructure works for Nova City Phase III, also comprising four residential towers, commenced in October 2006 and completion in stages is scheduled for 2008. Pre-sale activities of Nova City Phase II and III were launched in May and December, respectively. Public response to both pre-sale activities was strong with more units launched during the first quarter of 2007. As at 31 March 2007,



more than 90% and 60% of the total number of units of Phase II and III had been sold, respectively. The successful pre-sales are expected to provide continuing contributions to the Group upon completion of the units sold. Remaining phases of the development are under planning.

Harbour Mile

Harbour Mile, the Group's flagship development on the Nam Van site which is centrally situated on the waterfront adjacent to Macau Tower, is under planning. Harbour Mile is designed to encompass residential towers, serviced apartments, a shopping mall, a hotel and a casino. Harbour Mile will be linked to Macau Tower and its shopping centre will connect the components of the mixed-use development. The Group is in discussion with Macau SAR Government to finalise the development plan.



Review of Operations

Property

The Nam Van site, near the proposed Macau-Taipa tunnel and easily accessible by a new eight-lane driveway, is designed to become a vibrant new town centre in Macau where residents and visitors can dine, entertain and shop in a welcoming atmosphere. Subject to approval from the Gaming Inspection and Coordination Bureau of Macau, a portion of the Harbour Mile complex will be leased to Sociedade de Jogos de Macau, S.A. for casino operation.

Cotai Site

The Group is in discussion with the Macau SAR Government on its plan to develop a site in Cotai with Sociedade de Turismo e Diversões de Macau, S.A. ("STDM") in place of the originally announced site in Taipa. The Group holds an 80% interest in the development and STDM holds the remaining 20%. Total developable floor area of the site, which is zoned for hospitality and entertainment uses, is the same as that of the previous site amounting to approximately 2.1 million square feet.

In Hong Kong and mainland China

Radcliffe (formerly 120 Pokfulam Road)

Superstructure works for Radcliffe, a luxurious residential development featuring 10 exclusive duplex apartments of over 3,000 square feet each, commenced in September 2005 with completion scheduled for second quarter of 2007.



Chatham Gardens

After acquiring all 140 units of Chatham Gardens in Kowloon, the Group completed demolition works in September 2006. Design of the residential towers and commercial podium is in progress. Construction works are expected to commence in late 2007 with scheduled completion in 2010.



The Westwood

The Westwood, a large-scale modern commercial podium with over 220,000 square feet at The Belcher's, is the largest shopping complex in Western Mid-Levels and popular for its one-stop shopping convenience. Public accessibility to the shopping complex will be enhanced with the construction of the University Station of the Mass Transit Railway (MTR), scheduled for completion in 2012. The property has generated satisfactory rental and management income for the Group since its opening.

Liberté Place

Liberté Place, a commercial complex in West Kowloon, recorded a remarkable occupancy rate of 98% in 2006. Accessibility to the commercial complex will be enhanced by completion of a connecting passage to the Lai Chi Kok MTR Station, scheduled for completion in 2009.

Guangzhou Shun Tak Business Centre

Guangzhou Shun Tak Business Centre, which is located in Guangzhou, comprises a 32-storey office tower and a six-storey shopping arcade. The property recorded satisfactory leasing performance during the year.

Property Services

Shun Tak Property Management Limited ("STPML"), the Group's property management division, provides

comprehensive quality services for a diversified range of multi-functional residential, commercial and industrial properties. The division's management portfolio extends to approximately 12 million square feet in Hong Kong and Macau, including over 9 million square feet of residential properties. STPML is the first Hong Kong company awarded an ISO9001 certificate in Macau.

The division has embarked on several initiatives to enhance the synergy among its core services. In June 2006, the division formed a joint-venture partnership with ISS Hong Kong Services Limited, a subsidiary of Europe-based ISS Group, the world's largest facility services provider. The new operation provides a comprehensive range of cleaning services to commercial and residential developments in Macau that enhance working and living environments. The division also provides lifestyle concept services under the brand name "Living Matters". It promotes quality living for clients in Hong Kong and Macau through an extensive range of privileged personal services, including interior decoration, concierge services and floral design services.

With the addition of properties to its management portfolio and complementary initiatives in property cleaning and lifestyle concept services, the division anticipates significant future revenue growth.



Review of Operations

vibrant
experiences






Hospitality



The Group operates an exciting and popular spectrum of leisure activities in Macau, the emerging Pearl River Delta entertainment hub. Its hospitality services anticipate and meet the growing demand from leisure and business travelers for quality facilities.

Review of Operations

Hospitality



Macau's robust economic expansion, forecast to strengthen even further in the next several years, fosters long-term growth potential for the Group's hospitality division. The division reported an operating profit of HK\$27 million for 2006 (2005: HK\$28 million).

With the impending completion and opening of new entertainment attractions, convention facilities and hotels in Macau, the continuing increase in visitor growth is expected to be a long-term trend. The Group's acclaimed 50%-owned Mandarin Oriental Macau ("Mandarin") and 34.9%-owned Westin Resort Macau ("Westin") hold prominent positions in the luxurious hotel market of Macau and recorded

satisfactory business growth in 2006. Mandarin registered an outstanding year due largely to its success in obtaining large-scale business and major event bookings. Mandarin increased its average room rate by 12% over 2005.

Westin reported a 5% increase in average room rate. Westin won "The Best Service Hotel" and "The Most Luxurious Hotel" awards in the "MasterCard The Best of Macau 2006" campaign. The Westin was also voted the "Best Business Hotel in Macau" by readers of Business Traveller China magazine for the second consecutive year.

The Macau Golf & Country Club ("MGCC"), Macau's premier golf club adjacent to the Westin, recorded satisfactory performance during the year. Westin, together with MGCC, is the only resort in Hong Kong and Macau that offers international standard 18-hole golf facilities.

The Group's joint development project, Hong Kong SkyCity Marriott Hotel, is located in the eastern section of SkyCity, the major business and leisure development of Hong Kong International Airport on Lantau Island. The new five-star waterfront hotel will be developed in two

phases for a total of up to 1,000 rooms with 658 rooms in the first phase. The Group holds a 70% interest in the project. Dragages Hong Kong Limited, our partner for this project, is the main construction contractor of the hotel. Foundation works commenced in November 2006 and completion of the first phase of the hotel project is scheduled for the second half of 2008. The hotel will be managed by Marriott Hotels International B.V.

Macau Tower Convention & Entertainment Center ("Macau Tower"), managed by the Group, is a uniquely popular tourist attraction and preferred site for banqueting, business conventions, conferences and exhibitions. The Travel Awards of TTG Asia, the leading travel trade publication in Asia Pacific, designated Macau Tower as the Asia Pacific region's Best Theme Attraction in 2006, the second year that Macau Tower has won this award. In February 2007, Macau Tower was also awarded the Tourism Medal of Merit by the Macau SAR Government for its outstanding contribution to Macau tourism.

Over 4.5 million people have visited Macau Tower since its opening in 2001. Its major attractions include a 338-meter-high observation deck and SkyJump, a 233-meter controlled-descent decelerator facility. Following the enthusiastic response to SkyJump, the division launched an exciting new Bungy Jump adventure activity at Macau Tower in December 2006. Both SkyJump and Bungy Jump are listed in the Guinness World Records as the world's highest adventure facilities in their respective arenas.

The Group's hospitality division anticipates that the performance and reputation of its high-quality facilities and services will be further enhanced as a result of Macau's dynamic growth. The division is committed to exploring opportunities to improve and expand its offerings in Macau.



acute
insight



Investment



The Group is well-positioned to initiate mutually synergistic and beneficial new ventures with STDM, including a proposed revenue-sharing casino in the Harbour Mile development in Macau.

Review of Operations

Investment

Riding on its extensive transportation, tourism and hospitality experience, the Group is one of the leaders in driving the interaction and growth of these crucial sectors in the economic development of the Pearl River Delta region, particularly in Macau. The Group will continue to pursue premium investment opportunities to strengthen the region's resources, while enhancing the Group's position as a leading regional conglomerate.



The Group owns a consolidated interest in Sociedade de Turismo e Diversões de Macau, S.A. ("STDM") of approximately 15.8%. In 2006, the Group recognized HK\$108.5 million in ordinary dividends declared by STDM for the year 2005, an increase of 16.3% over 2005. STDM owns an 80% interest in Sociedade de Jogos de Macau, S.A. ("SJM"), one of the gaming concessionaires granted a concession to operate casinos in Macau by the Macau SAR Government in 2002.

In addition to its gaming activities, STDM holds interests in several hotels in Macau, Macau International Airport and Air Macau Company Limited, the enclave's flagship carrier. STDM is also active in major property development and infrastructure projects, including Nova City, in which the Group also owns a 25% direct interest. STDM owns Macau Tower, for which the Group has held an operational and property management agreement since its opening in 2001.





The Group is in discussion with the Macau SAR Government for its plan to develop a strategically-located site in Cotai with STDM in place of the originally announced site in Taipa. The Group holds an 80% interest in the development and STDM holds the remaining 20%.

The Group has an indirect interest in SJM and plans to lease to SJM approximately 200,000 square feet in the Nam Van development for operation of a casino, subject to approval from Macau's Gaming Inspection and Coordination Bureau. Under the lease arrangement, SJM will pay rental to the Group on a revenue-sharing basis.

In July 2006, the Group's retail arm, Macau Matters Company Limited ("MMCL"), was set up to pursue consumer-related opportunities resulting from the increasing affluence of Macau residents and the rapid growth in Macau visitor arrivals. During the year, MMCL opened two major retail outlets in Macau Tower, Toys "R" Us — Macau and the first Warner Brothers Studio Store in Macau, offering quality retail merchandise with cartoon and movie themes. These retail attractions are expected to benefit from the abundant potential of Macau's growing retail market.

