



SHUN TAK HOLDINGS LIMITED

信德集團有限公司

Stock Code 股份代號: 242

ANNUAL  
REPORT 年報  
2007

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## Layered Terraces

Layered terraces, with their stepped appearance, provide crops with the optimum natural condition to thrive and prosper, in terms of irrigation, wind speed and sunlight duration. Suitable for a wide variety of crops, terracing is an effective approach in agriculture to improve harvest quality and quantity. The terraces depicted in the cover art symbolize the steady, sustained growth of Shun Tak's various operations in a favourable and dynamic environment. With one clear vision for tomorrow, the Group is set to celebrate the coming of a new dawn as it continues to make great strides into the future.

Nature is the unifying idea behind this year's annual report, which takes on the lively red color as its theme; epitomizing Shun Tak's bright, vibrant plans for the coming year.

# CORPORATE INFORMATION

## Board of Directors

Dr. Stanley Ho  
*Group Executive Chairman*

Sir Roger Lobo  
*Independent Non-Executive Director*

Mr. Norman Ho  
*Independent Non-Executive Director*

Mr. Charles Ho  
*Independent Non-Executive Director*

Mr. Yeh V-Nee  
*Independent Non-Executive Director*

Dato' Dr. Cheng Yu Tung  
*Non-Executive Director*

Mrs. Mok Ho Yuen Wing, Louise  
*Non-Executive Director*

Ms. Pansy Ho  
*Managing Director*

Ms. Daisy Ho  
*Deputy Managing Director*

Dr. Ambrose So  
*Executive Director*

Mr. Patrick Huen  
*Executive Director*

Mr. Anthony Chan  
*Executive Director*

Ms. Maisy Ho  
*Executive Director*

Mr. David Shum  
*Executive Director*

## Audit Committee

Mr. Norman Ho  
*Chairman of the Audit Committee*

Sir Roger Lobo

Mrs. Mok Ho Yuen Wing, Louise

Mr. Yeh V-Nee

## Remuneration Committee

Ms. Pansy Ho  
*Chairman of the Remuneration Committee*

Sir Roger Lobo

Mr. Norman Ho

Mr. Charles Ho

Mr. Yeh V-Nee

Ms. Daisy Ho

## Nomination Committee

Ms. Pansy Ho  
*Chairman of the Nomination Committee*

Sir Roger Lobo

Mr. Norman Ho

Mr. Charles Ho

Mr. Yeh V-Nee

Ms. Daisy Ho

## Company Secretary

Ms. Angela Tsang

## Registered Office

Penthouse, 39th Floor, West Tower  
Shun Tak Centre  
200 Connaught Road Central  
Hong Kong  
Tel: (852) 2859 3111  
Fax: (852) 2857 7181  
Web site: [www.shuntakgroup.com](http://www.shuntakgroup.com)  
E-mail: [enquiry@shuntakgroup.com](mailto:enquiry@shuntakgroup.com)

## Auditors

H.C. Watt & Company Limited

## Solicitors

Norton Rose

## Principal Bankers

Bank of China (Hong Kong) Limited  
The Hongkong and Shanghai Banking  
Corporation Limited  
Bank of China, Macau Branch  
Calyon, Hong Kong Branch  
BNP Paribas, Hong Kong Branch  
Hang Seng Bank Limited  
China Construction Bank,  
Hong Kong Branch  
Industrial and Commercial Bank of  
China (Asia) Limited  
Agricultural Bank of China,  
Hong Kong Branch

## Share Registrars and Transfer Office

Computershare Hong Kong Investor  
Services Limited  
Rooms 1712-1716  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## ADR Depositary

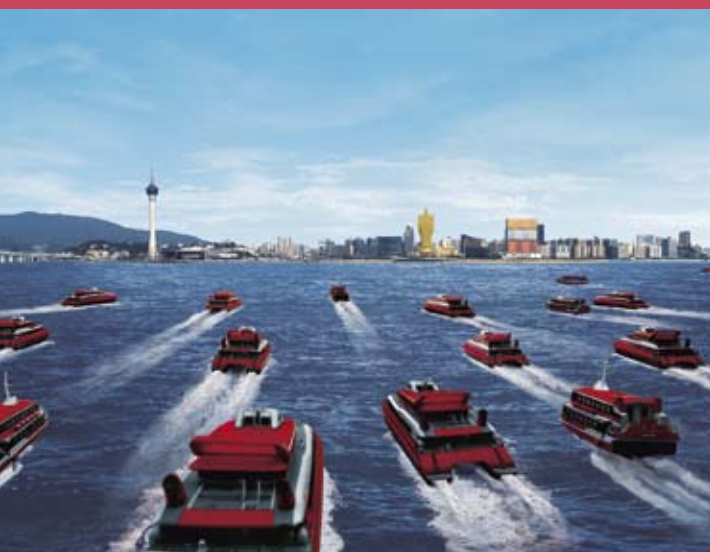
The Bank of New York

## Share Listing

The Company's shares are listed on  
The Stock Exchange of Hong Kong Limited,  
traded in the form of American Depositary  
Receipts on the OTC market in the  
United States.

## CORPORATE PROFILE

### TRANSPORTATION



### PROPERTY



Shun Tak Holdings Limited ("The Group") is a leading listed conglomerate with core businesses in the transportation, property, hospitality and investment sectors.

Established in 1972, the Group (HKSE 242) has been listed on the Hong Kong Stock Exchange since 1973 and is currently a constituent stock in the MSCI Hong Kong Index and the Hang Seng HK MidCap Index.

#### TRANSPORTATION

The Group's origins dated back to 1961 to the inauguration of a ferry service between Hong Kong and Macau with the incorporation of a shipping company. In a strategic move in 1999 to strengthen its shipping business and expand market share, the Group successfully merged its shipping operation with that of CTS-Parkview Holdings Limited to create a combined entity under the brand name "TurboJET".

TurboJET, operated and managed by Shun Tak-China Travel Shipping Investments Limited, offers speedy, reliable and comfortable sea travel services to passengers across major destinations within the Pearl River Delta ("PRD"), linking major cities such as Hong Kong, Macau and Shenzhen.

TurboJET boasts today one of the largest fleets of high-speed passenger ferries in Asia and is the only operator offering 24-hour, high-speed ferry services between Hong Kong and Macau. TurboJET has

commanded the market-leading position on this popular route for more than 40 years.

In 2003, TurboJET launched a unique inter-regional network comprising a ferry service to link up major international airports in the PRD under the brand name "TurboJET Sea Express." The service connects the Hong Kong International Airport with Macau and Shenzhen for air passengers, further strengthening the Group's ferry business and market leadership. In order to better reflect its nature, the service was recently renamed the "TurboJET Airport Routes".

In 2006, a joint-venture company of the Group signed an agreement with The Airport Authority Hong Kong to provide management services at SkyPier, the permanent cross-boundary ferry terminal at the Hong Kong International Airport scheduled for completion in 2009.

On land, the Group's joint venture company, Shun Tak & CITS Coach (Macao) Limited, operates coach services in Macau and provides direct cross-boundary coach services linking cities in Guangdong Province with Macau.

## HOSPITALITY



## INVESTMENT



In 2006, the Group also entered into an agreement with Air Macau Company Limited and China National Aviation Company Limited to form a new Macau-based, low-cost airline, Macau Asia Express Limited, which will serve destinations in mainland China and other parts of Asia.

The expanded network spanning sea, land and air creates a unique and strategic international multi-modal transportation network which provides a strong platform for the Group to capitalize upon increasing passenger traffic in the PRD and other parts of Asia.

**PROPERTY**

The Group has a prominent and successful track record in the Macau and Hong Kong property markets.

The Group owns one of the largest developable floor areas in Macau among Hong Kong-listed companies. It is an important player in the Macau's property market with a host of property development projects in planning, construction or launch phases.

One Central, the Group's joint venture with Hongkong Land Holdings Limited, is located on a prime waterfront site in Macau

Peninsula. The sale of its residential portion, One Central Residences, was phenomenally successful with more than 97% of the residential units sold by the end of December 2007.

Nova City in Taipa is one of the largest luxury developments in Macau. Sales of the first three phases have generated strong public response. The Group now owns 100% interest in the Nova City project after an acquisition in December 2007 of the remaining 75% interest in Nova Taipa – Urbanizações, Limitada.

Harbour Mile, a luxurious mixed-use complex at a prime site in Nam Van Macau, is currently under planning.

The Group also plays a prominent role in the Hong Kong property market with a portfolio comprising commercial, residential and retail property ventures. The Group's latest residential project is Radcliffe in Pokfulam, comprising exclusive duplex apartments. Chatham Gardens, currently under the planning stage, is another residential property development project of the Group.

The Group also provides property management services for multi-functional residential, commercial and industrial properties in both Hong Kong and Macau.

**HOSPITALITY**

The Group was a pioneer in introducing top-tier hotel services to Macau through its investments in Mandarin Oriental Macau and Westin Resort Macau.

A 6-star hotel, to be operated by the Mandarin Oriental Hotel Group, will be built in One Central. The award-winning Macau Tower, managed by the Group, is a landmark and major tourist attraction in Macau.

The Group won a tender from the Hong Kong SAR Government to jointly build and operate the Hong Kong SkyCity Marriott Hotel with a strategic partner.

**INVESTMENT**

The Group holds significant diversified investments in Macau and Hong Kong, including an approximately 11.5% effective interest in Sociedade de Turismo e Diversões de Macau, S.A. ("STDm"). STDm has been driving Macau's dynamic economic development for decades and owns an approximately 80% equity interest in Sociedade de Jogos de Macau, S.A., one of the few gaming concessionaires licensed by the Macau SAR Government to operate casinos in Macau.

## MANAGEMENT PROFILE

### Dr. Stanley Ho

G.B.S.

Group Executive Chairman

aged 86

The Group's founder and executive chairman, Dr. Stanley Ho has been a director of the Company since its incorporation in 1972. He is also a director of a number of the Company's subsidiaries.

Dr. Ho is a director of Shun Tak Shipping Company, Limited\*, Innowell Investments Limited\*, Alpha Davis Investments Limited\*, and the chairman of the publicly-listed Value Convergence Holdings Limited. Dr. Ho was the chairman of the publicly-listed Melco International Development Limited up to 15 March 2006.

Dr. Ho is currently president of The Real Estate Developers Association of Hong Kong. He is also honorary lifetime chairman of The University of Hong Kong Foundation for Educational Development and Research, a member of the Court of The Hong Kong Polytechnic University, as well as a founding honorary life chairman and a director of the PolyU Development Foundation.

He is a vice patron of the Community Chest of Hong Kong, a trustee of The Better Hong Kong Foundation, and a patron of the Society of the Academy for Performing Arts.

Dr. Ho was awarded the Gold Bauhinia Star by the Hong Kong Special Administrative Region Government in 2003.

In Macau, Dr. Ho is the managing director of both Sociedade de Turismo e Diversões de Macau, S.A.\* and Sociedade de Jogos de Macau, S.A., a vice-chairman of the board of directors of Macau International Airport Company Limited, co-chairman of the advisory committee of Seng Heng Bank Limited, the chairman of the Board of Directors of Macau Horse Racing Company, Limited, a member of the Economic Development Council of the Macau Special Administrative Region Government and a trustee of Macau Foundation.

Dr. Ho was awarded the Grand Lotus Medal of Honour and the Gold Lotus Medal of Honour by the Macau Special Administrative Region Government in 2007 and 2001 respectively.

Dr. Ho is a Standing Committee member of the 11th National Committee of the Chinese People's Political Consultative Conference.

Dr. Ho is the father of Ms. Pansy Ho, the managing director of the Company, Ms. Daisy Ho, the deputy managing director of the Company and Ms. Maisy Ho, an executive director of the Company. He is also the brother of Mrs. Mok Ho Yuen Wing, Louise, a non-executive director of the Company.

\* Shun Tak Shipping Company, Limited, Innowell Investments Limited, Alpha Davis Investments Limited and Sociedade de Turismo e Diversões de Macau, S.A. are substantial shareholders of the Company.

### Sir Roger Lobo

C.B.E., LL.D., J.P.

Independent Non-Executive Director

aged 84

Sir Roger Lobo has been an independent non-executive director of the Company since 1994. He is also a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. He is a vice-patron of the Community Chest of Hong Kong and The Society of Rehabilitation and Crime Prevention, Hong Kong. He is also a member of the Board of Trustees of Business and Professionals Federation of Hong Kong and a council member of Caritas Hong Kong.

Sir Roger Lobo is an independent non-executive director of Melco International Development Limited and PCCW Limited, a director of Johnson & Johnson (Hong Kong) Limited and Kjeldsen & Co. (HK) Ltd.

**Mr. Norman Ho***FC.PA.**Independent Non-Executive Director**aged 52*

Mr. Norman Ho has been an independent non-executive director of the Company since 2004. He is also the chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee of the Company.

Mr. Ho is an executive director of Honorway Investments Limited and Tak Hung (Holding) Company Limited and has over 20 years of experience in management and property development. He is also a director of CITIC Pacific Limited, Hong Kong Ferry (Holdings) Company Limited, Lee Hing Development Limited, Miramar Hotel and Investment Company, Limited, Starlight International Holdings Limited, Taifook Securities Group Limited and New World Mobile Holdings Limited. He is a member of the Institute of Chartered Accountants in England and Wales, and a Fellow of the Hong Kong Institute of Certified Public Accountants.

**Mr. Charles Ho***Independent Non-Executive Director**aged 58*

Mr. Charles Ho was appointed an independent non-executive director of the Company with effect from 10 November 2006. He is also a member of the Remuneration Committee and Nomination Committee of the Company.

Mr. Ho is the chairman and an executive director of Sing Tao News Corporation Limited. He is also the chairman of Hong Kong Tobacco Company Limited. Mr. Ho contributes much to public affairs. He is a member of the Standing Committee of the Chinese People's Political Consultative Conference and an economic consultant to the Shandong Provincial Government of the People's Republic of China ("PRC"). He is also an honorary trustee of Peking University and a trustee of University of International Business and Economics in the PRC. He was previously an independent non-executive director of China Petroleum and Chemical Corporation and China National Aviation Company Limited.

**Mr. Yeh V-Nee***BA, JD, American Attorney-at-law**Independent Non-Executive Director**aged 49*

Mr. Yeh V-Nee was appointed an independent non-executive director of the Company with effect from 1 January 2007. He is also a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company.

Mr. Yeh graduated from the School of Law at Columbia University and was admitted as a member of the California Bar Association in 1984. He is an independent non-executive director of Arnhold Holdings Limited, Kingway Brewery Holdings Limited and Next Media Limited, all of which are companies listed in Hong Kong. He is a director of Japan Residential Assets Manager Limited, the manager of Saizen Real Estate Investment Trust, which is listed on the Singapore Exchange Limited. He is a co-founder of Value Partners Limited and the non-executive honorary chairman of Value Partners Group Limited. Mr. Yeh is also the chairman of Cheetah Investment Management Limited, an investment advisory firm, and the co-founder and chairman of Argyle Street Management Limited, a boutique distressed asset management firm. Mr. Yeh currently sits on the Takeovers & Mergers Panel, the Takeovers Appeal Committee and the SFC Dual Filing Advisory Group of the Securities and Futures Commission and MPF Schemes Advisory Committee of Mandatory Provident Fund Schemes Authority.

**Dato' Dr. Cheng Yu Tung***DPMS, LLD (Hon), DBA (Hon),**DSSc (Hon)**Non-Executive Director**aged 82*

Dato' Dr. Cheng Yu Tung has served as a director of the Company since 1982.

He is also a director of Shun Tak Shipping Company, Limited\* and an appointed representative of a corporate director of Sociedade de Turismo e Diversões de Macau, S.A.\*

Dato' Dr. Cheng is the Chairman of the Hong Kong-listed New World Development Company Limited and the Hong Kong-listed Melbourne Enterprises Limited. He is also the non-executive Chairman of the Hong Kong-listed Lifestyle International Holdings Limited and the Chairman of Chow Tai Fook Enterprises Limited. Dato' Dr. Cheng is also an independent non-executive director of the Hong Kong-listed Hang Seng Bank Limited, which is a member of the Hong Kong and Shanghai Banking Corporation Group.

\* Shun Tak Shipping Company, Limited and Sociedade de Turismo e Diversões de Macau, S.A. are substantial shareholders of the Company.

## MANAGEMENT PROFILE

### Mrs. Mok Ho Yuen Wing, Louise

Non-Executive Director  
aged 79

Mrs. Louise Mok has been a non-executive director of the Company since 1999. She is also a member of the Audit Committee of the Company.

Mrs. Mok is a director of Sociedade de Turismo e Diversões de Macau, S.A.\*

Mrs. Mok is the sister of Dr. Stanley Ho, the Group executive chairman. She is also the aunt of Ms. Pansy Ho, the managing director of the Company, Ms. Daisy Ho, the deputy managing director of the Company and Ms. Maisy Ho, an executive director of the Company.

\* Sociedade de Turismo e Diversões de Macau, S.A. is a substantial shareholder of the Company.

### Ms. Pansy Ho

Managing Director  
aged 45

Ms. Pansy Ho was appointed an executive director of the Group when she joined in 1995, and was appointed the managing director in 1999 to oversee the Group's overall strategic development and management. She is also the chairman of the Executive Committee of the Board of Directors, the Remuneration Committee and Nomination Committee of the Company; and a director of a number of subsidiaries of the Company.

Ms. Ho is the chief executive officer and a director of Shun Tak - China Travel Shipping Investments Limited and is directly in charge of the Group's shipping business. She is a director of Shun Tak Shipping Company, Limited\*, Innowell Investments Limited\*, Megaprosper Investments Limited\*, Alpha Davis Investments Limited\* and Sociedade de Turismo e Diversões de Macau, S.A.\* She is also the chairman of Macau Tower Convention & Entertainment Centre; an executive director of Air Macau Company Limited; a director of Macau Asia Express Ltd; and an independent non-executive director of Sing Tao News Corporation Limited.

For community services, Ms. Ho is an advisory council member of The Better Hong Kong Foundation; one of the founding honorary advisors and a board director of The University of Hong Kong Foundation for Educational Development & Research Ltd; a vice chairperson of Hong Kong Federation of Women and a committee member of UNDP - Peace & Development Foundation.

In China, Ms. Ho is a standing committee member of The Chinese People's Political Consultative Conference of Beijing; a standing committee member of All-China Federation of Industry & Commerce and a vice president of the Chamber of Tourism and the Chamber of Women of the Federation; a vice chair-person of China Society for Promotion of the Guangcai Program; and an executive committee member of The 11th Session of Beijing Women's Federation. In Macau, she is a member of Macau SAR Tourism Development Committee.

Ms. Ho holds a Bachelor's degree in marketing and international business management from the University of Santa Clara in the United States.

Ms. Ho is the daughter of Dr. Stanley Ho, the Group executive chairman as well as the sister of Ms. Daisy Ho and Ms. Maisy Ho, who are respectively the deputy managing director and an executive director of the Company. She is also a niece of Mrs. Mok Ho Yuen Wing, Louise, a non-executive director of the Company.

\* Shun Tak Shipping Company, Limited, Innowell Investments Limited, Megaprosper Investments Limited, Alpha Davis Investments Limited and Sociedade de Turismo e Diversões de Macau, S.A. are substantial shareholders of the Company.

### Ms. Daisy Ho

*Deputy Managing Director  
aged 43*

Ms. Daisy Ho joined the Group in 1994 and was appointed an executive director of the Company that year. She became the Group's deputy managing director and chief financial officer in 1999. Ms. Ho is a member of the Executive Committee of the Board, Remuneration Committee and Nomination Committee of the Company and a director of a number of the Company's subsidiaries.

In addition to participating in the Group's strategic planning and development, Ms. Ho is also responsible for the Group's overall financial activities, as well as property sales and investments.

Ms. Ho is a director of Shun Tak Shipping Company, Limited\*, Innowell Investments Limited\*, Megaprosper Investments Limited\* and Alpha Davis Investments Limited\*.

Ms. Ho is also an executive committee member of The Real Estate Developers Association of Hong Kong; a member of the Hong Kong Institute of Real Estate Administration and Macao Chamber of Commerce, member of the Board of Directors of Macao Association of Building Contractors and Developers; advisory Council of the Canadian International School of Hong Kong; chairman and governor of University of Toronto (Hong Kong) Foundation; Hong Kong advisor to the Dean's Advisory Board of Rotman School of Management, University of Toronto; and governor of The Canadian Chamber of Commerce in Hong Kong.

Ms. Ho has been appointed as a committee member of The Chinese People's Political Consultative Conference of Tianjin in 2008.

Ms. Ho holds a Master of Business Administration degree in finance from the University of Toronto and a Bachelor's degree in marketing from the University of Southern California.

Ms. Ho is the daughter of Dr. Stanley Ho, the Group executive chairman and the sister of Ms. Pansy Ho, the managing director of the Company and Ms. Maisy Ho, an executive director of the Company. She is also a niece of Mrs. Mok Ho Yuen Wing, Louise, a non-executive director of the Company.

\* Shun Tak Shipping Company, Limited, Innowell Investments Limited, Megaprosper Investments Limited and Alpha Davis Investments Limited are substantial shareholders of the Company.

### Dr. Ambrose So

*Executive Director  
aged 57*

Dr. Ambrose So joined the Group in 1975 and has been an executive director of the Company since 1991. He is also a director of a number of the Company's subsidiaries. Dr. So is an independent non-executive director of Yu Ming Investments Limited, a listed company in Hong Kong. He is a director of the University of Hong Kong Foundation for Educational Development and Research. Dr. So is a committee member of the 11th National Committee of the Chinese People's Political Consultative Conference and the Vice President of the Chinese Culture Promotion Society.

Dr. So holds a Bachelor's degree in Science from the University of Hong Kong and a Doctoral degree in Management Studies.

### Mr. Patrick Huen

*Executive Director  
aged 66*

Mr. Patrick Huen joined the Group in 1979 and has been an executive director of the Company since 1991. He is also a member of the Executive Committee of the Board of Directors and a director of a number of the Company's subsidiaries.

Mr. Huen is also the vice chairman and executive director of Seng Heng Bank Limited; an executive director of Macau International Airport Company Limited and Estoril Sol, SGPS, a company listed on the Lisboa Stock Exchange in Portugal. He is a fellow member of the UK Chartered Institute of Bankers and a member of the Hong Kong Securities Institute. He is also a member of the Economic Council of Macau SAR.

## MANAGEMENT PROFILE

### Mr. Anthony Chan

*Executive Director  
aged 61*

Mr. Anthony Chan joined the Group in 1987 and has been an executive director of the Company since 1991. He is also a director of a number of the Company's subsidiaries.

Mr. Chan is a director of The Real Estate Developers Association of Hong Kong; President of the Hong Kong Association for the Advancement of Real Estate and Construction Technology; and a fellow member of both the Property Consultant Society UK and the Hong Kong Institute of Real Estate Administration. He is responsible for the Group's property development in mainland China.

Mr. Chan has been appointed as a committee member of The Chinese People's Political Consultative Conference, Guangdong Province since 2002.

### Ms. Maisy Ho

*Executive Director  
aged 40*

Ms. Maisy Ho joined the Group in 1996 and has been an executive director of the Company since 2001. She is also a member of the Executive Committee of the Board of Directors and a director of a number of the Company's subsidiaries.

Since joining the Group, she has been responsible for overseeing the strategic planning and operations of the property management division, as well as retail and merchandising division of the Company.

In Hong Kong, Ms. Ho is a Vice Secretary of Hong Kong United Youth Association; Chairman of Membership Committee and Council Member of Hong Kong Institute of Real Estate Administrators; Vice President of The Hong Kong Association for the Advancement of Real Estate & Construction Technology Limited; Vice Chairman of The Chinese General Chamber of Commerce Young Executive Committee; Honorary President of 11th Hong Kong Junior Police Call; and Honorary Vice President of Hong Kong Girl Guide. She is a member of The Real Estate Developers Association of Hong Kong; an associate of The Hong Kong Institute of Facility Management; and member of International Professional Security Association (Hong Kong). Ms. Ho is also a holder of Estate Agent's Licence (Individual).

In Macau, Ms. Ho is an Honorary President of Property Management Business Association Macao; and Lady Committee Member of Macao Chamber of Commerce.

In China, she is a Committee Member of The Chinese People's Political Consultative Conference of Liao Ning Province; Committee Member of All-China Youth Federation; Standing Committee Member of Beijing Youth Federation; Standing Committee Member of Liao Ning Youth Federation; and Vice-Chairman of Jilin Youth Federation and Jilin Youth Entrepreneurs' Organization respectively.

Ms. Ho holds a Bachelor's degree in mass communication and psychology from Pepperdine University, U.S.A.

Ms. Ho is the daughter of Dr. Stanley Ho, the Group executive chairman and the sister of Ms. Pansy Ho, the managing director of the Company and Ms. Daisy Ho, the deputy managing director of the Company. She is also a niece of Mrs. Mok Ho Yuen Wing, Louise, a non-executive director of the Company.

### Mr. David Shum

*Executive Director  
aged 53*

Mr. David Shum joined the Group in 1992 and has been an executive director of the Company since 2004. He is also a member of the Executive Committee of the Board of Directors and a director of a number of the Company's subsidiaries. He is responsible for the investment activities of the Group.

Mr. Shum is a director of Sociedade de Turismo e Diversões de Macau, S.A.\*

Mr. Shum holds a Master's degree in Business Administration from the University of California, Berkeley, U.S.A.

\* Sociedade de Turismo e Diversões de Macau, S.A. is a substantial shareholder of the Company.

## FINANCIAL HIGHLIGHTS AND DIVIDEND SCHEDULE

### Financial Highlights

	2007 (HK\$'000)	2006 (HK\$'000)
Turnover	<b>3,318,137</b>	2,508,804
Profit attributable to equity holders of the Company	<b>1,013,548</b>	663,916
Total equity	<b>15,383,130</b>	10,736,773
Earnings per share ( <i>HK cents</i> )		
– basic	<b>45.7</b>	31.0
– diluted	<b>43.9</b>	29.7
Dividends per share ( <i>HK cents</i> )	<b>14.0</b>	12.5
Net asset value per share ( <i>HK\$</i> )	<b>6.6</b>	4.9

The calculation of basic earnings per share is based on the weighted average number of 2,218,420,201 shares (2006: 2,144,226,359 shares) in issue during the year. The calculation of diluted earnings per share is based on the weighted average number of 2,306,385,218 shares (2006: 2,232,941,133 shares) in issue after adjusting for the effects of all dilutive potential ordinary shares.

### Dividend Schedule

Announcement of final dividend	8 April 2008
Deadline for lodging of all transfers	13 June 2008 – 4:30pm
Closure of register of members	16 June to 19 June 2008
Annual General Meeting	19 June 2008
Posting of dividend warrant to shareholders	3 July 2008

## SIGNIFICANT EVENTS

# 2007



### February

- The Group's TurboJET ferry service recorded a record-high sailing frequency during Chinese New Year, registering 356 trips in a single day, including 317 trips on the popular Hong Kong-Macau route.
- Macau Tower was awarded the "Tourism Medal of Merit" from the Macau SAR Government in recognition of its leading role in promoting tourism in the enclave.



### June

- The Group commenced handover to individual purchasers of the four residential towers of Nova City 2, the luxury residential development in Macau.
- The Group announced the acquisition of 50% and 25% interests of Nova Taipa – Urbanizações, Limitada from Hopewell Holdings Ltd. and Sociedade de Turismo e Diversões de Macau, S.A. (STDM) respectively.



### September

- The Group placed 140 million ordinary shares at HK\$12.25 each through CLSA Limited for total net proceeds of approximately HK\$1,687 million.

### October

- Radcliffe, the Group's luxury residential development in Pokfulam, was launched and received positive market response.





## July

- TurboJET ferry service celebrated its 45th anniversary of regional passenger transportation.
- Transportation division commenced the new Macau-Shekou route services in co-operation with Shenzhen Xunlong Shipping Company.



## December

- Upstream airline check-in service was officially introduced at the Macau and Shenzhen ferry terminals for the convenience of transit air passengers departing from the Hong Kong International Airport.
- TurboJET ferry service achieved a record high passenger volume since its inception, serving 14.3 million people in 2007, including 12.75 million passengers on its well-traveled Hong Kong-Macau route.
- The Group acquired 100% ownership of Nova Taipa – Urbanizações, Limitada on completion of sale and purchase agreements with Hopewell Holdings Ltd. and STDM to purchase their 50% and 25% respective interests.
- The Group's subsidiary, Clean Living (Macau) Limited, further extended its high-quality professional laundry service for premier institutional clients in Macau.



## CHAIRMAN'S STATEMENT

The past year was one in which the Group's diversified exposure in the transportation, property and hospitality sectors sustained its positive momentum, particularly in Macau where the Group's operations benefited from its booming tourism and economic growth.



The Group's profit attributable to shareholders for the year ended 31 December 2007 was HK\$1,013.5 million (2006: HK\$663.9 million). Basic earnings per share were HK 45.7 cents (2006: HK 31.0 cents).

Subject to approval by our shareholders at the Annual General Meeting on 19 June 2008, the Directors recommend a final dividend of HK 7.0 cents per share (2006: HK 8.0 cents per share). In addition to the interim dividend of HK 7.0 cents per share previously paid (2006: HK 4.5 cents), the total dividends for the year amounted to HK 14 cents per share (2006: HK 12.5 cents).

The Group's transportation division celebrated the 45th anniversary of its TurboJET passenger ferry service, which has always been the market leader on the Hong Kong-Macau route. This route achieved a record-high volume of approximately 12.8 million passengers last year. The TurboJET Airport Routes, connecting the Hong Kong International Airport with Macau and Shenzhen destinations, also recorded record-high passenger volumes. In an agreement with The Airport Authority Hong Kong, the Group's joint-venture company under the transportation division will provide management services at SkyPier, the airport's new permanent cross-boundary ferry

terminal scheduled to open in 2009. The division's land transportation arm increased its operating fleet to approximately 100 coaches to meet strong passenger demand in Macau.

The increased connectivity that will result from the Group's spreading sea-land-air transportation platform will enhance convenience for travelers while broadening the Group's revenue base in the region.

The Group is now one of the largest property developers in Macau. As Macau's primary housing market continues to expand, the Group is well-

positioned to meet demand for quality housing in prime locations. Market receptivity to the Group's properties has borne this out over the past two years. Response to the Group's luxury development on the Macau NAPE waterfront, One Central Residences, has been nothing short of phenomenal and set the benchmark for Macau's luxury property sector. More than 97% of residential units were sold by end-2007. One Central Residences is part of the One Central joint-venture development with Hongkong Land Holdings Limited. This project, in which the Group holds a 51% interest, will also include an upscale retail mall, luxury hotel and serviced apartments set to launch in 2009.

Following completion of its acquisition of 75% interest in Nova City in December, the Group currently owns 100% interest in the property development in Taipa, Macau. This will increase the Group's developable floor area in Macau and provide the property division with more flexibility in the project's design and management. During the year, a significant increase in the selling price of pre-sale residential units of Nova City 3 was achieved. The Group believes that demand for quality housing in Macau will remain strong with the buoyant economy there and the rising income level of local residents.

Harbour Mile, the Group's flagship Nam Van mixed-use development project adjacent to Macau Tower, is under planning. The Group is in discussion with Macau SAR Government to finalise the development plan. The Group's property developments in Macau will be enhanced by new infrastructure initiatives planned by the government.

The Group's acclaimed hotel investments, Mandarin Oriental Macau and Westin Resort Macau, also benefited from Macau's business and leisure visitor growth. In addition to a new hotel planned as part of One Central, the Group's hotel investments include the SkyCity Marriott Hotel scheduled for completion this year at the Hong Kong International Airport.

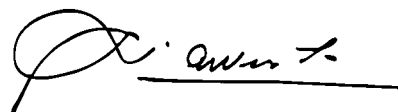
The Group's strategic investment in Sociedade de Turismo e Diversões de Macau, S.A. ("STDM") continued to generate substantial dividends in 2007. The Group believes its various ventures with STDM strengthen its leadership role in serving Macau's visitors and residents.

In September 2007, the Group placed 140 million new ordinary shares to independent third parties in a top-up placement. The net proceeds of approximately HK\$1.7 billion from the

top-up placement further strengthened the Group's financial position and capability to capture investment opportunities in Macau's property market. As at 31 December 2007, the Group had bank balances and deposits of approximately HK\$3.6 billion.

The Group is strategically leveraged to capitalize upon the Pearl River Delta's favorable economic environment, particularly in Macau. Its synergistic operations will continue to be a source of revenue growth and solidify the Group's position as the premier brand in Macau and one of the region's leading diversified conglomerates. The Group anticipates that its strategic investments in Macau will result in spectacular growth of its core businesses in the coming years.

I extend my appreciation to the Group's management, staff, shareholders and business partners for their invaluable support in helping the Group to achieve market leadership in its core businesses, and to seek and meet new challenges for future growth.



**Stanley Ho**  
Group Executive Chairman  
8 April 2008



REVIEW OF OPERATIONS

TRANSPORTATION

# VISIONARY LEADERSHIP



The Group is strongly committed to serving the Pearl River Delta region through its expanding international sea-land-air transportation network. Planned significant investment in fleet expansion will meet rising traveler demand.

## REVIEW OF OPERATIONS

## TRANSPORTATION

Shun Tak-China Travel Shipping Investments Limited ("STCTS"), the Group's shipping operation and one of the largest high-speed ferry operators in Asia, celebrated its 45th anniversary of service in 2007. It sustains market leadership on the popular Hong Kong-Macau route, a position that it has held for more than four decades.

Operating under the trade name "TurboJET", the division owns a fleet of 32 vessels and is the only operator offering 24-hour ferry services between Hong Kong and Macau. To reflect the energetic spirit that characterizes its market leadership position, TurboJET introduced during the year a new logo design and red fleet color, which will be integrated in all its vessels.

As a result of the regional dynamic economic growth and new evolving attractions in the Pearl River Delta Region ("PRD"), TurboJET recorded a 15% increase in passenger volume in 2007 to over 14 million passengers, including a record high of approximately 12.8 million passengers on its Hong Kong-Macau route. Sailing frequency registered its highest levels during the 2007 Chinese New Year holidays, with up to 356 trips in a single day. With the increased revenue, the transportation division recorded an approximately 9% year-on-year growth in operating profit to HK\$259 million for the year ended 31 December 2007 (2006: HK\$237 million), despite high fuel prices.

In July 2007, TurboJET co-operated with Shenzhen Xunlong Shipping Company to launch a new Macau-Shekou ferry service route to increase connectivity between Macau and the PRD region.

TurboJET Airport Routes connecting the Hong Kong International Airport and several key destinations in the PRD, including the airports in Macau and Shenzhen, continue to be increasingly popular with travelers. The service enables passengers to transit conveniently without Hong Kong customs and immigration formalities. For further convenience of overseas-bound passengers, upstream airline check-in service was introduced at the ferry terminals in Macau and Shenzhen for people departing from the Hong Kong International Airport.



60's



80's



70's



90's

The Group is committed to enhancing passenger convenience through its international multi-modal transportation network in the PRD region with Macau as the hub. Through the Hong Kong International Airport Ferry Terminal Services Ltd., its 40%-owned joint venture, the Group entered into a three-year 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 2009. The terminal is one of the key features of SkyCity, the airport's major business and leisure development.

On land, Shun Tak & CITS Coach (Macao) Limited, which operates coach service within Macau and cross-boundary to several major cities in the Guangdong Province, currently has almost tripled its operating fleet to approximately 100 vehicles since end of December 2006. The coach operation recorded approximately 12 times last year's profits resulting from the opening of new attractions in Macau.

Extending its transportation network to air travel, the Group established 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. It will offer individual travelers value-for-money flights and travel packages.

Looking forward, the division will continue its strong commitment to serving the PRD region's transportation needs as one of the leading transportation operators. The division anticipates a significant investment in fleet expansion and refurbishment to meet rising passenger demand.



The Millennium



REVIEW OF OPERATIONS

PROPERTY

# REFINED CRAFTSMANSHIP



The Group is one of the leading property developers in Macau. Its portfolio of quality well-located residential and commercial developments continues to generate strong market response.

## REVIEW OF OPERATIONS

## PROPERTY

The Group has emerged as one of the leading property developers in Macau. Its property development projects recorded both significant progress and substantial market enthusiasm in both Hong Kong and Macau during the year.

The Group's property division reported an operating profit of HK\$287 million (2006: HK\$84 million) for the year ended 31 December 2007, which was mainly attributable to the recognition of profit from Nova City Phase 2 and the launch of Radcliffe.

## In Macau

## Nova City

Nova City is one of the largest luxury property developments in Macau. The development's first three phases feature landscaped gardens and a deluxe clubhouse spanning 210,000 square feet, among the largest of such amenities of Macau's residential developments. Nova City 2, comprising four residential towers, was completed in the second quarter 2007 and more than 98% of the residential units were sold. Handover of the residential units to individual purchasers commenced in June 2007.

Pre-sale of Nova City 3 commenced in December 2006 and more units were launched at increasing prices in 2007. As at 31 December 2007, more than 87% of residential units were sold. Superstructure works for the four residential towers of Nova City 3 is scheduled for completion in stages



Harbour Mile

by 2008. Remaining phases of the development are under planning. Accessibility to Nova City will be enhanced by the proposed light rapid-transit route.

In December 2007, the Group completed sale and purchase agreements with Hopewell Holdings Ltd. and Sociedade de Turismo e Diversões de Macau, S.A. ("STDM") to acquire 50% and 25%, respectively, of the interests in Nova Taipa – Urbanizações, Limitada. The Group currently owns 100% interest in the whole project, facilitating more design and management flexibility.

### One Central

One Central is the Group's joint-venture development with Hongkong Land Holdings Limited on a prime Macau NAPE waterfront site. Superstructure works are in progress and are scheduled for completion in 2009. One Central, which offers unobstructed scenic views of Nam Van Lake, will comprise approximately 1.6 million square feet of luxury residential and serviced apartments, an upscale retail arcade of about 400,000 square feet and a 208-room luxury hotel that will be managed by Mandarin Oriental Hotel Group. Pre-sale of One Central Residences to both institutional investors and the public commenced in late 2006 and was well-received by the public. Four duplex units were offered in December 2007 through a market tender exercise. Pre-sale of featured and serviced units will be launched in 2008. The Group holds a 51% interest in the development.

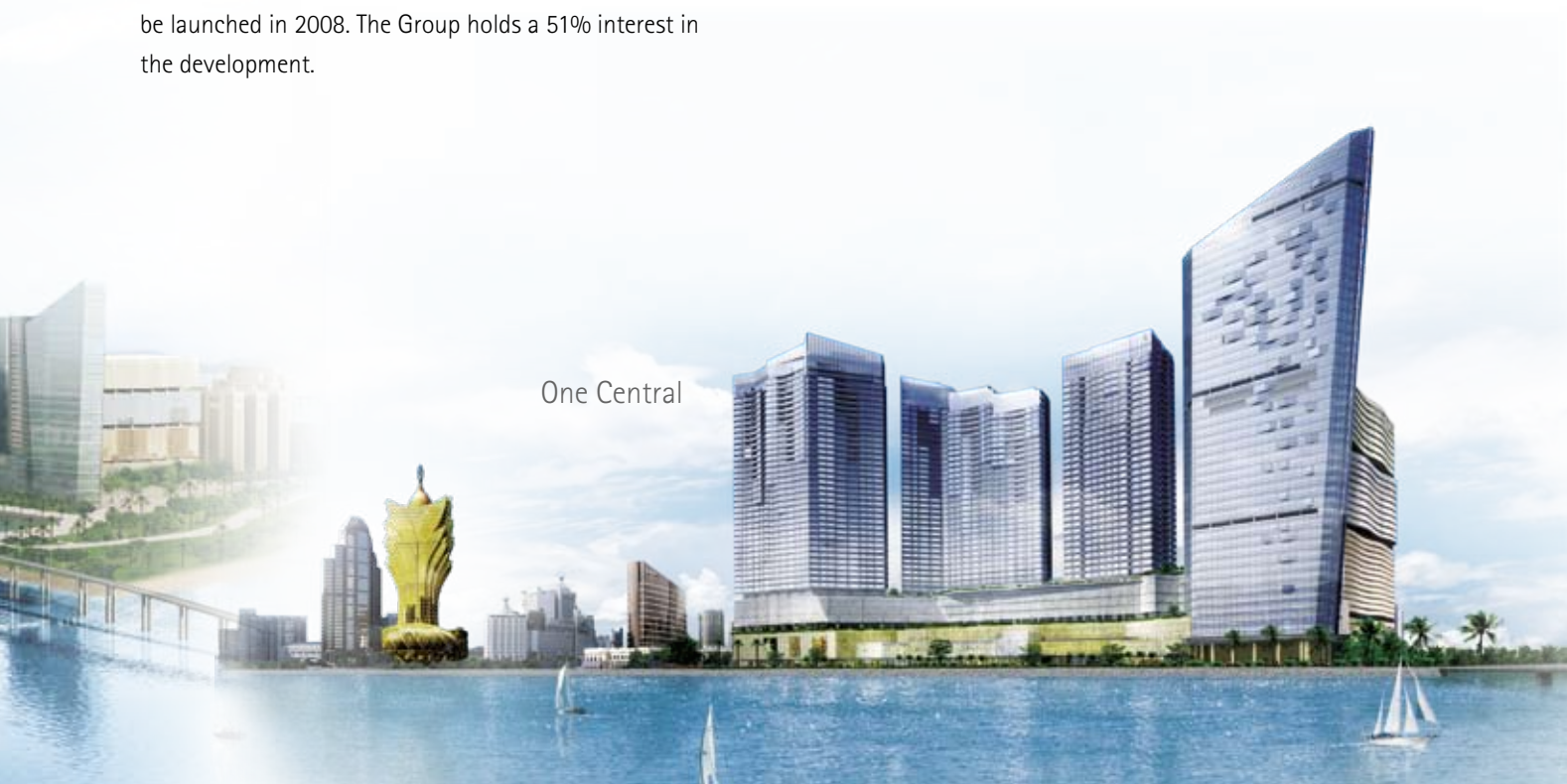


### Harbour Mile

Harbour Mile, the Group's flagship development on the Nam Van site centrally situated on the waterfront adjacent to Macau Tower, is under planning for a mixed-use complex.

### Cotai Site

The Group is in discussion with the Macau SAR Government on its plan to develop a site in Cotai with STDM in place of the originally-announced site in Taipa. The Cotai site will be zoned for hospitality and entertainment uses. The Group holds an 80% interest in the project and STDM holds the remaining 20%.



One Central

## REVIEW OF OPERATIONS

### PROPERTY

#### Taipa Project

The Group acquired a 79% interest in a columbarium development project in Taipa, Macau and recognized a gain of HK\$291 million from the excess of interest in fair value of net assets acquired over costs of acquisition. The design of the proposed columbarium is in progress. Construction work is scheduled to commence in 2008 with completion scheduled for 2010.

#### In Hong Kong and mainland China Radcliffe

Radcliffe is a luxury residential development located at 120 Pokfulam Road, Hong Kong. It features ten exclusive duplex apartments of over 3,000 square feet each and was completed in the first quarter of 2007. 60% of the duplex units were recognized as sale by the end of December 2007.

#### Chatham Gardens

Demolition works at Chatham Gardens in Kowloon were completed in September 2006. Design of the residential towers and commercial podium is in progress. Construction works is expected to commence in the second quarter of 2008 with completion scheduled for 2011.

#### The Westwood

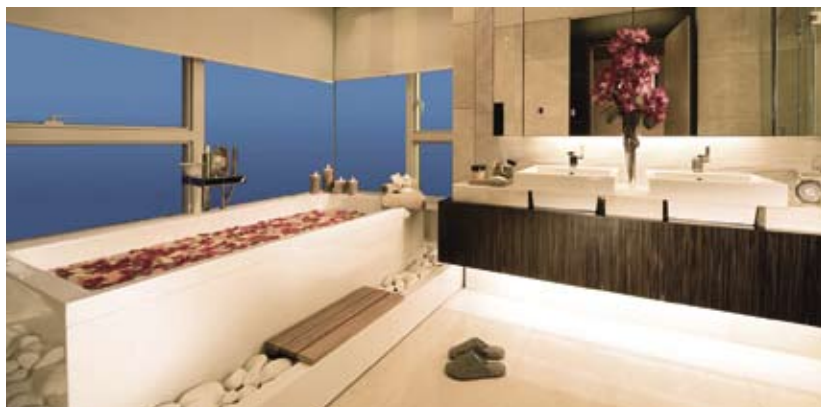
The Westwood, a large-scale modern commercial podium with over 220,000 square feet at The Belcher's, is the largest shopping complex in Western Mid-Levels and popular for its one-stop shopping convenience. Public accessibility to the shopping complex will be enhanced by construction of the University Station of the Mass Transit Railway ("MTR"), scheduled for completion no later than 2014. 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 satisfactory rental income in 2007 with average occupancy rate above 97%. A connecting passage to the Lai Chi Kok MTR Station is under construction and scheduled for completion in 2009. The pedestrian passage will improve access to Liberté Place.

#### Guangzhou Shun Tak Business Centre

In Guangzhou, the Shun Tak Business Centre 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 to a diversified range of residential, commercial and industrial properties. The property portfolio under the division's management extends to more than 12 million square feet in Hong Kong and Macau. The division added Nova City 2 and the Radcliffe to its portfolio in 2007 and it will add One Central by 2009. STPML is the first Hong Kong company awarded an ISO9001 certificate in Macau.

ISS Macau Services Limited, a synergistic joint venture between STPML and ISS Hong Kong Services Limited, provides a comprehensive range of cleaning services that enhance working and living environments to commercial and residential developments in both Hong Kong and Macau.

With the recent opening of a new plant in Macau, the Group's wholly-owned subsidiary Clean Living (Macau) Limited, further extended its professional laundry service for premier institutional clients in Macau. Its 30,000-square-foot plant is equipped with new state-of-the-art laundry machines designed for high-quality service.

The division also offers lifestyle concept services there under the brand name "Living Matters" that promote quality living. These extensive privileged personal services include interior decoration, floral design and concierge services.

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





REVIEW OF OPERATIONS

HOSPITALITY

# UNIQUE POSITIONING



The Group's hospitality enterprises in Macau, which include hotels, business facilities and leisure attractions, serve a dynamic visitor market. They are strategically positioned to capitalize on the growth of the region's newest entertainment hub.

## REVIEW OF OPERATIONS

## HOSPITALITY

Macau's tourism, entertainment and conference sectors, as well as general travel in the Pearl River Delta ("PRD") region, continued to grow and prosper to the benefit of the Group. Tourist arrivals in Macau reached more than 27 million people during 2007, representing a year-on-year increase of 23%.

The Group's hospitality division continues to benefit from Macau's dynamic economic boom. The opening of new attractions and development of infrastructure all contribute to an increase in visitor arrivals. The hospitality division, particularly the travel-related businesses, reported an increase in operating profit to HK\$43 million in 2007 (2006: HK\$27 million).

The Group's acclaimed 50%-owned Mandarin Oriental Macau and 34.9%-owned Westin Resort Macau ("Westin") have traditionally held prominent positions in Macau's luxury hotel market. Both recorded a year-on-year increase in net profit despite keen competition for hotel guests. Westin was designated "Asia's Leading Sports Resort 2007" at the World Travel Awards 2007 and, for the third consecutive year, Westin was voted the "Best Business Hotel in Macau" by readers of Business Traveller China magazine.

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

The Group's 70%-owned joint-venture Hong Kong SkyCity Marriott Hotel project is located in the eastern section of SkyCity, the major business and leisure development of the Hong Kong International Airport on Lantau Island. The new five-star waterfront hotel, projected to have 1,000 rooms, will be developed in two phases with 658 rooms in the first phase. Superstructure works for the first phase are in progress with completion scheduled for late 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 for its adventure activities. It has also become the preferred site for Macau's burgeoning banqueting, conventions, conferences and exhibitions sector. In February, Macau Tower was awarded the Tourism Medal of Merit from the Macau SAR Government for its outstanding contribution to Macau tourism. Among its most recent distinctions, Macau Tower was designated the "Best Brand Enterprise 2007" by the Hong Kong Productivity Council and the "Trendiest Tourist Destination" by Guangzhou Daily.

During the year, Macau Tower has recorded an approximately 8% year-on-year growth in visitors with an approximately 36% year-on-year growth in sales for the business of meetings, incentives, conferences, exhibitions and banquets. More than 5.8 million people have visited Macau Tower since its opening in 2001. Its major attractions include SkyJump, a 233-meter controlled-descent decelerator facility, and a 233-meter-high Bungy Jump, which together recorded more than 7,000 jumps in 2007. Both SkyJump and Bungy Jump are listed in the Guinness World Records as the world's highest adventure facilities in their respective categories.

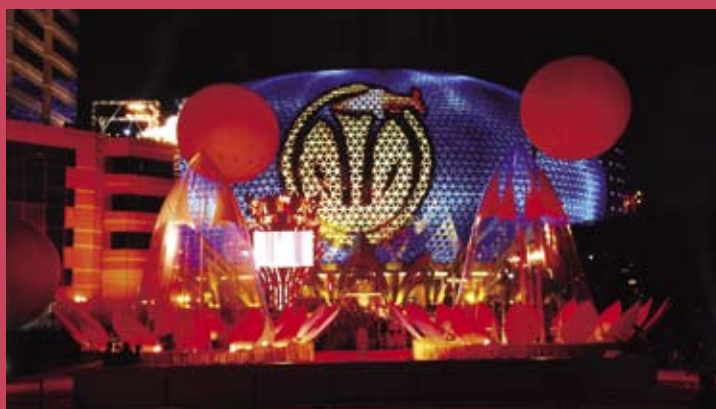




REVIEW OF OPERATIONS

INVESTMENT

# ROSY PROSPECTS



The Group's synergistic businesses will continue to benefit from the Pearl River Delta's promising economy, particularly in Macau, where the Group is now established as a premier brand.

## REVIEW OF OPERATIONS

### INVESTMENT

Through its leading transportation, tourism and hospitality businesses, the Group has contributed substantially to the economic development of the Pearl River Delta region, particularly Macau.



The Group is committed to facilitating further regional development and will pursue those premium investment opportunities that complement its goals and its position as a leading regional conglomerate.

The Group owns an effective interest in Sociedade de Turismo e Diversões de Macau, S.A. ("STDM") of approximately 11.5%. In 2007, the Group recognized HK\$61 million in ordinary dividends declared by STDM for the year 2006. STDM owns an approximately 80% equity interest in Sociedade de Jogos de Macau S.A. ("SJM"), one of the few gaming concessionaires licensed by the Macau SAR Government to operate casinos in Macau.



In addition to its gaming activities, STDM holds interests in several hotels in Macau, the 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 Macau Tower, for which the Group has held an operational and property management agreement since its opening in 2001.

Macau Matters Company Limited, the Group's retail arm, capitalizes on consumer-related opportunities resulting from Macau's expanding tourism and the growing affluence of its residents. It has operated two major retail outlets in Macau Tower since 2006, Toys "R" Us – Macau and Warner Brothers Studio Store.



# CORPORATE SOCIAL RESPONSIBILITY

Through its active, ongoing efforts to support social, educational and environmental imperatives in Hong Kong and Macau, the Group is committed to contributing to and improving the quality of life in its greater community. It sponsors a wide range of activities and programs toward this aim.



The Group's employees participated in many community events during 2007, raising more than HK\$150,000 in support of charitable activities, including the Community Chest Hong Kong and Macau Walks for Millions, Salvation Army Macau O! Day and the Oxfam Trailwalker.

Through the Helping Hand Program, the Shun Tak Volunteer Team reached out directly to those in need by paying visits to homes for the elderly. The Team participated in special

games and entertainment programs for the benefit of elderly residents.

To encourage local students who are interested in a maritime career, the Group's transportation division launched a scholarship program for students committed to pursuing maritime transportation studies. In 2008, the division will award scholarships totaling HK\$150,000 to four students representing Hong Kong Polytechnic University, Hong Kong Institute of Vocational Education (Tsing Yi), Maritime Services Training Institute and Hong Kong Sea School. The TurboJET Scholarship Program will be awarded annually.





01



02



03



04

In addition, the transportation division currently sponsors two graduates from Hong Kong Sea School in the six-month seaman's training course at the Vocational Training Council in Tai Lam Chung. Sponsorship includes a monthly expense allowance. After the graduates successfully completed training, the division will employ them as sailors in its ferry operations.

The Group also undertook several initiatives to encourage environment-friendly practices in both its workplace and business activities, including recycling programs for reusable materials and the use of eco-friendly paint on its TurboJET fleets.

caption:

- 01 The Macau Community Chest Walks for Millions
- 02 Visit of Helping Hand Elderly Home
- 03 Salvation Army Hong Kong & Macau O! Day
- 04 Oxfam Trailwalker
- 05 The Hong Kong Community Chest Walks for Millions
- 06 TurboJET Scholarship Award Presentation Ceremony



06

## SCHEDULE OF MAJOR PROPERTIES

### Properties for Development and/or Sale

	Approx. Total Gross Floor Area for the Project (Sq.m)	Approx. Total Site Area for the Project (Sq.m)	Primary Use	Group's Interest	Development Progress as of Dec 2007	Estimated Completion Date
<b>Hong Kong</b>						
Chatham Gardens	—	3,786	—	51%	Under planning	2011
Radcliffe (formerly 120 Pokfulam Road)	1,346	1,684	Residential	100%	Completed	—
SkyCity Marriott Hotel	42,621	13,776	Hotel	70%	Superstructure works in progress	2008
YTM Lots 30 & 31, Yau Tong	—	1,858	—	50%	Land bank	—
<b>Macau</b>						
One Central	218,419	18,344	Residential/ Commercial/Hotel	51%	Superstructure works in progress	2009
Nova City			Residential/ Commercial	100%		
Phase II	2,092	8,881			Completed	—
Phase III	80,462	10,388			Superstructure works in progress	2008
Phase IV	63,279	5,426			Land bank	—
Phase V	275,815*	23,843			Land bank	—
Lote J, Aterro de Pac On, Taipa	6,522	2,200	Columbarium	79%	Under planning	2010

\* subject to approval by the Macau SAR Government on application for change of use.

### Properties Under Acquisition

	Approx. Total Gross Floor Area for the Project (Sq.m)	Approx. Total Site Area for the Project (Sq.m)	Primary Use	Group's Interest	Development Progress as of Dec 2007	Estimated Completion Date
<b>Macau</b>						
Harbour Mile (Note 1)	359,532	39,800	Residential/ Commercial/ Hotel/Casino	100%	Land bank	—
Estrada Marginal da Ilha Verde no.701-741 (Note 2)	18,637	2,942	Hotel	100%	Land bank	—

### Properties Under Planning

		Approx. Total Gross Floor Area (Sq.m)	Approx. Total Site Area (Sq.m)	Primary Use	Group's Interest	Development Progress as of Dec 2007	Year of Lease Expiry
	Baia de Nossa Senhora de Esperança, Taipa, Macau (Note 3)	200,000	80,656	Hotel/ Commercial	80%	Land bank	2049
	Rawai Beach, Phuket, Thailand	—	36,800	Hotel	50%	Land bank	Freehold

### Properties Held by the Group for Own Use

		Approx. Total Gross Floor Area (Sq.m)	Approx. Total Site Area (Sq.m)	Primary Use	Group's Interest	Development Progress as of Dec 2007	Year of Lease Expiry
	Penthouse, 39/F, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong	1,823	—	Office Premises	100%	—	2055 renewable to 2130
	83 and 95 Hing Wah Street West, Kowloon	20,602	19,139	Shipyards	42.6%	—	2051
	Macau International Centre, Macau 2/F to 4/F (whole floor) and Flats A, B, C of 5/F, Block 12 Flats E of 8-11/F, Block 13	2,894 473	— —	Staff Quarters Staff Quarters	100% 42.6%	— —	10 years commencing on 20 Mar 2006 and renewable for further terms until 2049
	Edifício Industrial Fu Tai, Macau Unit A4 on 4/F	350	—	Plant	100%	—	2013 renewable to 2049

## SCHEDULE OF MAJOR PROPERTIES

### Investment and Hotel Properties

	Approx. Total Gross Floor Area (Sq.m)	Approx. Total Site Area (Sq.m)	Primary Use	Group's Interest	Occupancy Rate as of Dec 2007	Monthly Average Rental Rate for 2007	Approx. Lettable Floor Area (Sq.m)	Year of Lease Expiry
The Westwood, 8 Belcher's Street, Hong Kong	20,724	—	Commercial	51%	85%	HK\$293 psm	14,682	2030
The Belcher's, 89 Pok Fu Lam Road, Hong Kong	572 motor car parking spaces	—	Carpark	51%	100%	HK\$3,200 per carpark per month	—	2030
	33 motorcycle parking spaces	—	Carpark	51%	18.18%	HK\$1,000 per carpark per month	—	2030
Liberté Place, 833 Lai Chi Kok Road, Kowloon	5,600	—	Commercial	64.56%	96.13%	HK\$359 psm	4,083	2049
Liberté, 833 Lai Chi Kok Road, Kowloon	515 motor car parking spaces	—	Carpark	64.56%	90.7%	HK\$1,500 per carpark per month	—	2049
	140 lorry parking spaces	—	Carpark	64.56%	55%	HK\$1,800 per carpark per month	—	2049
	45 motorcycle parking spaces	—	Carpark	64.56%	48.89%	HK\$300 per carpark per month	—	2049
Seymour Place, LG/F & G/F, 60 Robinson Road, Hong Kong	974	—	Commercial	100%	100%	HK\$448 psm	822	2858
Seymour Place, G/F, 1/F - 3/F, 60 Robinson Road, Hong Kong	26 parking spaces	—	Carpark	100%	69.2%	HK\$3,150 per carpark per month	—	2858
Monmouth Place, L1 - L4, 9L Kennedy Road, Hong Kong	18 parking spaces	—	Carpark	100%	88.9%	HK\$2,000 to 3,500 per carpark per month	—	2047
Starhouse Plaza, Shop No. 5B on G/F, and portion of Shops in Basement, Star House, excluding Shop A, 3 Salisbury Road, Tsimshatsui, Kowloon	2,643	—	Commercial Shopping Arcade	100%	97.9%	HK\$414 psm	2,129	2863

	Approx. Total Gross Floor Area (Sq.m)	Approx. Total Site Area (Sq.m)	Primary Use	Group's Interest	Occupancy Rate as of Dec 2007	Monthly Average Rental Rate for 2007	Approx. Lettable Floor Area (Sq.m)	Year of Lease Expiry
Mandarin Oriental Macau, Avenida da Amizade, Macau	50,801	9,865	Hotel	50%	—	—	—	2017
Extension in the Outer Harbour New Reclamation Zone, Macau (Note 4)	1,369	15,176	Resort	50%	—	—	—	2007 renewable to 2049
Shun Tak House, 11 Largo do Senado, Macau	2,731	—	Commercial	100%	100%	MOP199 psm	2,673	Freehold
The Westin Resort Macau and Macau Golf & Country Club, Hac Sa Beach, Coloane, Macau	42,285	767,373	Hotel/ Golf Course	34.9%	—	—	—	2013 renewable to 2049
Nova Taipa Gardens, Macau	3,463	—	Commerical	100%	85%	MOP151 psm	3,463	2015
Nova City Phase I, Macau	727	—	Commerical	100%	49%	MOP285 psm	727	2031
Shun Tak Business Centre, 246 Zhongshan Si Road, Guangzhou, PRC	28,453	—	Office	60%	90.5%	RMB76 psm	28,453	2045
	5,801	—	Commerical Shopping Arcade	60%	100%	RMB89 psm	5,801	2035
	51 parking spaces	—	Carpark	60%	71%	RMB600 to 1,200 per carpark per month	—	2035

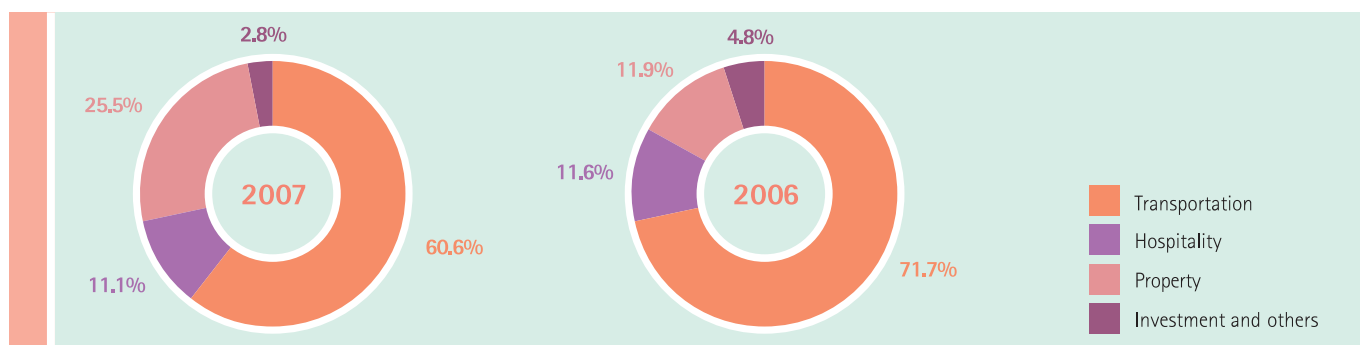
## Notes:

- (1) Completion date of the acquisition is extended to on or before 30 June 2008 because additional time is needed for the Macau SAR Government to finalize the Master Plan for the Nam Van District and the site area for Harbour Mile first before the submitted development plans can be approved.
- (2) Completion pending issuance and publication of land concession contract by the Macau SAR Government.
- (3) Subject to agreement with the Macau SAR Government for replacement of another site, having the same gross floor area, in Cotai, Macau.
- (4) Renewal has been submitted pending written confirmation from the Macau SAR Government.

## GROUP FINANCIAL REVIEW

### Turnover Analysis

#### TURNOVER BY DIVISION



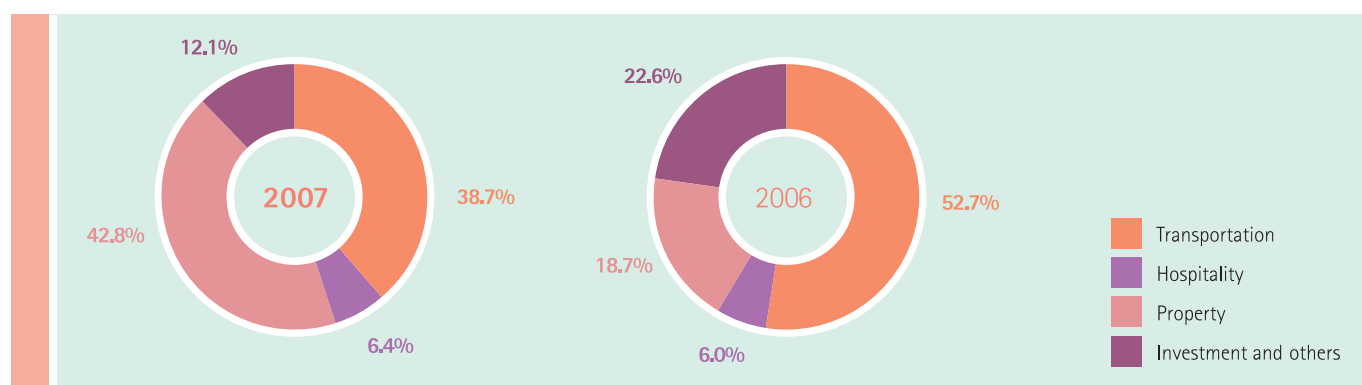
(HK\$ million)	2007	2006	Variance	%	Remarks
Transportation	2,011	1,798	213	12	The increase was primarily due to growth in passenger volume resulting from dynamic economic growth in Macau.
Property	846	299	547	183	The increase was mainly due to the property sales at Radcliffe and contribution from Nova City after our Group's acquisition.
Hospitality	368	291	77	26	The increase was mainly due to the growth in tourism related business in Macau.
Investment and others	93	121	(28)	(23)	The decrease was mainly due to the reduced dividend income from STDM.
Total	3,318	2,509	809	32	

#### TURNOVER BY GEOGRAPHICAL AREA

(HK\$ million)	2007	2006	Variance	%	Remarks
Hong Kong	1,718	1,270	448	35	The increase was mainly due to sales of residential units of the Group's Hong Kong properties and partly due to more ticket revenue from its transportation division.
Macau	1,369	1,059	310	29	The increase was mainly due to the growth in both ticket revenue from the transportation division and revenue from tourism related business of the hospitality division.
Others	231	180	51	28	
Total	3,318	2,509	809	32	

## Profit and Loss Analysis

### OPERATING PROFIT BY DIVISION



(HK\$ million)	2007	2006	Variance	%	Remarks
Transportation	259	237	22	9	The increase was largely attributable to growth in passenger volume resulting from surge of visitors to Macau.
Property	287	84	203	242	The increase was mainly due to profit generated from property sales at Radcliffe, contribution from Nova City after our Group's acquisition and sales of the remaining residential units at The Belcher's.
Hospitality	43	27	16	59	This division continued to report satisfactory result attributable to increasing visitors arrivals in Macau.
Investment and others	81	102	(21)	(21)	The decrease was mainly due to the reduced dividend income from STDH.
Unallocated net income	34	69	(35)	(51)	The variance was largely due to increased corporate overhead and reduced interest income.
Fair value changes on investment properties	121	62	59	95	
Operating profit	825	581	244	42	

## GROUP FINANCIAL REVIEW

## Profit and Loss Analysis (Continued)

## OPERATING PROFIT BY DIVISION (Continued)

(HK\$ million)	2007	2006	Variance	%	Remarks
Operating profit	<b>825</b>	581	244	42	
Excess of interest in fair value of net assets acquired over cost of acquisition of subsidiaries	<b>291</b>	23	268	1,165	This principally arose from the acquisition of a subsidiary which holds the right of a land concession in respect of a property site located in Macau for a columbarium project.
Finance costs	<b>(61)</b>	(48)	(13)	(27)	The increase was principally due to additional loans drawn during the year.
Share of results of associates	<b>283</b>	400	(117)	(29)	The variance was due to less profit recognised from Nova City project in 2007 despite the fact that it still saw significant contribution for the year. Mandarin Oriental Macau and the Westin Resort Macau continued to report satisfactory results.
Share of results of jointly controlled entities	<b>23</b>	(17)	40	235	Major contribution improvement was attributable to a 40% owned jointly controlled entity which operates a ferry terminal at Hong Kong International Airport and share of profit of a 51% owned property project in Macau.
Profit before taxation	<b>1,361</b>	939	422	45	
Taxation	<b>(99)</b>	(57)	(42)	(74)	
Profit after taxation	<b>1,262</b>	882	380	43	
Profit attributable to minority interests	<b>(248)</b>	(218)	(30)	(14)	This mainly represented the interests of minority shareholders in transportation and property divisions.
Profit attributable to equity holders of the Company	<b>1,014</b>	664	350	53	

## Profit and Loss Analysis (Continued)

### OPERATING PROFIT BY GEOGRAPHICAL AREA

(HK\$ million)	2007	2006	Variance	%	Remarks
Hong Kong	<b>473</b>	281	192	68	The variance mainly represented profit earned for the sale of properties at Radcliffe and fair value gain of investment properties in Hong Kong.
Macau	<b>263</b>	237	26	11	Nova City project has contributed to the increase in profit after wholly owned by our Group in December 2007. Before that, it was our Group's 25% owned associate and equity accounted for.
Others	<b>89</b>	63	26	41	The increase was mainly due to fair value gain of an investment property in Guangzhou and certain structured financial products.
Total	<b>825</b>	581	244	42	

### ANALYSIS ON SHARE OF RESULTS OF ASSOCIATES

(HK\$ million)	2007	2006	Variance	%	Remarks
Transportation	<b>1</b>	—	1	n/a	
Property	<b>225</b>	348	(123)	(35)	The variance was due to less profit recognised from Nova City project in 2007 despite the fact that it still saw significant contribution for the year.
Hospitality	<b>55</b>	50	5	10	Both Mandarin Oriental Macau and the Westin Resort Macau recorded increased contribution despite keen competition.
Investment and others	<b>2</b>	2	—	—	
Total	<b>283</b>	400	(117)	(29)	

## GROUP FINANCIAL REVIEW

### Liquidity, Financial Resources and Capital Structure

At 31 December 2007, the Group's total net assets increased by 43% over last year to HK\$15,383 million. Cash and liquidity position remains strong and healthy. During the year, net cash used in operating activities amounted to HK\$681 million which included payment of land premium of HK\$1,135 million for Chatham Garden. The cash outflow for investing activities was mainly attributable to HK\$6,870 million cash consideration paid for acquiring additional 75% interests in Nova Taipa Gardens and Nova City projects. Major cash inflow for financing activities included HK\$5,358 million for additional bank loans and HK\$1,687 million net proceeds from share placement.

#### CASH FLOW VARIANCE ANALYSIS

(HK\$ million)	2007	2006	Variance
Operating activities	(681)	(276)	(405)
Investing activities	(6,159)	341	(6,500)
Financing activities	6,971	(490)	7,461
Net increase/(decrease) in cash and cash equivalents	131	(425)	556

The Group's bank balances and deposits amounted to HK\$3,565 million at 31 December 2007. It is the Group's policy to secure adequate funding to match with cash flows required for working capital and investing activities. At 31 December 2007, total loan facilities available to the Group amounted to HK\$10,555 million, of which HK\$4,346 million remained undrawn. The loan facilities outstanding at the year end amounted to HK\$6,209 million. The maturity profile of the Group's borrowings is set out below:

### Maturity Profile

Within 1 year	1-2 years	2-5 years	Over 5 years	Total
52%	3%	43%	2%	100%

Based on a net borrowings of HK\$2,624 million at the year end, the Group's gearing ratio (expressed as a ratio of net borrowings to equity attributable to equity holders of the Company) was 20.1% (2006: nil). The Group will continue to maintain a healthy gearing ratio and consider to reduce its finance costs.

During the year, 5,697,670 new shares were issued upon exercise of share options and 7,902,000 shares were repurchased and cancelled. The Company incurred approximately HK\$85 million for the said repurchase. Pursuant to a top-up share placement announced on 27 September 2007, the Company issued 140 million new ordinary shares on 11 October 2007 at a price of HK\$12.25 per share. The proceeds, net of expenses, amounted to approximately HK\$1,687 million. At 31 December 2007, the Group had commitment of HK\$1,485 million to finance a joint venture project with Hongkong Land Holdings Limited to develop One Central in Macau.

Capital expenditure commitments of the Group amounted to HK\$511 million, a major portion of which was related to the Hong Kong SkyCity Marriott Hotel project at the Hong Kong International Airport.

### Material acquisition

In December 2007, the Group completed the acquisition of additional 75% interests in Nova Taipa-Urbanizações, Limitada through an indirect wholly owned subsidiary of the Group for a cash consideration of approximately HK\$6,870 million. The Group now owns 100% interest in Nova Taipa Gardens and Nova City projects.

### Pledge of Assets

At the year end, certain assets of the Group with an aggregate carrying value of HK\$800 million (2006: HK\$545 million) were pledged with banks for loan facilities.

### Contingent Liabilities

There was no material contingent liabilities of the Group at the year end.

### Financial Risk

The Group adopts a conservative policy in financial risk management with minimal exposure to currency and interest rate risks. The funds raised by the Group are on a floating rate basis. None of the Group's outstanding borrowings was denominated in foreign currency at the year end. The Group's principal operations are primarily conducted and recorded in Hong Kong dollars so that the exposure to foreign exchange fluctuations is minimal. While the Group has financial assets denominated in the United States dollar and Macau pataca, they are continuously pegged to Hong Kong dollar and the exposure to currency risk for such currencies is minimal to the Group. The Group engages in fuel hedging activities to minimise its exposure to fluctuations in fuel prices in accordance with the Group's approved treasury policies. It is the Group's policy not to engage in any speculative trading activity.

### Human Resources

The Group, including subsidiaries but excluding associates and jointly controlled entities, employed approximately 2,500 employees at the year end. The Group adopts competitive remuneration packages for its employees. Promotion and salary increment are based on performance. Social activities are organised to foster team spirit amongst staff. Staff are encouraged to attend training classes that are related to the Group's businesses.

## REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2007.

### Group Activities

The principal activity of the Company is investment holding. The activities of its principal subsidiaries, associates and joint ventures are shown on pages 150 to 152.

The analysis of the principal activities and geographical locations of the operations of the Group during the financial year are shown in note 36 to the financial statements.

### Group Financial Statements

The profit of the Group for the year ended 31 December 2007 and the state of affairs of the Company and of the Group at that date are shown in the financial statements on pages 68 to 152. A commentary on annual results is included in the Chairman's Statement on pages 12 to 13 and Review of Operations on pages 14 to 31.

### Particulars of Principal Subsidiaries, Associates and Joint Ventures

Particulars regarding the principal subsidiaries, associates and joint ventures of the Company and of the Group are shown on pages 150 to 152.

### Dividends

An interim dividend of 7 HK cents per share was paid in October 2007. The Directors now recommend the declaration of a final dividend of 7 HK cents per share in respect of the year ended 31 December 2007 payable to shareholders on the record on 19 June 2008.

### Property, Plant and Equipment

The movements in property, plant and equipment of the Company and of the Group during the year are shown in note 12 to the financial statements.

### Particulars of Properties

Particulars regarding the properties and property interests held by the Group are shown on pages 34 to 37.

### Share Capital

The movements in share capital of the Company during the year are shown in note 31 to the financial statements.

### Share Placement

Pursuant to the Placing and Subscription Agreement (the Agreement) dated 27 September 2007, 140 million existing shares in the Company were placed at HK\$12.25 per share (the Placing Price) through a top-up share placement arrangement (Share Placement) and the Company subsequently issued 140 million new ordinary shares (New Shares). The placees were professional, institutional and/or corporate investors who are third parties independent of the Company and its connected persons. There were over six placees. The Placing Price represented (i) a discount of approximately 4.15% to the closing price of HK\$12.78 per share as quoted on The Stock Exchange of Hong Kong Limited (Stock Exchange) on 25 September 2007, the last trading day immediately before the Agreement was signed, (ii) a discount of approximately 1.05% to the average of the closing prices of approximately HK\$12.38 per share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 25 September 2007, and (iii) a premium of approximately 206.25% over the net asset value per share of approximately HK\$4 based on the audited consolidated net asset value of the Group as at 31 December 2006 and the number of shares in issue as at 31 December 2006.

The New Shares represented approximately 6.41% of the issued share capital of the Company prior to the Share Placement. The issue price for the New Shares was HK\$12.25 per share, which is equivalent to the Placing Price. A net amount of approximately HK\$1,687 million in aggregate after expenses was received.

The placing and subscription broadened the shareholder and capital base of the Company and the net proceeds of the Share Placement was intended for investment opportunities in the Macau property market.

## Reserves

The movements in reserves of the Company and of the Group during the year are shown in note 33 to the financial statements.

## Donations

During the year, the Group made donations for charitable and community purposes amounted to HK\$187,000 (2006: HK\$164,000).

## Group Borrowings

Details of borrowings repayable within one year and long-term loans are shown in notes 27 and 30 to the financial statements.

## Finance Costs Capitalised

Finance costs capitalised by the Group during the year amounted to HK\$14,956,000 (2006: HK\$6,944,000).

## Major Customers and Suppliers

It is the policy of the Group to have several suppliers for particular materials so as to avoid over-reliance on a single source of supply. The Group maintains good relationships with its major suppliers and has not experienced any significant difficulties in sourcing essential materials.

During the year, 27% of the Group's turnover was attributable to the Group's five largest customers combined, with the largest customer accounting for 14% of the Group's total turnover. 84% of the Group's purchases was attributable to the Group's five largest suppliers combined, with the largest supplier accounting for 44% of the Group's total purchases.

Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung, Mrs. Louise Mok, Ms. Pansy Ho and Mr. David Shum have beneficial interests in Sociedade de Turismo e Diversões de Macau, S.A. (STDM), one of the five largest customers and suppliers of the Group. STDM is a substantial shareholder of the Company. Save as disclosed, no other Directors, their associates or shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) were interested, at any time during the year, in the Group's five largest customers or suppliers.

## Material Acquisitions

During the year under review, the Group acquired 75% equity interest in Nova Taipa – Urbanizações, Limitada for approximately HK\$6,870 million. Details of such transactions are shown in note 35(b) to the financial statements.

## Directors

The present Directors of the Company are listed on page 1.

Mr. Yeh V-Nee was appointed as an Independent Non-Executive Director on 1 January 2007. Mr. Robert Kwan resigned as Independent Non-Executive Director on 1 January 2007.

At the forthcoming annual general meeting, Dr. Stanley Ho, Ms. Pansy Ho, Mr. Anthony Chan and Mr. Norman Ho will retire by rotation in accordance with Article 77 of the Company's Articles of Association. Being eligible, all the retiring Directors offer themselves for re-election.

The Company has received confirmations of independence from the Independent Non-Executive Directors, namely Sir Roger Lobo, Mr. Norman Ho, Mr. Charles Ho and Mr. Yeh V-Nee and considers them to be independent.

## Corporate Governance

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Report on Corporate Governance Practices on pages 61 to 66.

## REPORT OF THE DIRECTORS

### Directors' Interests in Contracts and Connected Transactions

1. Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung (appointed representative of a corporate director), Mrs. Louise Mok, Ms. Pansy Ho and Mr. David Shum are directors of, and have beneficial interests in, STD M, which is a substantial shareholder of the Company. Dr. Stanley Ho and Dr. Ambrose So are directors of, and have beneficial interests in, Sociedade de Jogos de Macau, S.A. (SJM). SJM is a subsidiary of STD M and one of the gaming concessionaires which have been granted a concession by the Macau government to operate casinos in Macau.

During the year, the Group had the following transactions with the STD M Group:

- (i) The Group received total fees of HK\$25.5 million from STD M for managing hotels owned by STD M.
- (ii) Shun Tak-China Travel Shipping Investments Limited (ST-CTSI), a non-wholly-owned subsidiary of the Company, purchased HK\$323.6 million of fuel from the STD M Group during the year for its Macau shipping operations. ST-CTSI is beneficially owned as to 42.6% by the Company, 28.4% by STD M and 29% by China Travel International Investment Hong Kong Limited (CTII). Under this arrangement, STD M supplies and loads fuel into ST-CTSI vessels at the Macau Outer Harbour Terminal. The cost of fuel is its market price plus a small handling charge. The Fuel Arrangement Agreement expired on 31 December 2007. On 12 November 2007, ST-CTSI signed an amendment to the Fuel Arrangement Agreement with STD M to continue the Fuel Arrangement for a further 3 years from 1 January 2008 to 31 December 2010 and renewable for a further 3 years unless terminated by either party giving notice to the other party. As approved at the extraordinary general meeting held on 12 December 2007, the 2007 annual cap on the Fuel Arrangement was revised upward after taking into account market trend of rising fuel prices and the usage projection of fuel in the fourth quarter of 2007.

- (iii) Under an agency agreement between ST-CTSI and STD M (the STD M Agency Agreement), STD M acted as the agent of ST-CTSI for sale of ferry tickets for which it received HK\$20.5 million of commission. The commission was calculated at 5% of the total net ticket sales generated by STD M as agent (less any discounts and concessions on ferry tickets agreed by ST-CTSI and any tax, fees or levies paid thereon to any government or ferry terminal operator).

During the year, HK\$423.2 million of TurboJET tickets were sold to STD M for its own use. A discount of 5% up to a maximum of 12% (varying depending on the volume of the bulk purchases), totalling HK\$21 million, was granted on such bulk purchases.

The commission and discount rates for STD M are within the range of commission and discount rates granted by ST-CTSI to other sales agents and bulk purchasers respectively. The STD M Agency Agreement expired on 31 December 2007. On 12 November 2007, ST-CTSI and STD M signed an amendment to the STD M Agency Agreement to continue the STD M Agency Agreement for a further 3 years from 1 January 2008 to 31 December 2010 and renewable for a further 3 years unless terminated by either party giving notice to the other party.

- (iv) The Group received total fees of HK\$9.4 million from STD M relating to the operation and property management of the Macau Tower Convention & Entertainment Centre owned by STD M.

2. On 7 March 2003, ST-CTSI entered into an agreement with New World First Holdings Limited (NWFH), a 50% owned jointly controlled entity of New World Development Company Limited (NWD). NWD is a substantial shareholder of Ranex Investments Limited, a 51% subsidiary of the Company. Under the terms of the agreement, ST-CTSI and NWFH agreed to cooperate and coordinate with each other in providing, through their subsidiaries and operators (ST-CTSI Operators and NWFH Operators respectively), ferry services between Hong Kong and Macau.

In particular, the provisions of the agreement provide that:

- (i) ST-CTSI Operators will operate the Hong Kong Ferry Service between the Hong Kong Macau Ferry Terminal and Macau for themselves and on behalf of NWFH Operators pursuant to the Vessel Entrustment Arrangement if requested by NWFH Operators; and NWFH Operators will operate the Kowloon Ferry Service between the China Ferry Terminal and Macau for themselves and on behalf of ST-CTSI Operators pursuant to the Vessel Entrustment Arrangement if requested by ST-CTSI Operators. If the Vessel Entrustment Arrangement is utilised, there would be an entrustment charge comprising a ticket handling fee of HK\$30 per passenger ticket payable by the requesting operator;
- (ii) ST-CTSI Operators will make arrangements to refer their customers who wish to travel on the Kowloon Ferry Service to NWFH Operators; and NWFH Operators will make arrangements to refer their customers who wish to travel on the Hong Kong Ferry Service to ST-CTSI Operators. A fee of HK\$10 per passenger referred is payable to the referring operator; and
- (iii) if the need arises, transferring of vessels by ST-CTSI to NWFH if mutually satisfactory terms are agreed.

In consideration for entering into the agreement, NWFH pays to ST-CTSI an annual fee of HK\$30 million for the duration of the agreement, being 5 years from 8 March 2003. The agreement was early terminated on 30 September 2007. During the period from 1 January 2007 to 30 September 2007, the Group received such annual fee on pro-rata basis in the amount of HK\$22.5 million. No entrustment charge or referral fee was received or paid.

3. On 19 September 2007, Shun Tak-China Travel Ship Management Limited (ST-CTSM), a wholly-owned subsidiary of ST-CTSI, entered into an agreement with New World First Ferry Services (Macau) Limited (NWFF), a company owned as to 50% by NWS Holdings Limited which is a subsidiary of NWD. Under the terms of the agreement, the Hong Kong Ferry Service and the Kowloon Ferry Service will be managed and operated at all times by ST-CTSM and NWFF respectively.

In particular, the provisions of the agreement provide that:

- (i) ST-CTSM will make available discounted seats to NWFF for the Hong Kong Ferry Service in accordance with a discount formula, being the higher of the lowest fare offered by ST-CTSM in the market (including fares offered to agents and brokers) per one-way ticket, or a discount rate of 20% off the published rate (net of tax and fees) of such ticket, provided that the discounted seats fee will not exceed HK\$30 million per annum;
- (ii) ST-CTSM and NWFF agree to sell ferry tickets for ferry services operated by each other for commissions at a rate to be mutually agreed from time to time, provided that in the case of NWFF, cross-selling by NWFF of tickets for the Hong Kong Ferry Service would commence after the discounted seats fee paid to ST-CTSM had reached HK\$30 million per annum; and
- (iii) ST-CTSM and NWFF may charter available vessels from each other to operate additional sailings of their respective ferry services at a charter-hire fee and other terms to be mutually agreed from time to time.

The term of the agreement was for an initial period of 1 year commencing from 1 October 2007 but subsequently postponed to 1 November 2007, and will be automatically renewed for 2 successive 1-year periods unless terminated by either party giving notice to the other party.

During the period from 1 November 2007 to 31 December 2007, discounted seats fee of HK\$2.1 million was paid by NWFF to ST-CTSM. Charter-hire fee in the amount of HK\$0.1 million was paid by ST-CTSM to NWFF. No ticket sales commission was received or paid.

## REPORT OF THE DIRECTORS

4. Pursuant to an agency agreement entered into between ST-CTSI and China Travel Service (Hong Kong) Limited (CTSHK) dated 3 June 1999, CTSHK was appointed by ST-CTSI as a non-exclusive general sales agent for the sale of ferry tickets for ferry services operated by ST-CTSI. CTSHK is a subsidiary of CTIL, which is a substantial shareholder of ST-CTSI. CTSHK promotes and markets at its own cost the ferry services provided by ST-CTSI.

In consideration for the sales agency and business development services provided by CTSHK, ST-CTSI pays a monthly commission based on a market rate of 2% of the total net ticket sales received on all routes of ST-CTSI (less any discounts and concessions on ferry tickets agreed by ST-CTSI, and any taxes, fees or levies paid thereon to any government or ferry terminal operator).

On 12 November 2007, ST-CTSI entered into a new agency agreement with CTSHK to terminate the aforesaid agreement and to engage CTSHK as a non-exclusive general sales agent for the sale of ferry tickets for an initial period from 12 November 2007 to 31 December 2009 and renewable for further 3 years unless terminated by either party giving notice to the other party.

During the year, ST-CTSI paid commissions of HK\$38.1 million to CTSHK.

5. During the year, the Group had the following transactions with ST-CTSI:

- (i) On 1 October 2004, Wincent Limited (Wincent), a wholly-owned subsidiary of the Company, entered into a general sales agency agreement with ST-CTSI to appoint Wincent as a non-exclusive general sales agent for the sale of ferry tickets for ferry services operated by ST-CTSI. Wincent promotes and markets at its own cost the ferry services provided by ST-CTSI.

In consideration for the sales agency and business development services provided by Wincent, ST-CTSI pays a commission monthly based on a market rate of 2% of the total net ticket sales received on all routes of ST-CTSI (less any discounts and concessions on ferry tickets agreed by ST-CTSI, and any taxes, fees or levies paid thereon to any government or ferry terminal operator).

The agency agreement expired on 30 September 2007. Due to the expiry of the agency agreement, ST-CTSI and Wincent entered into a new agency agreement on 12 November 2007 for an initial period from 1 October 2007 to 31 December 2009 and renewable for further 3 years unless terminated by either party giving notice to the other party.

During the year, ST-CTSI paid commissions of HK\$38.1 million to Wincent.

- (ii) On 15 October 2004, Crown Development Limited (Crown), a wholly-owned subsidiary of the Company, entered into a software agreement with ST-CTSI under which Crown provides software and related services for an online booking system for the sale of ferry tickets for ferry services operated by ST-CTSI. ST-CTSI pays to Crown a software fee of US\$1 per ferry ticket sold through the online ticketing system (excluding transactions undertaken online by members of the Group or sourced in Macau and Hong Kong).

The software agreement expired on 30 September 2007. Due to the expiry of the software agreement, ST-CTSI and Crown entered into a new software agreement on 12 November 2007 for an initial period from 1 October 2007 to 31 December 2009 and renewable for further 3 years unless terminated by either party giving notice to the other party.

During the year, ST-CTSI paid software fees of HK\$2.2 million to Crown.

6. In January 1987, Shun Tak Properties Limited (STP), a wholly-owned subsidiary of the Company which manages the Shun Tak Centre (a commercial property and shopping mall in Sheung Wan), entered into an agreement to engage Kiu Lok Service Management Company Limited (Kiu Lok), a non-wholly-owned subsidiary of NWD, as a consultant to advise and assist in the management of Shun Tak Centre for an indefinite term. On 12 November 2007, STP entered into a new consultancy agreement with Kiu Lok to terminate the aforesaid agreement and to engage Kiu Lok as a consultant for an initial period from 12 November 2007 to 31 December 2009 and renewable for a further term from 1 January 2010 to 3 March 2011. STP pays to Kiu Lok a monthly consultancy fee based on 50% of its manager remuneration receivable for managing Shun Tak Centre. During the year, STP paid consultancy fee of HK\$5.1 million to Kiu Lok.

On 14 November 2007, the Company entered a Master Leasing Agreement with Shun Tak Centre Limited (STC), a company beneficially owned by Dr. Stanley Ho, STDN and NWD, under which the Group will continue to rent premises at the Shun Tak Centre from STC (including the lease of Hong Kong Macau Ferry Terminal). The new leases will be for a fixed term of not more than three years. The lease rentals are determined with reference to open market rentals. During the year, the total rental and related expenses paid by the Group to STC amounted to HK\$7.8 million. The Master Leasing Agreement has been in force for an initial period from 14 November 2007 to 31 December 2009 and renewable for successive terms of 3 years unless terminated by either party in writing.

The Independent Non-Executive Directors have confirmed that the continuing connected transactions mentioned in items 1 to 6 above have been entered into:

- (a) in the ordinary and usual course of business of the Group;
- (b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
- (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have confirmed that the continuing connected transactions mentioned in items 1 to 6:

- (a) have received the approval of the Board of Directors;
  - (b) are in accordance with the pricing policies of the Group if the transactions involve provision of goods or services by the Group;
  - (c) have been entered into in accordance with the relevant agreements governing the transactions; and
  - (d) have not exceeded the caps disclosed in previous announcements.
7. On 11 November 2004, Shun Tak Nam Van Investment Limited (Shun Tak Nam Van), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Sai Wu Investimento Limitada (Sai Wu), a company beneficially owned as to 60% by Dr. Stanley Ho and 40% by independent third parties, to acquire the interest in the land development right in respect of the property sites adjoining the Macau Tower in Nam Van, Macau. A refundable deposit of HK\$500 million was paid by Shun Tak Nam Van to Sai Wu for further extension of the completion date of the acquisition without changing the consideration or other terms of the acquisition. On 20 June 2007, the completion date of the acquisition was further extended from 30 June 2007 to on or before 30 June 2008.
8. Nova Taipa – Urbanizações, Limitada (NTU) was beneficially owned as to 25% by the Company, 25% by STDN and 50% by Hopewell Holdings Limited (HHL). NTU is engaged in property development and investment in Macau and its principal asset is the property development located at the northern part of Taipa, Macau. The development has two-main parts, namely Nova City and Nova Taipa Gardens managed by Nova City Property Management Limited (NCPM) and Nova Taipa Gardens Property Management Limited (NTGPM) respectively. NCPM and NTGPM were beneficially owned as to 50% by the Company and 50% by HHL.

## REPORT OF THE DIRECTORS

On 25 June 2007, Ace Wonder Limited (Ace Wonder), a wholly-owned subsidiary of the Company, entered into a conditional sales and purchase agreement with Hopewell Properties (BVI) Limited, a wholly-owned subsidiary of HHL, for the acquisition (the HHL Acquisition) by Ace Wonder of the entire issued share capital of Nomusa Limited whose principal assets comprise a 50% interest in NTU (and amount due from NTU), 50% issued share capital of NCPM and 50% issued share capital of NTGPM at a cash consideration of HK\$4,580 million. Shun Tak Property Management (Macau) Investment Limited was nominated by Ace Wonder to take up the 50% shares in NCPM and NTGPM.

The HHL Acquisition, by virtue of STD M's 25% equity interest in NTU, constituted a connected transaction for the Company under the Listing Rules.

On 26 June 2007, Ace Wonder entered into another conditional sales and purchase agreement with Rapid Success Investments Limited (Rapid Success), a wholly-owned subsidiary of STD M, for the acquisition (the STD M Acquisition) by Ace Wonder of the entire issued share capital of Fast Shift Investments Limited (Fast Shift), whose principal assets comprise a 25% interest in NTU (and amount due from NTU), and the loans owed by Fast Shift to Rapid Success at a cash consideration of HK\$2,290 million.

As STD M is a connected person of the Company, the STD M Acquisition constituted a connected transaction of the Company under the Listing Rules.

The HHL Acquisition and the STD M Acquisition were completed on 18 December 2007 and 12 December 2007 respectively and each of NTU, NCPM and NTGPM became an indirect wholly-owned subsidiary of the Company.

9. In connection with the grand opening ceremony of the MGM Grand Macau Hotel (MGM Hotel) on 18 December 2007 and Christmas celebrations, the Group provided travel agency services and decoration services to MGM Grand Paradise Limited (MGM), a company owned as to 50% by Ms. Pansy Ho, a substantial shareholder and a Director of the Company. In December 2007, the Group had the following ad-hoc and one-off transactions with MGM:

- (i) Shun Tak Travel Services Limited (STTS), a wholly-owned subsidiary of the Company, provided travel agency services to MGM in arranging accommodation and transportation for attendees to the opening ceremony of MGM Hotel. The total revenue received by STTS from MGM amounted to approximately HK\$4 million.
- (ii) Living Matters Company Limited (LMC), a wholly-owned subsidiary of the Company, provided interior design and decoration services to MGM for the MGM Hotel opening and Christmas celebrations. The total revenue received by LMC from MGM amounted to approximately HK\$3.2 million.

10. The Group has granted financial assistance to several companies in which it is a shareholder together with other connected parties and such financial assistance remained outstanding as at 31 December 2007:
- (i) Shun Tak Cultural Centre Limited is owned as to 60% by the Group and 40% by a company beneficially owned by Dr. Stanley Ho. Shareholders' loans of HK\$261.9 million, in proportion to their respective shareholdings, are on an interest-free basis.
  - (ii) Onluck Finance Limited is owned as to 64.56% by the Group and 35.44% by Sun Hung Kai Properties Limited, a substantial shareholder of certain subsidiaries of the Company. Shareholders' loans of HK\$5 million, in proportion to their respective shareholdings, are on an interest-free basis.
  - (iii) Shun Tak Creative Services Group Limited is owned as to 80% by the Group and 20% by STDM. Shareholders' loans of HK\$500.8 million, in proportion to their respective shareholdings, are on an interest-free basis.

Under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the Listing Rules), the above transactions constitute connected transactions of the Company and require disclosure in the annual report of the Company.

Save as disclosed above, details of significant related party transactions that did not constitute connected transactions entered into during the year were disclosed in note 37 to the financial statements.

Save for the transactions aforementioned, no other contract of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## Directors' Interests in Competing Businesses

During the year, the following Directors are considered to have interests in the following businesses, which compete or are likely to compete, either directly or indirectly, with the businesses of the Group:

Dr. Stanley Ho has beneficial interests in Melco International Development Limited, STC and STDM, which are also engaged in the businesses of property investment, property development and/or hospitality. Dr. Stanley Ho is a director of STC and STDM. Mrs. Louise Mok, Ms. Pansy Ho and Mr. David Shum are directors of STDM. Dr. Ambrose So is a director of SJM, which is also engaged in the business of hospitality.

Dato' Dr. Cheng Yu Tung is a director of NWD Group, Chow Tai Fook Enterprises Limited, Melbourne Enterprises Limited, Lifestyle International Holdings Limited and the appointed representative of a corporate director of STDM, which are also engaged in the businesses of property investment, property development, property management, transportation services and/or hospitality.

Ms. Pansy Ho, Ms. Daisy Ho, Ms. Maisy Ho and Mr. David Shum are directors of STC, which is also engaged in the business of property investment.

Ms. Pansy Ho is a director of, and has a beneficial interest in, MGM Grand Paradise (HK) Limited, which is also engaged in the business of hospitality. Ms. Daisy Ho is a director of that company.

Ms. Pansy Ho is a director of Air Macau Company Limited, which is also engaged in transportation services in Macau.

The above-mentioned competing businesses are managed by separate entities with independent management and administration. The Board of Directors of the Company is of the view that the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of these entities. When making decisions, the relevant Directors, in performance of their duties as Directors of the Company, have acted and will continue to act in the best interests of the Group.

## REPORT OF THE DIRECTORS

### Disclosure of Interests

As at 31 December 2007, the interests or short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (SFO)) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (Model Code) as set out in Appendix 10 to the Listing Rules, were as follows:

#### a) Interests of the Directors in Shares and Underlying Shares of the Company

Name of Director	Nature of Interests	Ordinary Shares of HK\$0.25 each				Approximate Percentage of Total Issued Shares Note (i)
		Personal Interests	Note	Corporate Interests	Note	
Stanley Ho	Interests in issued shares	250,936,160		39,021,590	(iii)	12.45%
	Interests in unissued shares	—		148,883,374	(iv)	6.39%
	Interests in underlying shares	1,587,300	(ii)	—		0.07%
Roger Lobo		—		—		—
Norman Ho		—		—		—
Charles Ho		—		—		—
Yeh V-Nee		—		—		—
Cheng Yu Tung		—		—		—
Louise Mok	Interests in issued shares	332,627		—		0.01%
Pansy Ho	Interests in issued shares	15,152,821		191,931,661	(v)	8.89%
	Interests in unissued shares	—		148,883,374	(iv)	6.39%
	Interests in underlying shares	30,592,523	(ii)	—		1.31%
Daisy Ho	Interests in issued shares	20,367,028		97,820,707	(vi)	5.08%
	Interests in unissued shares	—		148,883,374	(iv)	6.39%
	Interests in underlying shares	25,592,523	(ii)	—		1.10%
Ambrose So	Interests in issued shares	8,906,250		87,452	(vii)	0.39%
	Interests in underlying shares	20,157,740	(ii)	—		0.87%
Patrick Huen	Interests in issued shares	62,500		5,994,849	(viii)	0.26%
	Interests in underlying shares	10,078,870	(ii)	—		0.43%
Anthony Chan	Interests in issued shares	12,110,120		—		0.52%
Maisy Ho	Interests in issued shares	1,630,435		23,066,918	(ix)	1.06%
	Interests in underlying shares	20,157,740	(ii)	—		0.87%
David Shum	Interests in underlying shares	5,000,000	(ii)	—		0.21%

Notes:

- (i) As at 31 December 2007, the total number of issued shares of the Company is 2,328,309,734.
- (ii) These represent the interests in underlying shares in respect of share options granted by the Company, the details of which are stated in section (d) "Share Options".
- (iii) The 39,021,590 shares of Dr. Stanley Ho comprise 11,446,536 shares held by Sharikat Investments Limited (SIL), 24,838,987 shares held by Dareset Limited (DL) and 2,736,067 shares held by Lanceford Company Limited (LCL). SIL, DL and LCL are wholly-owned by Dr. Stanley Ho.
- (iv) The 148,883,374 unissued shares of Dr. Stanley Ho, Ms. Pansy Ho and Ms. Daisy Ho are the same parcel of shares, and represent shares to be allotted to Alpha Davis Investments Limited (ADIL) upon completion of the acquisition as described in the Company's circular dated 17 December 2004. ADIL is owned as to 47% by Innowell Investments Limited (IIL) and 53% by Megaprospere Investments Limited (MIL). IIL is wholly-owned by Dr. Stanley Ho. MIL is owned as to 51% by Ms. Pansy Ho and 39% by Ms. Daisy Ho.
- (v) The 191,931,661 shares of Ms. Pansy Ho comprise 97,820,707 shares held by Beeston Profits Limited (BPL) and 94,110,954 shares held by Classic Time Developments Limited (CTDL). BPL and CTDL are wholly-owned by Ms. Pansy Ho.
- (vi) The 97,820,707 shares of Ms. Daisy Ho are held by St. Lukes Investments Limited, which is wholly-owned by Ms. Daisy Ho.
- (vii) The 87,452 shares of Dr. Ambrose So are held by Super Gold Holdings Limited, which is wholly-owned by Dr. Ambrose So.
- (viii) The 5,994,849 shares of Mr. Patrick Huen are held by Enhance Gain Investments Limited, which is wholly-owned by Mr. Patrick Huen.
- (ix) The 23,066,918 shares of Ms. Maisy Ho are held by LionKing Offshore Limited, which is wholly-owned by Ms. Maisy Ho.

#### b) Interests of the Directors in Shares and Underlying Shares of Subsidiaries of the Company

Name of Director	Name of Subsidiary	Corporate Interest	Percentage of Interest
Stanley Ho	Shun Tak Cultural Centre Limited	4 ordinary shares	40%

#### c) Interests of the Directors in Shares and Underlying Shares of Other Associated Corporations of the Company

Name of Director	Name of Associated Corporation	Corporate Interest	Percentage of Interest
Pansy Ho	Shun Tak & CITS Coach (Macao) Limited	750 shares	15%

All the interests disclosed in sections (a) to (c) above represent long position in the shares or underlying shares of the Company or its associated corporations.

Save as disclosed above, none of the Directors or any of their associates had or were deemed to have any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations that was required to be recorded under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code as at 31 December 2007.

## REPORT OF THE DIRECTORS

### d) Share Options

As at 31 December 2007, details of share options granted to Directors and employees under the 1993 and 2002 share option schemes (as hereinafter defined) of the Company are as follows:

				Number of Share Options	
Grantee	Date of Grant	Exercise Period	Exercise Price per Share	1 January 2007	31 December 2007
<b>Directors</b>					
Stanley Ho	25 May 2004	25 May 2004 to 24 May 2014	HK\$3.15	1,587,300	1,587,300
Pansy Ho	3 January 2000	3 January 2000 to 2 January 2010	HK\$1.15	10,434,783	10,434,783
	25 May 2004	25 May 2004 to 24 May 2014	HK\$3.15	20,157,740	20,157,740
Daisy Ho	3 January 2000	3 January 2000 to 2 January 2010	HK\$1.15	5,434,783	5,434,783
	25 May 2004	25 May 2004 to 24 May 2014	HK\$3.15	20,157,740	20,157,740
Ambrose So	25 May 2004	25 May 2004 to 24 May 2014	HK\$3.15	20,157,740	20,157,740
Patrick Huen	25 May 2004	25 May 2004 to 24 May 2014	HK\$3.15	10,078,870	10,078,870
Anthony Chan	25 May 2004	25 May 2004 to 24 May 2014	HK\$3.15	5,078,870	-
Maisy Ho	25 May 2004	25 May 2004 to 24 May 2014	HK\$3.15	20,157,740	20,157,740
David Shum	22 September 2004	22 September 2004 to 21 September 2014	HK\$4.20	5,000,000	5,000,000
<b>Employees</b>	8 July 2004	8 July 2004 to 7 July 2009	HK\$3.95	918,800	300,000

## Notes:

- (i) The share option scheme of the Company adopted on 18 May 1993 (the 1993 share option scheme) was terminated on 31 May 2002 and no further options could be offered but the outstanding options granted shall continue to be valid and exercisable in accordance with its provisions. A new share option scheme was adopted on 31 May 2002 (the 2002 share option scheme).
- (ii) 5,078,870 share options of Mr. Anthony Chan granted under the 2002 share option scheme were exercised during the year ended 31 December 2007. The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$12.96.
- (iii) 618,800 share options of employees granted under the 2002 share option scheme were exercised during the year ended 31 December 2007. The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$11.59.
- (iv) The share options outstanding at the beginning and at the end of the year granted to Directors are exercisable during a period of 10 years commencing on the date of each grant. These share options vested at the dates of their issues.
- (v) The share options outstanding at the beginning and at the end of the year granted to employees are exercisable during a period of 5 years commencing on the date of grant. These share options vested at the dates of their issues.
- (vi) During the year ended 31 December 2007, 150,000 share options were granted to an employee under the 2002 share option scheme and exercisable as follows:

Date of Grant	Exercise Period	Exercise Price per Share	Number of Share Options
18 January 2007	30 June 2007 to 29 June 2012	HK\$11.84	75,000
18 January 2007	31 December 2007 to 30 December 2012	HK\$11.84	75,000
			<u>150,000</u>

The vesting period of these share options was from the date of grant until three months before the commencement of the exercise period. The closing price of the shares of the Company immediately before the date on which the options were granted was HK\$11.80. The above options were subsequently cancelled in October 2007.

The fair value of these options on the date of grant was HK\$694,000, calculated using the Black-Scholes option pricing model. The inputs into the model are as follows:

Closing price of the Company's shares on the date of grant	HK\$11.78
Exercise price	HK\$11.84
Risk-free interest rate	3.94% per annum
Expected life	5 years
Expected volatility	43.02% per annum
Expected dividend yield	1.05% per annum

Expected volatility was determined by using the historical volatility of the Company's share prices over the previous year up to the date of grant. Expected dividends are based on historical dividends. The Black-Scholes option pricing model requires the input of subjective assumptions. Changes in the inputs may materially affect the fair value estimate.

(vii) No share options lapsed during the year ended 31 December 2007.

(viii) Save as described above, as at 31 December 2007, none of the Directors or their spouse or children under 18 years of age were granted or exercised any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations under the share option schemes.

## REPORT OF THE DIRECTORS

(ix) Summary of the share option schemes, disclosed in accordance with the Listing Rules was as follows:

	The 2002 Share Option Scheme	The 1993 Share Option Scheme
1) Purpose of the share option schemes	To attract and retain the best quality personnel, to provide additional incentives to participants so as to promote the long-term financial success of the Group	As incentive to employees
2) Participants of the share option schemes	(a) any employee or any business related consultant, agent, representative or advisor of the Company or any affiliate; (b) any person who provides goods or services to the Company or any affiliate; (c) any customer of the Company or any affiliate; or (d) any business ally or joint venture partner of the Company or any affiliate	Eligible employees including Executive Directors
3) Total number of shares available for issue under the share option schemes and % on issued share capital as at 31 December 2007	194,243,391 shares (8.34%)	N/A
4) Maximum entitlement of each participant under the share option schemes	In any 12-month period: (a) 1% of the issued share capital (excluding substantial shareholders and Independent Non-Executive Directors) (b) 0.1% of the issued share capital and not exceed HK\$5 million in aggregate value (for substantial shareholders and Independent Non-Executive Directors)	25% of the aggregate of all shares subject to the share option scheme

	The 2002 Share Option Scheme	The 1993 Share Option Scheme
5) The period within which the shares must be taken up under an option	The Board of Directors may in its absolute discretion determine save that such period shall not expire later than 10 years from the date of grant	Such period as the Company may in its discretion determine save that such period shall not expire later than 10 years from the date of grant
6) The minimum period for which an option must be held before it can be exercised	N/A	N/A
7) The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid	Upon acceptance of the option, the grantee shall inform the Company together with HK\$1 by way of consideration for the grant within 28 days from the date of offer	Upon acceptance of the option, the grantee shall inform the Company together with HK\$1 by way of consideration for the grant within 21 days from the date of offer
8) The basis of determining the exercise price	<p>The exercise price is determined by the Directors and being not less than the higher of:</p> <ul style="list-style-type: none"> <li>(a) the closing price of the shares on the date of offer;</li> <li>(b) the average closing prices of the existing shares for the 5 trading days immediately preceding the date of offer; and</li> <li>(c) the nominal value thereof</li> </ul>	<p>The exercise price is determined by the Directors and being not less than the greater of:</p> <ul style="list-style-type: none"> <li>(a) 80% of the average closing prices of the shares of the Company on The Stock Exchange of Hong Kong Limited on the 5 trading days immediately preceding the date of offer of such option; and</li> <li>(b) the nominal value thereof</li> </ul>
9) The remaining life of the share option schemes	The scheme remains in force until 31 May 2012	The scheme was terminated on 31 May 2002

## REPORT OF THE DIRECTORS

### e) Substantial Shareholders and Other Persons

As at 31 December 2007, the register of interests or short positions in shares kept under Section 336 of the SFO shows that, other than the interests of Directors as set out above, the following shareholders were interested in 5% or more of the issued share capital of the Company:

Name of Shareholder	Note	Nature of Interests	Capacity	Ordinary Shares of HK\$0.25 each	Approximate Percentage of Interests
Shun Tak Shipping Company, Limited (STS) and its subsidiaries	(ii)	Interests in issued shares	Beneficial owner	308,057,215	13.23%
Sociedade de Turismo e Diversões de Macau, S.A. (STDM) and its subsidiary	(iii)	Interests in issued shares	Beneficial owner	263,667,107	11.32%
Alpha Davis Investments Limited (ADIL)	(iv)	Interests in unissued shares	Beneficial owner	148,883,374	6.39%
Innowell Investments Limited (IIL)	(iv)	Interests in unissued shares	Interests of controlled corporation	148,883,374	6.39%
Megaprospers Investments Limited (MIL)	(iv)	Interests in unissued shares	Interests of controlled corporation	148,883,374	6.39%
Julius Baer Investment Management LLC		Interests in issued shares	Investment manager	199,071,575	8.55%
State Street Corporation		Interests in issued shares	Investment manager	131,095,263	5.63%

#### Notes:

- (i) As at 31 December 2007, the total number of issued shares of the Company is 2,328,309,734.
- (ii) Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung, Ms. Pansy Ho and Ms. Daisy Ho have beneficial interests in and are directors of STS. Mrs. Louise Mok has beneficial interests in STS.
- (iii) Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung, Mrs. Louise Mok, Ms. Pansy Ho and Mr. David Shum have beneficial interests in STDM. Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung (appointed representative of a corporate director), Mrs. Louise Mok, Ms. Pansy Ho and Mr. David Shum are directors of STDM.
- (iv) ADIL is entitled to interests in 148,883,374 unissued shares of the Company which will be issued upon completion of the acquisition as described in the Company's circular dated 17 December 2004. ADIL is owned as to 47% by IIL and 53% by MIL. IIL is wholly-owned by Dr. Stanley Ho. MIL is owned as to 51% by Ms. Pansy Ho, 39% by Ms. Daisy Ho and 10% by Ms. Maisy Ho. Accordingly, the interests of IIL and MIL in the Company duplicate the interests of ADIL in the Company as described above. Dr. Stanley Ho is a director of ADIL and IIL. Ms. Pansy Ho and Ms. Daisy Ho are directors of ADIL, IIL and MIL.
- (v) All the interests disclosed above represent long position in the shares of the Company.
- (vi) Save as disclosed above, no other person (other than the Directors of the Company) had any interests or short positions in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 December 2007.

## Financial Assistance and Guarantees to Affiliated Companies

Financial assistance given to and guarantees given for facilities granted to affiliated companies by the Group as at 31 December 2007 in aggregate exceeded 8% of the total assets of the Group as at 30 June 2007. In accordance with the requirement under Rule 13.22 of the Listing Rules, a proforma combined balance sheet of the affiliated companies and the Group's attributable interests as at 31 December 2007 are disclosed as follows:

	Proforma Combined Balance Sheet (HK\$'000)	Group's Attributable Interests (HK\$'000)
Non-current assets	1,605,206	778,607
Current assets	3,757,861	1,843,647
Current liabilities	(2,479,935)	(1,228,712)
Non-current liabilities	(928,125)	(472,342)
Net assets	1,955,007	921,200

The proforma combined balance sheet of the affiliated companies is prepared by combining their balance sheets as at 31 December 2007, after regrouping into significant balance sheet classification and taking up adjustments to conform with the Group's significant accounting policies as well as the fair value adjustment as disclosed in note 35 to the financial statements.

## Purchase, Sale or Redemption of Listed Securities

The share repurchases were exercised with the intention to improve the return on equity of the Company. During the year ended 31 December 2007, the Company repurchased 7,902,000 of its own ordinary shares on The Stock Exchange of Hong Kong Limited at an aggregate price paid of HK\$84,562,000. The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Details of the repurchases are as follows:

Month/Year	Number of Shares Repurchased	Highest Price Paid per Share (HK\$)	Lowest Price Paid per Share (HK\$)	Aggregate Price Paid (HK\$'000)
March 2007	1,538,000	11.06	10.88	16,898
April 2007	616,000	11.24	11.14	6,910
May 2007	5,748,000	10.90	10.30	60,754
	7,902,000			84,562

Save as disclosed above and the share placement by the Company, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities during the year ended 31 December 2007.

## REPORT OF THE DIRECTORS

### Directors' Right to Acquire Shares or Debentures

Except for the above mentioned share option schemes and shares to be issued to Alpha Davis Investments Limited (in the manner as described in the Company's circular dated 17 December 2004 upon completion of the acquisition which was extended to on or before 30 June 2008 as described in the Company's announcements dated 11 May 2005, 30 December 2005, 30 June 2006 and 20 June 2007), at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### Service Contract of Directors

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

### Management Contract

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

### Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

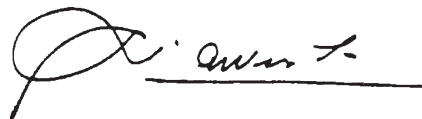
### Summary of the Results, Assets and Liabilities

A summary of the results, assets and liabilities of the Group for the last five financial years is shown on pages 153 to 154.

### Auditors

The financial statements for the year were audited by H.C. Watt & Company Limited. A resolution will be put to the forthcoming annual general meeting to re-appoint H.C. Watt & Company Limited as auditors of the Company.

By order of the Board



**Stanley Ho**  
*Group Executive Chairman*

8 April 2008

## REPORT ON CORPORATE GOVERNANCE PRACTICES

The Board of Directors of the Company (the "Board") is committed to the principles of good corporate governance standards and procedures. This report addresses the status of the Company's compliance with the principles and provisions of the Code on Corporate Governance Practices (the "Code").

### Statement by the Directors on Corporate Governance Policies and Compliance with the Provisions of the Code

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") require every listed company to report how it applies the principles in the Code and to confirm that it complies with Code provisions or to provide an explanation where it does not. The Company is committed to maintaining high standards of corporate governance. As corporate governance requirements change from time to time, the Board periodically reviews its corporate governance practices to meet rising expectations of shareholders and to comply with increasingly stringent regulatory requirements. In the opinion of the Directors, the Company applied all the principles and complied with the relevant provisions in the Code throughout the year ended 31 December 2007.

### Board Composition and Board Practices

The key principles of good governance require the Company to have an effective Board which is collectively responsible for its success. The Board is also responsible for setting the Company's values and aims to enhance shareholders' value. Non-Executive Directors have a particular responsibility in overseeing the development of the Company, scrutinizing management performance, and advising on critical business issues. The Board is satisfied that it has met these requirements.

The Listing Rules require every listed issuer to have a balanced board of executive and non-executive directors such that no individual or a small group can dominate the Board's decision-making process. As at 31 December 2007, the Board consisted of a total of 14 members, with a Group Executive Chairman ("Chairman"), a Managing Director, a Deputy Managing Director, five Executive Directors, and six Non-Executive Directors, of whom four are Independent Non-Executive Directors. Changes in the composition of the Board during the year are detailed in the section headed "Report of the Directors" in this annual report. The

Board is well balanced between Executive and Non-Executive Directors and possesses a diverse range of relevant skills to further the interests of shareholders of the Company. Independent Non-Executive Directors possess a range of experience and are of high caliber to ensure the interests of all shareholders of the Company are taken into account and that key issues vital to the success of the Company are subject to independent and objective consideration by the Board. Brief biographies of each board member and the relationship amongst board members can be found in the section headed "Management Profile" in this annual report.

Pursuant to the Listing Rules, the Company has received confirmation from each Independent Non-Executive Director about his independence. As at 31 December 2007, each Independent Non-Executive Director had re-affirmed his independent status which is in compliance with the Listing Rule.

In accordance with the Articles of Association, all of the Company's Directors, including Non-Executive Directors who have been appointed for a specific term of three years, are subject to retirement by rotation at least once every three years. Newly appointed Directors are subject to re-election by shareholders of the Company at the first annual general meeting after their appointments. The Directors who are subject to retirement and re-election at the forthcoming annual general meeting are set out in the section headed "Report of the Directors" in this annual report.

To ensure the Board works effectively and discharges its responsibilities, Board members have full and timely access to relevant information and are properly briefed on issues considered at board meetings. The role of establishing the meeting agenda has been delegated to the Company Secretary and each Director may request inclusion of items on the agenda. Information packages containing analysis and background materials are circulated not less than three days in advance of board meetings to enable the Directors to make informed decisions. Members of the Board also have full access to the Company Secretary who has the responsibility to keep the Directors informed of corporate governance issues and changes in the regulatory environment and ensure board procedures are in compliance with the Code and other statutory requirements. The Board is provided with sufficient resources to discharge its duties and, if required, individual Directors may retain outside advisers at the Company's expenses to

## REPORT ON CORPORATE GOVERNANCE PRACTICES

provide advice on any specific matter. If Directors have a conflict of interest in matters to be considered by the Board, the relevant matter will be dealt with at a board meeting. It is the Company's practice that Directors shall abstain from voting on any board resolution in which they have a material interest and that they shall not be counted in the quorum present at the board meeting.

An open atmosphere exists for Directors to contribute alternative views at meetings and major decisions are taken after a full discussion at board meetings. Minutes of board meetings and committee meetings are recorded in detail and draft minutes are circulated to all Directors and committee members for comment before approval. Minutes of the board meetings and committee meetings are kept by the Company Secretary and are open for inspection by Directors. In the course of discharging the Board's duties, each newly appointed Director is offered training on key areas of business operations and practices of the Company. Newly appointed Directors are offered orientation materials that set out the duties and responsibilities of Directors under the Listing Rules, related ordinances and relevant regulatory requirements of Hong Kong. The Company also encourages its Directors to participate in relevant professional development courses to continually update their relevant skills.

The positions of the Chairman and the Managing Director are distinct and separate. A clear separation is maintained between the

responsibilities of the Chairman and the Managing Director with the former being mainly responsible for the leadership of the Board while the latter is responsible for the overall performance of the Company.

The Board, headed by Dr. Stanley Ho, is responsible for overseeing the Company's strategic development and setting appropriate policies to manage risks in pursuit of the Company's strategic objectives as well as scrutinizing operational and financial performance.

Management is delegated authority by the Board and is principally responsible for day-to-day operations. The Managing Director and the Deputy Managing Director, working with other Executive Directors and the Executive management team, are responsible for (i) managing the business of the Company; (ii) formulating policies for consideration by the Board; (iii) carrying out and implementing the strategies adopted by the Board; (iv) making recommendations on strategic planning, operating plans, major projects and business proposals; and (v) assuming full accountability to the Board for the operations of the Company. The Directors conduct regular meetings with the senior management of the Company and its subsidiaries and associated companies during which operational issues and financial performance are evaluated.

Six full board meetings were held during the year. Additional meetings may be held when required by circumstances. All Directors have fully and actively participated in the affairs of the Board. Attendance by Directors at board meetings and committee meetings is shown below:

Directors	Full Board	Audit Committee	Remuneration Committee
	(No. of Attendance/ No. of Meeting entitled to attend for the year ended 31 December 2007)		
<b>Group Executive Chairman</b>			
Stanley Ho	3/6		
<b>Non-Executive Directors</b>			
Cheng Yu Tung	2/6		
Louise Mok	5/6	2/2	
<b>Independent Non-Executive Directors</b>			
Roger Lobo	6/6	1/2	1/1
Robert Kwan ( <i>resigned on 1 January 2007</i> )			
Norman Ho	6/6	2/2	1/1
Charles Ho	2/6		0/1
Yeh V-Nee ( <i>appointed on 1 January 2007</i> )	6/6	2/2	1/1
<b>Managing Director</b>			
Pansy Ho	5/6		1/1
<b>Deputy Managing Director</b>			
Daisy Ho	6/6		1/1
<b>Executive Directors</b>			
Ambrose So	0/6		
Patrick Huen	3/6		
Anthony Chan	3/6		
Maisy Ho	6/6		
David Shum	6/6		

## Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they fully complied with the Model Code throughout the year ended 31 December 2007.

## Board Committee

A number of Board Committees have been established by the Board to help with the discharge of its responsibilities. Each of the Remuneration Committee, the Nomination Committee and the Audit Committee has defined terms of reference which are on no less exacting terms than those set out in the Code. All Committees are provided with sufficient resources to discharge their duties.

## Remuneration Committee

The principal role of the Remuneration Committee is to make recommendations to the Board on all aspects of the performance, employment, remuneration and incentives of the Executive Directors and senior management. It sets the remuneration and incentives policy of the Company as a whole and approves the remuneration of senior staff in consultation with the Chairman and Managing Director. The emoluments of Directors, including basic salary and performance bonus, are based on each Director's skill, knowledge and involvement in the Company's affairs, the Company's performance and profitability, remuneration benchmark in the industry and the prevailing market conditions. No Director has taken part in setting his or her own remuneration.

## REPORT ON CORPORATE GOVERNANCE PRACTICES

As at 31 December 2007, the Remuneration Committee consisted of Sir Roger Lobo, Mr. Charles Ho, Mr. Yeh V-Nee (appointed on 1 January 2007) and Mr. Norman Ho (all Independent Non-Executive Directors), Ms. Pansy Ho (the Managing Director) and Ms. Daisy Ho (the Deputy Managing Director). Ms. Pansy Ho is the Chairman of this committee. Mr. Robert Kwan (an Independent Non-Executive Director) resigned as a member of the Remuneration Committee on 1 January 2007. Meetings are held at least once per year and additional meetings may be held as required.

Directors' interests and long and short positions in shares of the Company, along with Directors' interests in contracts, are listed in the section headed "Report of the Directors" in this annual report. Directors' emoluments are listed in the "Notes to the Financial Statements" in this annual report.

### Nomination Committee

The Nomination Committee was established on 12 December 2007 and is responsible for formulating policy and making recommendations to the Board on nominations, appointment of Directors and Board succession. The Nomination Committee develops selection procedures for candidates and will consider different criteria including appropriate professional knowledge and industry experience, as well as meeting the standards set forth in Rules 3.08 and 3.09 of the Listing Rules. The Nomination Committee also reviews the structure, size and composition of the Board from time to time to ensure the Board has balanced skills and expertise to provide effective leadership to the Company and assesses the independence of Independent Non-Executive Directors according to the independence criteria set out in Rule 3.13 of the Listing Rules. The Nomination Committee consisted of six members being Ms. Pansy Ho (the Managing Director), Ms. Daisy Ho (the Deputy Managing Director) and four Independent Non-Executive Directors (namely Sir Roger Lobo, Mr. Norman Ho, Mr. Charles Ho and Mr. Yeh V-Nee). Ms. Pansy Ho is the Chairman of this committee. The Nomination Committee should meet as the work of the Nomination Committee demands. In 2007, no meeting was held by the Nomination Committee for nomination of new Director.

### Executive Committee

For more efficient operation of the Board, an Executive Committee was established to make recommendations on the strategic aims, objectives and priorities of the Company and to consider and approve matters relating to the day-to-day operations of the Company. The Executive Committee consists of five members being Ms. Pansy Ho (the Managing Director), Ms. Daisy Ho (the Deputy Managing Director) and three Executive Directors (namely Mr. Patrick Huen, Ms. Maisy Ho and Mr. David Shum). Ms. Pansy Ho is the Chairman of this committee. There is no minimum number of meetings required throughout the reporting period.

### Audit Committee

The Audit Committee's primary responsibilities include reviewing the financial reports, the system of internal controls, risk management and the effectiveness and objectivity of the audit process.

As at 31 December 2007, the Audit Committee consisted of Sir Roger Lobo, Mr. Yeh V-Nee (appointed on 1 January 2007) and Mr. Norman Ho (all Independent Non-Executive Directors) and Mrs. Louise Mok (a Non-Executive Director). On 1 January 2007, Mr. Norman Ho replaced Mr. Robert Kwan as the Chairman of the Audit Committee since Mr. Robert Kwan resigned as an Independent Non-Executive Director. The Board reviewed the membership of the Audit Committee during the year and was satisfied that its members collectively possessed adequate relevant financial experience to properly discharge its roles and responsibilities.

The Audit Committee meets at least twice a year and did so during the reporting period. During the year, the Audit Committee reviewed interim and year-end financial reports, particularly judgmental areas, before submission to the Board, the internal audit programme, findings and management's response and matters concerning the engagement of external auditors. The Committee also considered and approved the annual audit and

non-audit service fees. For the year ended 31 December 2007, the fees charged to the accounts of the Company and its subsidiaries for statutory audit amounted to approximately HK\$5.2 million and an additional HK\$2.6 million was charged for other services. The non-statutory audit services mainly consist of the interim review, connected transactions reviews and taxation and other services.

## Accountability and Audit

The Board is responsible for overseeing the preparation of financial statements of the Company. The Board is mindful of its responsibility to present a balanced and clear assessment of the Company's financial position and prospects. The Board is satisfied that it has properly discharged this obligation.

In preparing the accounts for the year ended 31 December 2007, the Directors selected suitable accounting policies and applied them consistently. The Directors also made judgments and estimates that are prudent and reasonable and prepared the accounts on a going concern basis. The Company announced its interim and annual results in a timely manner after the end of the relevant periods as required by the Listing Rules.

The statement from the Auditors of the Company about their reporting responsibilities on the financial statements of the Company is set out in the "Independent Auditor's Report" in this annual report.

## Internal Control

The Board is responsible for ensuring a sound and effective system of internal control which is designed for (i) safeguarding the interests of shareholders of the Company; (ii) safeguarding assets of the Company and its subsidiaries against misappropriation; (iii) ensuring proper maintenance of accounting records for the provision of reliable financial information; and (iv) ensuring compliance with relevant legislation and regulations. Such system of internal control is aimed at limiting the risks of the Company to an acceptable level but not at eliminating all the risks. Hence, such

system can only provide reasonable but not absolute assurance that there will not be any material misstatement in the financial information and there will not be any financial loss or fraud.

The key procedures established by the Board to provide effective internal control include (i) a defined management structure with clear lines of responsibility and limits of authority; (ii) an appropriate organizational structure which adequately provides the necessary information flow for management decisions; (iii) proper budgetary and management accounting control to ensure efficient allocation of resources and to provide timely financial and operational performance indicators for managing business activities; (iv) effective financial reporting control to ensure the recording of complete, accurate and timely accounting and management information; and (v) assurance through the Audit Committee to review appropriate policies on internal control are in place and are functioning effectively.

The Board continued to review, through the Audit Committee, the effectiveness of the system of internal control which includes financial, operational, compliance and risk management controls. The review process consists of (i) assessment of internal control by internal audit department; (ii) operational management's assurance of the maintenance of control; and (iii) control issues identified by external auditors during statutory audit.

The internal audit department reports functionally to the Audit Committee and has unrestricted access to all records and personnel of the Company and its subsidiaries. To ensure a systematic coverage of all auditable areas and effective deployment of resources, a four-year strategic audit plan has been formulated by adopting a risk ranking methodology. This strategic audit plan is revised annually to reflect organizational changes and new business developments and is submitted for the Audit Committee's consideration. Ad hoc reviews will also be made of areas of concern identified by the Audit Committee and management.

## REPORT ON CORPORATE GOVERNANCE PRACTICES

The internal audit department reviews internal control by evaluating the control environment, performing risk assessments of key processes, assessing the adequacy and sample testing the functioning of key controls. In addition, operational management of key processes is required to review its control framework with reference to the integrated framework of internal control recommended by the Committee of Sponsoring Organisations of the Treadway Commission and confirm that the internal control is working as intended. An audit report addressing the identified control deficiencies is issued for each audit.

The internal audit department reports to the Audit Committee every quarter on the results of the assessment of internal control and the follow up of implementation of actions on control deficiencies. In addition, the head of internal audit department attends the Audit Committee meeting twice a year to report on the progress of achievement of the strategic audit plan for the year and gives a summary of significant control deficiencies which have been identified.

For the year under review, the Board considers that the system of internal control for the Company and its subsidiaries is adequate and effective and the Company has complied with relevant Code provisions on internal control.

### Proactive Investor Relations

The Code requires the Company to have communication with its shareholders. It is the responsibility of the Board as a whole to ensure that satisfactory dialogue takes place. The primary communication channel between the Company and its shareholders is through the publication of interim and annual reports. The Company's Registrar serves the shareholders with respect to all share registration matters. The Company's annual general meeting provides a further opportunity for investors to exchange views with the Board.

The Company continues to pursue a proactive policy of promoting investor relations by regular meetings with institutional shareholders and research analysts. Our Investor Relations Department maintains open and two-way communication with the investment community. In order to ensure our investors have an understanding of the Company's strategy, operations and management, our management engages in proactive investor relations' activities. In particular, the Company participated in regular one-on-one investor meetings, a number of major roadshows, investor conferences and international non-deal roadshows organized by various investment banks.

To enhance corporate communication, separate resolutions are proposed at general meetings on each substantially separate issue, including the election of individual Directors. Details of the poll voting procedures and rights of shareholders of the Company to demand a poll are included in the circular to shareholders despatched together with the annual report. The circular also includes relevant details of proposed resolutions, including biographies of each candidate standing for re-election and whether such candidates are considered to be independent.

The Company has also maintained a corporate website which enables its shareholders, investors and public to have a timely and updated information of the Company.

### Looking Forward

The Company will continue to review its corporate governance practices on a timely basis and to take necessary and appropriate actions to ensure compliance with the required practices and standards including the provisions of the Code.

# INDEPENDENT AUDITOR'S REPORT

## To The Shareholders of Shun Tak Holdings Limited

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Shun Tak Holdings Limited (the Company) set out on pages 68 to 152, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## Directors' responsibility for the financial statements

The Directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.



**H.C. Watt & Company Limited**

Certified Public Accountants

Room 1903, New World Tower, 18 Queen's Road Central, Hong Kong

**Henry C.H. Chui, Auditor**

Practising Certificate Number P599

8 April 2008

# CONSOLIDATED INCOME STATEMENT

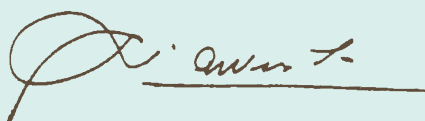
For the year ended 31 December	Note	2007 (HK\$'000)	2006 (HK\$'000)
<b>Turnover</b>	4	3,318,137	2,508,804
Other revenues	4	253,357	263,192
Other income	5	15,958	34,395
		3,587,452	2,806,391
Cost of inventories sold or consumed		(1,097,510)	(670,283)
Staff costs		(670,343)	(601,370)
Depreciation and amortisation		(140,551)	(136,758)
Other costs		(975,107)	(878,975)
Fair value changes on investment properties		121,283	62,065
<b>Operating profit</b>	6	825,224	581,070
Excess of interest in fair value of net assets acquired over cost of acquisition of subsidiaries	34(a)	291,177	22,689
Finance costs	8	(61,145)	(47,866)
Share of results of associates		283,298	400,513
Share of results of jointly controlled entities		22,533	(17,598)
<b>Profit before taxation</b>		1,361,087	938,808
Taxation	9(a)	(99,279)	(56,831)
<b>Profit after taxation</b>		1,261,808	881,977
<b>Attributable to:</b>			
Equity holders of the Company		1,013,548	663,916
Minority interests		248,260	218,061
		1,261,808	881,977
<b>Dividends</b>	10	316,298	278,534
<b>Earnings per share (HK cents)</b>	11		
– basic		45.7	31.0
– diluted		43.9	29.7

# CONSOLIDATED BALANCE SHEET

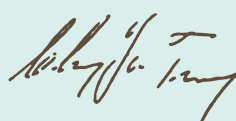
At 31 December	Note	2007 (HK\$'000)	2006 (HK\$'000)
<b>Non-current assets</b>			
Property, plant and equipment	12	1,252,893	972,843
Investment properties	13	3,311,364	2,988,264
Leasehold land	14	1,312,107	598,188
Associates	16	237,214	210,770
Jointly controlled entities	17	975,236	962,186
Intangible assets	18	366,685	4,328
Available-for-sale investments	19	1,530,894	1,279,770
Mortgage loans receivable	20	38,931	82,158
Deferred tax assets	9(c)	9,526	16,237
Other non-current assets	21	573,159	803,649
		<b>9,608,009</b>	<b>7,918,393</b>
<b>Current assets</b>			
Properties for or under development	22	10,775,322	1,071,824
Inventories	23	784,231	224,346
Trade receivables, other receivables and deposits paid	24	1,528,798	870,417
Available-for-sale investments	19	20,882	25,260
Derivative financial instruments	25	32,608	—
Taxation recoverable		926	2,779
Bank deposits, cash and bank balances	26	3,564,534	3,427,514
		<b>16,707,301</b>	<b>5,622,140</b>
<b>Current liabilities</b>			
Bank borrowings	27	3,216,982	91,742
Trade and other payables	28	1,065,379	634,005
Deposits received on sale of properties		668,863	—
Derivative financial instruments	25	—	26,141
Provision for employee benefits	29	27,314	27,654
Taxation payable		191,848	34,432
		<b>5,170,386</b>	<b>813,974</b>
<b>Net current assets</b>		<b>11,536,915</b>	<b>4,808,166</b>
<b>Total assets less current liabilities</b>		<b>21,144,924</b>	<b>12,726,559</b>

## CONSOLIDATED BALANCE SHEET

At 31 December	Note	2007 (HK\$'000)	2006 (HK\$'000)
<b>Non-current liabilities</b>			
Bank borrowings	27	2,992,500	834,982
Deferred tax liabilities	9(c)	1,253,499	180,490
Loans from minority shareholders	30	1,515,795	974,314
		5,761,794	1,989,786
<b>Net assets</b>		15,383,130	10,736,773
<b>Equity</b>			
Share capital	31	582,077	547,628
Reserves	33	12,292,356	8,030,269
Proposed dividends		164,072	175,241
<b>Equity attributable to equity holders of the Company</b>		13,038,505	8,753,138
Minority interests		2,344,625	1,983,635
<b>Total equity</b>		15,383,130	10,736,773



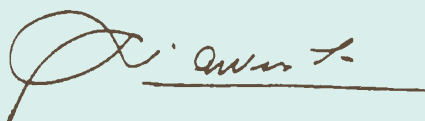
Stanley Ho  
Director



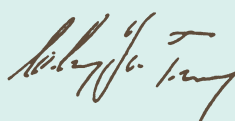
Cheng Yu Tung  
Director

## BALANCE SHEET

At 31 December	Note	2007 (HK\$'000)	2006 (HK\$'000)
<b>Non-current assets</b>			
Property, plant and equipment	12	1,099	1,228
Subsidiaries	15	24,200	20,700
Associates	16	250	250
Jointly controlled entities	17	7,803	7,803
Available-for-sale investments	19	234,723	234,723
Other non-current assets	21	11,298,719	5,677,931
		<b>11,566,794</b>	<b>5,942,635</b>
<b>Current assets</b>			
Debtors, deposits and prepayments	24	54,538	10,631
Bank deposits, cash and bank balances	26	1,130,118	1,738,870
		<b>1,184,656</b>	<b>1,749,501</b>
<b>Current liabilities</b>			
Creditors, deposits and accrued charges	28	4,317,569	1,072,652
Provision for employee benefits	29	7,127	7,338
		<b>4,324,696</b>	<b>1,079,990</b>
<b>Net current (liabilities)/assets</b>		<b>(3,140,040)</b>	<b>669,511</b>
<b>Net assets</b>		<b>8,426,754</b>	<b>6,612,146</b>
<b>Equity</b>			
Share capital	31	582,077	547,628
Reserves	33	7,680,605	5,889,277
Proposed dividends		164,072	175,241
<b>Total equity</b>		<b>8,426,754</b>	<b>6,612,146</b>



Stanley Ho  
Director



Cheng Yu Tung  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity attributable to equity holders of the Company

For the year ended  
31 December 2007

	Share capital (HK\$'000)	Share premium (HK\$'000)	Capital redemption reserve (HK\$'000)	Capital reserve (HK\$'000)	Legal reserve (HK\$'000)	Asset revaluation reserve (HK\$'000)	Investment revaluation reserve (HK\$'000)	Hedging reserve (HK\$'000)	Exchange reserve (HK\$'000)	Retained profits (HK\$'000)	Proposed dividends (HK\$'000)	Total (HK\$'000)	Minority interests (HK\$'000)	Total equity (HK\$'000)
At 1 January 2007	547,628	5,066,027	5,945	-	8,905	-	167,131	(6,417)	11,724	2,776,954	175,241	8,753,138	1,983,635	10,736,773
Fair value changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fair value adjustment upon acquisition of a subsidiary	-	-	-	-	-	-	217,700	34,026	-	-	-	251,726	45,847	297,573
Realised upon sale of properties	-	-	-	-	-	1,778,462	-	-	-	-	-	1,778,462	-	1,778,462
Released upon derecognition of available-for-sale investments	-	-	-	-	-	(42,771)	-	-	-	-	-	(42,771)	-	(42,771)
Released upon derecognition of derivative financial instruments	-	-	-	-	-	-	(13,669)	-	-	-	-	(13,669)	-	(13,669)
Deferred tax credited/ (charged) for the year	-	-	-	-	-	-	-	(13,331)	-	-	-	(13,331)	(17,963)	(31,294)
Exchange translation differences	-	-	-	-	-	4,983	-	(3,622)	-	-	-	1,361	(4,879)	(3,518)
Share of reserves of associates	-	-	-	-	-	-	-	-	15,629	-	-	15,629	10,104	25,733
Share of reserves of jointly controlled entities	-	-	-	5	1,551	-	-	-	-	(1,551)	-	5	-	5
	-	-	-	-	166	-	-	-	-	(166)	-	-	-	-
Income and expense recognised directly in equity	-	-	-	5	1,717	1,740,674	204,031	17,073	15,629	(1,717)	-	1,977,412	33,109	2,010,521
Profit for the year	-	-	-	-	-	-	-	-	-	1,013,548	-	1,013,548	248,260	1,261,808
Total recognised income and expense for the year	-	-	-	5	1,717	1,740,674	204,031	17,073	15,629	1,011,831	-	2,990,960	281,369	3,272,329
Placement of shares	35,000	1,680,000	-	-	-	-	-	-	-	-	-	1,715,000	-	1,715,000
Exercise of share options	1,424	17,018	-	-	-	-	-	-	-	-	-	18,442	-	18,442
Expenses on issue of shares	-	(27,700)	-	-	-	-	-	-	-	-	-	(27,700)	-	(27,700)
Repurchase of shares	(1,975)	-	1,975	-	-	-	-	-	-	(84,288)	-	(84,288)	-	(84,288)
Expenses on repurchase of shares	-	-	-	-	-	-	-	-	-	(274)	-	(274)	-	(274)
Grant of share options	-	-	-	694	-	-	-	-	-	-	-	694	-	694
Transfer	-	-	-	(694)	519	-	-	-	-	175	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	136,843	136,843
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	1,188	1,188
Dividends to minority shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(58,410)	(58,410)
2006 final dividend for shares issued upon exercise of share options	-	-	-	-	-	-	-	-	-	(40)	40	-	-	-
2006 final dividend for shares repurchased	-	-	-	-	-	-	-	-	-	632	(632)	-	-	-
2006 final dividend	-	-	-	-	-	-	-	-	-	-	(174,649)	(174,649)	-	(174,649)
2007 interim dividend	-	-	-	-	-	-	-	-	-	(152,818)	-	(152,818)	-	(152,818)
2007 final dividend	-	-	-	-	-	-	-	-	-	(164,072)	164,072	-	-	-
At 31 December 2007	582,077	6,735,345	7,920	5	11,141	1,740,674	371,162	10,656	27,353	3,388,100	164,072	13,038,505	2,344,625	15,383,130

## Equity attributable to equity holders of the Company

	Share capital (HK\$'000)	Share premium (HK\$'000)	Capital redemption reserve (HK\$'000)	Capital reserve (HK\$'000)	Legal reserve (HK\$'000)	Asset revaluation reserve (HK\$'000)	Investment revaluation reserve (HK\$'000)	Hedging reserve (HK\$'000)	Exchange reserve (HK\$'000)	Retained earnings (HK\$'000)	Proposed dividends (HK\$'000)	Total (HK\$'000)	Minority interests (HK\$'000)	Total equity (HK\$'000)
At 1 January 2006	520,505	4,085,965	5,771	—	7,548	—	14,552	1,885	5,389	2,399,188	93,691	7,144,494	1,818,632	8,963,126
Fair value changes	—	—	—	—	—	—	163,497	(15,196)	—	—	—	148,301	(20,475)	127,826
Released upon derecognition of available-for-sale investments	—	—	—	—	—	—	(10,918)	—	—	—	—	(10,918)	—	(10,918)
Released upon derecognition of derivative financial instruments	—	—	—	—	—	—	—	5,133	—	—	—	5,133	6,917	12,050
Deferred tax credited for the year	—	—	—	—	—	—	—	1,761	—	—	—	1,761	2,372	4,133
Exchange translation differences	—	—	—	—	—	—	—	—	6,335	—	—	6,335	4,216	10,551
Income and expense recognised directly in equity	—	—	—	—	—	—	152,579	(8,302)	6,335	—	—	150,612	(6,970)	143,642
Profit for the year	—	—	—	—	—	—	—	—	—	663,916	—	663,916	218,061	881,977
Total recognised income and expense for the year	—	—	—	—	—	—	152,579	(8,302)	6,335	663,916	—	814,528	211,091	1,025,619
Issue of shares for acquisition of a subsidiary	23,528	936,404	—	—	—	—	—	—	—	—	—	959,932	—	959,932
Exercise of share options	3,769	33,729	—	—	—	—	—	—	—	—	—	37,498	—	37,498
Expenses on issue of shares (71)	—	—	—	—	—	—	—	—	—	—	—	(71)	—	(71)
Repurchase of shares (174)	—	—	174	—	—	—	—	—	—	(6,236)	—	(6,236)	—	(6,236)
Expenses on repurchase of shares	—	—	—	—	—	—	—	—	—	(23)	—	(23)	—	(23)
Transfer	—	—	—	—	1,357	—	—	—	—	(1,357)	—	—	—	—
Deemed disposal of partial interest in a subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	3	3
Dividends to minority shareholders	—	—	—	—	—	—	—	—	—	—	—	—	(46,091)	(46,091)
2005 final dividend for shares issued upon exercise of share options and for acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	(4,689)	4,689	—	—	—
2005 final dividend	—	—	—	—	—	—	—	—	—	—	(98,380)	(98,380)	—	(98,380)
2006 interim dividend	—	—	—	—	—	—	—	—	—	(98,604)	—	(98,604)	—	(98,604)
2006 final dividend	—	—	—	—	—	—	—	—	—	(175,241)	175,241	—	—	—
At 31 December 2006	547,628	5,066,027	5,945	—	8,905	—	167,131	(6,417)	11,724	2,776,954	175,241	8,753,138	1,983,635	10,736,773

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December	2007 (HK\$'000)	2006 (HK\$'000)
<b>Operating activities</b>		
Profit before taxation	1,361,087	938,808
Adjustments for:		
Depreciation and amortisation	140,551	136,758
Finance costs	61,145	47,866
Interest income	(144,992)	(166,810)
Dividend income from investments	(76,564)	(113,107)
Share of results of associates	(283,298)	(400,513)
Share of results of jointly controlled entities	(22,533)	17,598
Profits on sales of properties	(42,771)	—
Loss/(gain) on disposal of property, plant and equipment	860	(27,243)
Excess of interest in fair value of net assets acquired over cost of acquisition of subsidiaries	(291,177)	(22,689)
Gain on available-for-sale investments, structured notes and deposits and other financial instruments	(21,090)	(12,044)
Grant of share options	694	—
Impairment loss on goodwill	—	2,275
Fair value changes on investment properties	(121,283)	(62,065)
Operating profit before working capital changes	560,629	338,834
Increase in properties for or under development and inventories of properties, excluding net finance costs capitalised	(857,281)	(17,636)
Increase in other inventories	(11,358)	(15,040)
Increase in debtors, deposits and prepayments	(544,583)	(359,475)
Decrease in creditors, deposits and accrued charges	(453,961)	(155,913)
Increase in deposits received on sale of properties	668,863	—
Decrease in provision for employee benefits	(340)	(568)
Cash used in operations	(638,031)	(209,798)
Total income taxes paid	(43,051)	(66,094)
<b>Net cash used in operating activities</b>	<b>(681,082)</b>	<b>(275,892)</b>

For the year ended 31 December	Note	2007 (HK\$'000)	2006 (HK\$'000)
<b>Investing activities</b>			
Purchase of property, plant and equipment		(51,448)	(91,526)
Payment of lease premium for land		(625)	(10,100)
Purchase of intangible assets		(200)	(4,417)
Payment of costs and expenditure for properties under development, excluding net finance costs capitalised		(340,691)	(71,446)
Repayments from associates		—	33,015
Capital contribution to jointly controlled entities		(20,704)	(11)
Capital refund from a jointly controlled entity		—	326
Advances to jointly controlled entities		(2,244)	(168,595)
Acquisition of available-for-sale investments, structured notes and deposits and other financial instruments		(220,828)	(211,420)
Advances from an investee company		60,543	55,232
Advances to a company before the completion of acquisition by the Group of its interest as a subsidiary		—	(151,981)
Repayments of mortgage loans		42,865	218,270
Acquisition of interests in subsidiaries	34(a)	(5,994,043)	584
Acquisition of interest in an associate		—	(12)
Proceeds on deemed disposal of partial interest in a subsidiary		—	3
Proceeds on disposal or redemption of available-for-sale investments, structured notes and deposits and other financial instruments		82,178	91,208
Proceeds on disposal of property, plant and equipment		298	31,520
Interest received		141,946	197,399
Dividends received from investments		17,333	53,168
Dividends received from associates		121,008	369,393
Dividends received from jointly controlled entities		6,000	—
<b>Net cash (used in)/from investing activities</b>		<b>(6,158,612)</b>	<b>340,610</b>

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December	Note	2007 (HK\$'000)	2006 (HK\$'000)
<b>Financing activities</b>			
New loans		5,899,473	197,758
Repayments of loans		(105,147)	(419,563)
Proceeds from issue of shares		1,733,442	37,498
Expenses paid on issue of shares		(27,700)	(71)
Repurchase of shares		(84,288)	(6,236)
Expenses paid on repurchase of shares		(274)	(23)
Interest paid		(58,684)	(56,860)
Dividends paid to shareholders		(327,406)	(196,777)
Dividends paid to minority shareholders		(58,410)	(46,091)
<b>Net cash from/(used in) financing activities</b>		<b>6,971,006</b>	<b>(490,365)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>131,312</b>	<b>(425,647)</b>
Effect of foreign exchange rates changes		1,330	590
Cash and cash equivalents at 1 January		3,452,774	3,877,831
Cash and cash equivalents at 31 December	34(b)	3,585,416	3,452,774

## NOTES TO THE FINANCIAL STATEMENTS

### Note 1 Statement of Compliance

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs, which also include Hong Kong Accounting Standards (HKASs) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong, and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### Note 2 Principal Accounting Policies

#### a) Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and certain financial assets and liabilities, which are stated at fair value.

The Group has adopted the following new HKFRSs or amendments to HKFRSs that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2007:

HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HKAS 1 (Amendment)	Presentation of Financial Statements – Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures

The impact of adopting these HKFRSs is described in note 3(a) to the financial statements.

#### b) Basis of consolidation

The consolidated financial statements include the audited financial statements of the Company and all its subsidiaries made up to 31 December each year. Results of subsidiaries are consolidated from the acquisition date, being the date on which the Group obtains control, until the date such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent interests of outside shareholders in the results and net assets of the Company's subsidiaries.

#### c) Goodwill

Goodwill arising on the acquisition of subsidiaries, associates and jointly controlled entities is initially measured at cost, being the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill arising on the acquisition of subsidiaries is recognised in the consolidated balance sheet as an asset, and in the case of associates and jointly controlled entities, goodwill is included in the carrying amount thereof rather than as a separately identified asset on the consolidated balance sheet.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

## NOTES TO THE FINANCIAL STATEMENTS

### Note 2 Principal Accounting Policies (Continued)

#### c) Goodwill (Continued)

On acquisition of subsidiaries, associates and jointly controlled entities, if the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity being acquired recognised as at the date of acquisition exceeds the cost of acquisition, the Group shall reassess the identification and measurement of the identifiable assets, liabilities and contingent liabilities of that entity and the measurement of the cost of acquisition, and recognise immediately in the consolidated income statement any excess remaining after that reassessment.

On disposal of cash-generating units, associates and jointly controlled entities, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

#### d) Subsidiaries

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable. In the Company's balance sheet, interests in subsidiaries are stated at cost less any accumulated impairment losses.

#### e) Associates

Associates are accounted for using the equity method in the consolidated financial statements. They are initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of net assets of associates, less any accumulated impairment losses. The Group's share of post-acquisition results and reserves of associates are recognised in the consolidated income statement and consolidated reserves respectively.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interests in the relevant associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of associates are accounted for by the Company on the basis of dividends received and receivable. In the Company's balance sheet, interests in associates are stated at cost less any accumulated impairment losses.

#### f) Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

##### (i) Jointly controlled entities

A jointly controlled entity is a joint venture that involves the establishment of a separate entity in which the Group and other venturers have an interest and exercise joint control in accordance with contractual arrangements.

Jointly controlled entities are accounted for using the equity method in the consolidated financial statements. They are initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of net assets of jointly controlled entities, less any accumulated impairment losses. The Group's share of post-acquisition results and reserves of jointly controlled entities are recognised in the consolidated income statement and consolidated reserves respectively.

When the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interests in the relevant jointly controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable. In the Company's balance sheet, interests in jointly controlled entities are stated at cost less any accumulated impairment losses.

## Note 2 Principal Accounting Policies (Continued)

### f) Joint ventures (Continued)

#### (ii) Jointly controlled assets

Jointly controlled assets are assets of a joint venture over which the Group has joint control with other venturers in accordance with contractual arrangements and through the joint control of which the Group has control over its share of future economic benefits earned from the assets.

The Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers is recognised in the balance sheet and classified according to their nature. Liabilities and expenses incurred directly in respect of its interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of the jointly controlled assets, together with its share of any expenses incurred by the joint ventures, are recognised in the income statement when it is probable that the economic benefits associated with the transactions will flow to or from the Group.

### g) Revenue recognition

Major categories of revenues are recognised in the financial statements on the following bases:

Revenue from the sale of properties is recognised when significant risk and rewards of ownership of properties are transferred to the buyers. Revenue from passenger transportation services is recognised upon the departure of each trip of vessel. Revenue from sale of fuel is recognised upon delivery to customers. Revenues from travel agency services, repairing services and management services are recognised upon provision of services. Rental income is recognised on a straight-line basis over the lease terms. Dividend income is recognised when the right to receive payment is established. Interest income is recognised on a time proportion basis on the principal outstanding and at the effective interest rate applicable. Revenue from sale of investments is recognised on trade dates.

### h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is the difference between the net sale proceeds and the carrying amount of the relevant asset and is recognised in the income statement.

Depreciation is provided to write off the cost of the assets, over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method, at the following annual rates:

Leasehold buildings	1.7% – 2% or over the remaining lease terms, if shorter
Vessels and pontoons	5% – 6.7%
Other assets	5% – 33.3%

The useful lives and residual values of the assets are reviewed, and adjusted if appropriate, at each balance sheet date.

No depreciation is provided on properties under development.

## NOTES TO THE FINANCIAL STATEMENTS

### Note 2 Principal Accounting Policies (Continued)

#### i) Investment properties

Investment properties are properties held to earn rentals or for capital appreciation or both. Such properties are not depreciated, and are measured initially at cost including transaction costs and thereafter stated at fair value, determined on the basis of professional valuation reflecting market conditions at each balance sheet date. Any changes in fair value are recognised in the income statement. A property interest under an operating lease which is held for the above purposes is classified and accounted for as an investment property.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss arising from the derecognition of an investment property is the difference between the net sale proceeds and the carrying amount of the relevant asset and is recognised in the income statement.

#### j) Leasehold land

Leasehold land comprises upfront payments to acquire long-term interest in lessee-occupied properties. Leasehold land is stated at cost or, in case of leasehold land acquired under business combinations, stated of fair value on acquisition dates and amortised over the period of the leases on a straight-line basis to the income statement.

#### k) Properties for or under development for sale

Properties for or under development for sale are classified under current assets and stated at the lower of cost and net realisable value. Cost includes cost of land and development, construction expenditure incurred and attributable finance costs capitalised during the development period. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in the selling the property.

#### l) Franchises and royalties

Franchises and royalties are classified as intangible assets and stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided either over the estimated finite useful lives of 8 to 13 years using the straight-line method or over the contractual royalty rate based on actual product sales.

#### m) Inventories

Inventories are stated at the lower of cost and net realisable value. In respect of unsold properties, cost is determined by apportionment of the total development costs, including land and development cost, construction expenditure incurred and finance costs capitalised, attributable to unsold properties. Net realisable value is determined by reference to sale proceeds of properties sold in the ordinary course of business less all estimated selling expenses after the balance sheet date, or by management estimates based on prevailing market conditions. In respect of other inventories, cost, comprising purchase cost from suppliers, is determined on first-in-first-out basis or the weighted average basis for different inventories. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

## Note 2 Principal Accounting Policies (Continued)

### n) Investments

Investments in liquid funds and securities, other than investments in subsidiaries, associates and jointly controlled entities, are classified either as investments at fair value through profit or loss ("FVTPL") if they are held for trading or as available-for-sale investments.

Purchases and sales of investments are recognised and derecognised using trade date accounting. Investments are derecognised when the contractual rights to the cash flows from the investments have expired or have been transferred and the Group has transferred substantially the risks and rewards of ownership.

Investments at FVTPL are initially recognised at fair value with transaction costs recognised as expenses and subsequently stated at fair value. Unrealised gains and losses from changes in fair value, including exchange differences, are recognised in the income statement. Upon disposal of an investment, the difference between its carrying amount and the net sale proceeds is included in the calculation of the profit or loss on disposal.

Available-for-sale investments are initially recognised at fair value plus transaction costs and subsequently stated at fair value, or in the case of investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are subsequently stated at cost less any accumulated impairment losses. Unrealised gains and losses from changes in fair value are recognised in investment revaluation reserve, except for impairment losses and in the case of monetary investments, exchange differences which are recognised in the income statement. Upon disposal of an investment, the difference between its carrying amount and the net sale proceeds and any cumulative fair value changes in investment revaluation reserve are included in the calculation of the profit or loss on disposal.

Available-for-sale investments are assessed for indicators of impairment at each balance sheet date. Investments are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the investments, the estimated future cash flows of the investments have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other investments, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For available-for-sale investments carried at cost, the impairment loss is measured as the difference between the carrying amount of the investment 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 in respect of available-for-sale investments carried at cost are not reversed.

For available-for-sale investments carried at fair value, the cumulative losses that had been recognised directly in equity is removed from equity and is recognised in the income statement. The amount of the cumulative losses that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that asset previously recognised in the income statement.

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

Impairment losses in respect of available-for-sale debt securities carried at fair value are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in the income statement.

## NOTES TO THE FINANCIAL STATEMENTS

### Note 2 Principal Accounting Policies (Continued)

#### o) Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any accumulated impairment losses unless the effect of discounting would be immaterial, in which case they are stated at cost less any accumulated impairment losses. A provision for impairment of trade and other receivables is made when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

#### p) Derivative financial instruments

Derivatives are initially recognised at fair value on the date derivative contracts are entered into and are subsequently measured at their fair value. Changes in fair value of derivatives that did not qualify for hedge accounting are recognised immediately in the income statement.

A cash flow hedge is where a derivative is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction. The effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

The cumulative gain or loss in equity is recycled in the income statement in the period when the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a liability, such gain or loss is transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the cumulative gain or loss in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, such cumulative gain or loss is immediately transferred to the income statement.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset or liability at FVTPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Derivatives embedded in non-derivative host contracts are separated from the relevant host contracts and deemed as held for trading when the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contracts and when the combined contracts are not measured at FVTPL. Where the Group needs to separate an embedded derivative but is unable to measure the embedded derivative, the entire combined contracts are designated as financial assets or liabilities at FVTPL.

#### q) Cash and cash equivalents

Cash and cash equivalents comprise cash 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 cash flow statement.

## Note 2 Principal Accounting Policies (Continued)

### r) Bank borrowings

Bank borrowings are initially recognised at cost, being the fair value of the consideration received net of transaction costs associated with the borrowings. After initial recognition, bank borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any transaction costs, and any discount or premium on settlement. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

### s) Trade and other payables

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

### t) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition, other than in a business combination, of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in jointly controlled entities, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### u) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rental income and expenses under operating leases are credited and charged respectively to the income statement on a straight-line basis over the terms of the leases.

## NOTES TO THE FINANCIAL STATEMENTS

### Note 2 Principal Accounting Policies (Continued)

#### v) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

#### w) Capitalisation of borrowing costs

Borrowing costs are expensed as incurred, except to the extent that they are capitalised as being directly attributable to the construction or production of assets which necessarily take a substantial period of time to get ready for their intended use or sale. Capitalisation of such borrowing costs begins when construction or production activities commence and ceases when the assets are substantially ready for their intended use or sale. The capitalisation rate for the year is based on the cost of the related borrowings less related interest income.

#### x) Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction dates. Exchange differences resulting from the settlement of such transactions and from the retranslation at the balance sheet date of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currencies are translated using the exchange rates prevailing at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the exchange rates prevailing at the dates the fair value was determined. When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. When a gain or loss on a non-monetary item is recognised in the income statement, any exchange component of that gain or loss is recognised in the income statement.

On consolidation, the assets and liabilities of those foreign subsidiaries, associates and jointly controlled entities that have a functional currency different from the presentation currency of the Group are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date, and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in exchange reserve. On disposal of a foreign entity, the cumulative exchange difference which relates to that entity is included in the calculation of the profit or loss on disposal.

#### y) Employee benefits

Cost of accumulating compensated absences is recognised as an expense in the income statement and measured based on the additional amount that the Group expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date.

Obligations for contributions to defined contribution retirement plans, including contributions payable under the Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the income statement as incurred.

## Note 2 Principal Accounting Policies (Continued)

### z) Related parties

A party is considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party, exercise significant influence over the party or has joint control over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties include individuals being members of key management personnel and significant shareholders, as well as close family members of, and entities which are controlled, jointly-controlled or significantly influenced by such individuals. Related parties also include post-employment benefit plans for the benefit of employees of the Group or its related parties.

### aa) Impairment of assets

At each balance sheet date, assets, other than financial assets, investment properties, properties for or under development for sale, inventories and deferred tax assets, are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. When an indication of impairment exists, or when annual impairment testing is required in the case of goodwill acquired in a business combination, the Group estimates the asset's recoverable amount, being the higher of the asset's fair value less costs to sell and its value in use. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount in the income statement, except where the asset is stated at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation deficit. For the purpose of assessing impairment, assets are grouped as cash-generating units for which there are separately identifiable cash flows.

An impairment loss recognised in prior years for an asset other than goodwill is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statement except where the asset is carried at valuation, in which case the reversal of impairment losses is treated as a revaluation movement. An impairment loss made against goodwill is not reversed.

### bb) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 32 to the financial statements.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of equity instruments that vest, with a corresponding adjustment to the capital reserve, except where forfeiture is only due to not achieving market-based vesting conditions. The equity amount is recognised in the capital reserve until either the equity instrument is exercised, when it is transferred to the share premium, or the equity instrument expires, when it is released directly to retained profits.

## NOTES TO THE FINANCIAL STATEMENTS

### Note 2 Principal Accounting Policies (Continued)

#### cc) 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 information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's principal activities and the Group's management structure and internal financial reporting system.

Segment revenues, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment revenues, expenses, results, assets and liabilities are determined before intra-group balances and transactions that are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are within a single segment. Inter-segment pricing is determined on an arm's length basis.

Segment capital expenditure is the total costs incurred during the year to acquire segment assets that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate revenues, expenses and assets, interest-bearing loans, borrowings and taxation.

### Note 3 Impact of New or Revised Hong Kong Financial Reporting Standards

- a) The adoption of HKFRS 7 has expanded the disclosures to enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements.

The adoption of HKAS 1 (Amendment) introduces new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. The new disclosures are set out in note 42 to the financial statements.

Both HKFRS 7 and HKAS 1 (Amendment) do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements.

The adoption of HK(IFRIC) - Ints 8, 9 and 10 has no impact on the Group's results of operations and financial position.

- b) The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new or revised HKFRSs but is not yet in a position to state whether these new or revised HKFRSs would have a significant impact on its results of operations and financial position.

Effective for accounting  
periods beginning on or  
after

HK(IFRIC)-Int 11	HKFRS 2	1 March 2007
	- Group and Treasury Share Transactions	
HK(IFRIC)-Int 12	Service Concession Arrangements	1 January 2008
HK(IFRIC)-Int 13	Customer Loyalty Programmes	1 July 2008
HK(IFRIC)-Int 14	HKAS 19	1 January 2008
	-The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction	
HKAS 1 (Revised)	Presentation of Financial Statements	1 January 2009
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1 July 2009
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations	1 January 2009
HKFRS 3 (Revised)	Business Combinations	1 July 2009
HKFRS 8	Operating Segments	1 January 2009

## NOTES TO THE FINANCIAL STATEMENTS

### Note 4 Turnover and Revenue

The Group is principally engaged in the businesses of property development, investment and management, transportation, hospitality and investment holding.

	Group	
	2007 (HK\$'000)	2006 (HK\$'000)
<b>Turnover</b>		
Revenue from sale of properties	587,782	32,866
Revenue from passenger transportation services	2,152,299	1,876,765
Revenue from sale of fuel	22,950	21,850
Revenue from travel agency services	99,494	101,697
Rental income	164,650	155,355
Dividends from investments	76,564	113,107
Interest income from mortgage loans receivable	5,680	13,109
Management fees and others	208,718	194,055
	<b>3,318,137</b>	<b>2,508,804</b>
<b>Other revenues</b>		
Interest income	139,312	153,701
Claims received	1,420	789
Others	112,625	108,702
	<b>253,357</b>	<b>263,192</b>
	<b>3,571,494</b>	<b>2,771,996</b>

## Note 5 Other Income

Other income in 2006 includes HK\$27,243,000 being gain on disposal of property, plant and equipment.

## Note 6 Operating Profit

	Group	
	2007 (HK\$'000)	2006 (HK\$'000)
<b>After crediting:</b>		
Interest income		
– listed investments	—	18
– unlisted investments	1,047	921
– bank deposits and others	139,439	164,036
Total interest income on financial assets not at FVTPL	140,486	164,975
Bank interest income from financial assets designated as at FVTPL	4,506	1,835
	144,992	166,810
Rental income from investment properties	141,405	138,551
Less: Direct operating expenses arising from investment properties	(11,257)	(17,087)
	130,148	121,464
Dividend income from listed investments	14,311	3,689
Dividend income from unlisted investments		
– Sociedade de Turismo e Diversões de Macau, S.A. (STDM)	60,859	108,541
– others	1,394	877
Exchange gain	6,283	6,668
Gain on disposal of property, plant and equipment	—	27,243
Net gain transferred from equity for available-for-sale investments on disposal		
– listed investments	13,632	11,032
– unlisted investments	37	—
Net gain on		
– financial assets designated as at FVTPL	—	1,208
– derivative financial instruments	5,305	—
– fuel swap contracts transferred from equity	31,294	—

## NOTES TO THE FINANCIAL STATEMENTS

## Note 6 Operating Profit (Continued)

	Group	
	2007 (HK\$'000)	2006 (HK\$'000)
<b>After charging:</b>		
Cost of inventories		
– properties	341,529	29,019
– others	755,981	641,264
	1,097,510	670,283
Depreciation of property, plant and equipment		
– held for rental income under operating leases	2,458	2,458
– others	124,223	120,639
Amortisation		
– leasehold land	13,574	13,572
– intangible assets	296	89
Audit fee	5,174	4,092
Loss on disposal of property, plant and equipment	860	–
Minimum lease payments of properties under operating leases	11,501	6,669
Impairment losses on		
– goodwill	–	2,275
– receivables	733	2,293
Provident fund contribution	23,750	18,008
Net loss transferred from equity for available-for-sale investments on disposal		
– unlisted investments	–	114
Net loss on		
– financial assets designated as at FVTPL	716	–
– derivative financial instruments	–	7,881
– fuel swap contracts transferred from equity	–	12,050

## Note 7 Directors' Emoluments and Five Highest Paid Individuals

The emoluments of the Company's Directors are as follows:

Group  
2007

	Fees (HK\$'000)	Salaries, allowances and benefits (HK\$'000)	Performance bonus (HK\$'000)	Provident fund contributions (HK\$'000)	Total (HK\$'000)
<b>Executive Directors</b>					
Stanley Ho	65	—	—	—	65
Pansy Ho	65	8,145	3,552	376	12,138
Daisy Ho	65	4,971	669	229	5,934
Ambrose So	5	1,311	101	61	1,478
Patrick Huen	65	1,677	128	77	1,947
Anthony Chan	5	1,665	128	77	1,875
Maisy Ho	5	3,550	546	164	4,265
David Shum	5	1,704	197	78	1,984
<b>Non-Executive Directors</b>					
Cheng Yu Tung	5	—	—	—	5
Louise Mok	5	100	—	—	105
<b>Independent Non-Executive Directors</b>					
Roger Lobo	200	100	—	—	300
Norman Ho	200	100	—	—	300
Charles Ho	200	—	—	—	200
Yeh V-Nee	200	100	—	—	300
	1,090	23,423	5,321	1,062	30,896

## NOTES TO THE FINANCIAL STATEMENTS

## Note 7 Directors' Emoluments and Five Highest Paid Individuals (Continued)

Group  
2006

	Fees (HK\$'000)	Salaries, allowances and benefits (HK\$'000)	Performance bonus (HK\$'000)	Provident fund contributions (HK\$'000)	Total (HK\$'000)
<b>Executive Directors</b>					
Stanley Ho	65	—	—	—	65
Pansy Ho	65	7,802	2,737	360	10,964
Daisy Ho	65	4,734	708	218	5,725
Ambrose So	5	1,285	98	60	1,448
Patrick Huen	65	1,644	126	75	1,910
Andrew Tse *	3	1,280	—	44	1,327
Anthony Chan	5	1,632	126	75	1,838
Maisy Ho	5	3,381	477	156	4,019
David Shum	5	1,623	209	75	1,912
<b>Non-Executive Directors</b>					
Cheng Yu Tung	5	—	—	—	5
Louise Mok	5	100	—	—	105
<b>Independent Non-Executive Directors</b>					
Roger Lobo	200	100	—	—	300
Robert Kwan	200	100	—	—	300
Norman Ho	200	100	—	—	300
Charles Ho	29	—	—	—	29
	922	23,781	4,481	1,063	30,247

\* Mr. Andrew Tse resigned as Director of the Company on 21 August 2006.

There was no arrangement under which a Director had waived or agreed to waive any emoluments during the current and prior years.

Among the five highest paid individuals in the Group, three (2006: three) are Directors of the Company and the details of their emoluments have been disclosed above. The emoluments of the remaining two (2006: two) individuals during the year not included above were salaries, allowances and benefits of HK\$9,121,000 (2006: HK\$6,789,000), performance bonus of HK\$369,000 (2006: HK\$529,000) and provident fund contributions of HK\$222,000 (2006: HK\$275,000).

## Note 7 Directors' Emoluments and Five Highest Paid Individuals (Continued)

The emoluments paid to the abovementioned two (2006: two) individuals are within the following bands:

	Number of persons	
	2007	2006
HK\$3,500,001 – HK\$4,000,000	1	1
HK\$4,000,001 – HK\$4,500,000	0	1
HK\$5,500,001 – HK\$6,000,000	1	0

Details of the basis of determining Directors' emoluments are disclosed in the Report on Corporate Governance Practices on page 63. The emoluments disclosed above represent the amounts paid or payable to the Directors and employees of the Company for the year and exclude the benefits derived or to be derived from the share options granted to them under the Company's share option schemes. Details of these benefits in kind are disclosed in section (d) under Disclosure of Interests in the Report of the Directors on pages 54 to 57.

## Note 8 Finance Costs

	Group	
	2007 (HK\$'000)	2006 (HK\$'000)
Interest on bank loans and overdraft wholly repayable within 5 years	62,391	53,412
Interest on bank loans not wholly repayable within 5 years	6,287	132
Interest on loans from minority shareholders	7,423	1,266
Total interest expenses on financial liabilities not at FVTPL	76,101	54,810
Less: Amount capitalised in properties under development	(14,956)	(6,944)
	61,145	47,866

## NOTES TO THE FINANCIAL STATEMENTS

## Note 9 Taxation

## a) Taxation in the consolidated income statement represents:

	Group	
	2007 (HK\$'000)	2006 (HK\$'000)
<b>Current tax – Hong Kong</b>		
Tax for the year	66,168	33,306
Benefit of previously unrecognised tax losses and deductible temporary differences	(4,614)	(235)
Over-provision in respect of prior years	(401)	(232)
	61,153	32,839
<b>Current tax – Overseas</b>		
Tax for the year	32,956	6,448
Benefit of previously unrecognised tax losses and deductible temporary differences	(172)	—
Over-provision in respect of prior years	(3,452)	(4,529)
	29,332	1,919
<b>Deferred tax</b>		
Origination and reversal of temporary differences	18,201	20,126
Benefit of previously unrecognised tax losses and deductible temporary differences	(287)	—
Effect of change in tax rate	(11,335)	—
	6,579	20,126
<b>Other taxes – Overseas</b>		
Taxation charged to revenues	2,215	1,947
<b>Taxation attributable to the Company and its subsidiaries</b>	<b>99,279</b>	<b>56,831</b>

Hong Kong profits tax is provided for at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits for the year. Overseas taxation is calculated at the rates applicable in their respective jurisdictions.

Pursuant to the PRC Corporate Income Tax Law passed by the Tenth National People's Congress on 16 March 2007, the new income tax rates for domestic and foreign enterprises are unified at 25%, and will be effective from 1 January 2008. Therefore, the income tax rate applicable to certain subsidiaries in PRC which were taxed at 33%, is reduced to 25% starting from 1 January 2008.

## Note 9 Taxation (Continued)

- b) The reconciliation between taxation attributable to the Company and its subsidiaries and accounting profit in the financial statements is as follows:

	Group	
	2007 (HK\$'000)	2006 (HK\$'000)
<b>Profit before taxation</b>	<b>1,361,087</b>	938,808
Tax at the applicable tax rate of 17.5% (2006: 17.5%)	<b>238,190</b>	164,291
Tax effect of net income that is not taxable in determining taxable profit	<b>(65,468)</b>	(43,025)
Tax effect of utilisation of previously unrecognised tax losses and deductible temporary differences	<b>(5,077)</b>	(235)
Tax effect of unrecognised tax losses and deductible temporary differences in the year	<b>19,254</b>	15,367
Tax effect of shares of results of associates and jointly controlled entities	<b>(53,520)</b>	(67,010)
Effect on opening deferred tax balances resulting from change in tax rate	<b>(11,335)</b>	—
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>(21,127)</b>	(9,743)
Over-provision in respect of prior years	<b>(3,853)</b>	(4,761)
Income tax expense for the year	<b>97,064</b>	54,884
Other taxes	<b>2,215</b>	1,947
<b>Total tax expenses</b>	<b>99,279</b>	56,831

## NOTES TO THE FINANCIAL STATEMENTS

## Note 9 Taxation (Continued)

## c) Deferred tax assets and liabilities recognised

The components of deferred tax assets and liabilities recognised in the balance sheets and the movement during the year are as follows:

## Deferred tax assets

	Depreciation in excess of related depreciation allowances (HK\$'000)	Unrealised intra- group profit (HK\$'000)	Tax losses (HK\$'000)	Cash flow hedges (HK\$'000)	Others (HK\$'000)	Total (HK\$'000)
<b>Group</b>						
At 1 January 2006	(430)	(26,060)	(17,825)	—	(690)	(45,005)
Exchange adjustment	—	—	(155)	—	—	(155)
(Credit)/charge to income statement for the year	(65)	(3,422)	4,947	—	(449)	1,011
Credit to equity for the year	—	—	—	(3,195)	—	(3,195)
At 31 December 2006	(495)	(29,482)	(13,033)	(3,195)	(1,139)	(47,344)
Exchange adjustment	—	—	(75)	—	—	(75)
(Credit)/charge to income statement for the year	69	3,174	1,271	—	(36)	4,478
Charge to equity for the year	—	—	—	3,195	—	3,195
<b>At 31 December 2007</b>	<b>(426)</b>	<b>(26,308)</b>	<b>(11,837)</b>	<b>—</b>	<b>(1,175)</b>	<b>(39,746)</b>
<b>Company</b>						
At 1 January 2006	(161)					
Credit to income statement for the year	(34)					
At 31 December 2006	(195)					
Charge to income statement for the year	13					
<b>At 31 December 2007</b>	<b>(182)</b>					

## Note 9 Taxation (Continued)

### c) Deferred tax assets and liabilities recognised (Continued)

#### Deferred tax liabilities

	Depreciation allowances in excess of related depreciation (HK\$'000)	Revaluation of properties (HK\$'000)	Clawback of capital allowances of properties (HK\$'000)	Cash flow hedges (HK\$'000)	Fair value adjustments on acquisitions (HK\$'000)	Total (HK\$'000)
<b>Group</b>						
At 1 January 2006	77,561	71,263	42,370	938	—	192,132
Exchange adjustment	689	599	—	—	—	1,288
Charge to income statement for the year	817	12,570	5,728	—	—	19,115
Credit to equity for the year	—	—	—	(938)	—	(938)
At 31 December 2006	79,067	84,432	48,098	—	—	211,597
Exchange adjustment	1,874	1,779	—	—	—	3,653
Acquisition of subsidiaries	—	18,524	—	—	1,047,521	1,066,045
Charge/(credit) to income statement for the year	913	20,632	6,841	—	(14,950)	13,436
Charge/(credit) to equity for the year	—	—	—	5,306	(4,983)	323
Effect on change in tax rate	(6,390)	(4,945)	—	—	—	(11,335)
<b>At 31 December 2007</b>	<b>75,464</b>	<b>120,422</b>	<b>54,939</b>	<b>5,306</b>	<b>1,027,588</b>	<b>1,283,719</b>
<b>Company</b>						
At 1 January 2006	161					
Charge to income statement for the year	34					
At 31 December 2006	195					
Credit to income statement for the year	(13)					
<b>At 31 December 2007</b>	<b>182</b>					

## NOTES TO THE FINANCIAL STATEMENTS

### Note 9 Taxation (Continued)

#### c) Deferred tax assets and liabilities recognised (Continued)

Deferred tax assets and liabilities are offset when there is legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority.

	Group		Company	
	2007 (HK\$'000)	2006 (HK\$'000)	2007 (HK\$'000)	2006 (HK\$'000)
Deferred tax assets recognised	(9,526)	(16,237)	—	—
Deferred tax liabilities recognised	1,253,499	180,490	—	—
	1,243,973	164,253	—	—

#### d) Deferred tax assets unrecognised

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2007 (HK\$'000)	2006 (HK\$'000)	2007 (HK\$'000)	2006 (HK\$'000)
Tax losses	469,191	401,186	228,154	183,589
Deductible temporary differences	63,404	53,106	—	—
	532,595	454,292	228,154	183,589

Included in the unrecognised tax losses of the Group are losses of HK\$8,448,000 (2006: HK\$11,464,000) that will expire within three years from the balance sheet date. Other tax losses and deductible temporary differences of the Group and the tax losses of the Company may be carried forward indefinitely.

## Note 10 Dividends

	Group and Company	
	2007 (HK\$'000)	2006 (HK\$'000)
2006 final dividend of 8.0 HK cents on 500,000 shares (2006: 2005 final dividend of 4.5 HK cents on 10,078,870 shares) issued upon exercise of share options	40 (632)	454 —
2006 final dividend of 8.0 HK cents on 7,902,000 shares repurchased		
2005 final dividend of 4.5 HK cents on 94,110,954 shares issued for acquisition of a subsidiary	—	4,235
Interim dividend of 7.0 HK cents on 2,183,112,064 shares (2006: 4.5 HK cents on 2,191,208,064 shares)	152,818	98,604
Proposed final dividend of 7.0 HK cents on 2,343,879,300 shares (2006: 8.0 HK cents on 2,190,514,064 shares)	164,072	175,241
	<b>316,298</b>	<b>278,534</b>

## Note 11 Earnings per Share

The calculation of basic earnings per share is based on profit attributable to equity holders of the Company of HK\$1,013,548,000 (2006: HK\$663,916,000) and the weighted average number of 2,218,420,201 shares (2006: 2,144,226,359 shares) in issue during the year. The calculation of diluted earnings per share is based on profit attributable to equity holders of the Company of HK\$1,013,548,000 (2006: HK\$663,916,000) and the weighted average number of 2,306,385,218 shares (2006: 2,232,941,133 shares) in issue after adjusting for the effects of all dilutive potential ordinary shares.

A reconciliation of the data used in calculating basic and diluted earnings per share is as follows:

	Profit attributable to equity holders of the Company		Weighted average number of shares	
	2007 (HK\$'000)	2006 (HK\$'000)	2007	2006
Profit/number of shares for the purpose of basic earnings per share	1,013,548	663,916	2,218,420,201	2,144,226,359
Effect of dilutive potential ordinary shares – share options	—	—	87,965,017	88,714,774
Profit/number of shares for the purpose of diluted earnings per share	1,013,548	663,916	2,306,385,218	2,232,941,133

## NOTES TO THE FINANCIAL STATEMENTS

## Note 12 Property, Plant and Equipment

## Group

	Properties under development (HK\$'000)	Leasehold buildings (HK\$'000)	Vessels and pontoon (HK\$'000)	Other assets (HK\$'000)	Total (HK\$'000)
<b>Cost</b>					
At 1 January 2006	—	229,025	1,990,398	684,698	2,904,121
Exchange adjustment	—	—	—	249	249
Additions/transfers	71,700	—	18,666	72,860	163,226
Disposals	—	—	(43,724)	(21,462)	(65,186)
At 31 December 2006	71,700	229,025	1,965,340	736,345	3,002,410
Exchange adjustment	—	—	—	700	700
Acquisition of subsidiaries	518	—	—	2,133	2,651
Additions/transfers	355,069	—	3,765	47,683	406,517
Disposals	—	—	—	(40,088)	(40,088)
At 31 December 2007	427,287	229,025	1,969,105	746,773	3,372,190
<b>Depreciation</b>					
At 1 January 2006	—	116,816	1,285,405	565,045	1,967,266
Exchange adjustment	—	—	—	113	113
Charge for the year	—	3,023	87,448	32,626	123,097
Write-back on disposal	—	—	(41,650)	(19,259)	(60,909)
At 31 December 2006	—	119,839	1,331,203	578,525	2,029,567
Exchange adjustment	—	—	—	345	345
Acquisition of subsidiaries	—	—	—	1,634	1,634
Charge for the year	—	3,025	87,177	36,479	126,681
Write-back on disposal	—	—	—	(38,930)	(38,930)
At 31 December 2007	—	122,864	1,418,380	578,053	2,119,297
<b>Net book value</b>					
At 31 December 2007	427,287	106,161	550,725	168,720	1,252,893
At 31 December 2006	71,700	109,186	634,137	157,820	972,843

## Note 12 Property, Plant and Equipment (Continued)

### Company

#### Other assets (HK\$'000)

#### Cost

At 1 January 2006	2,975
Additions	612
Disposals	(131)

At 31 December 2006	3,456
Additions	415
Disposals	(415)

At 31 December 2007	3,456
---------------------	-------

#### Depreciation

At 1 January 2006	1,928
Charge for the year	421
Write-back on disposal	(121)

At 31 December 2006	2,228
Charge for the year	470
Write-back on disposal	(341)

At 31 December 2007	2,357
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#### Net book value

<b>At 31 December 2007</b>	<b>1,099</b>
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At 31 December 2006	1,228
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Other assets of the Group comprised mainly furniture, fixtures and repairable spare parts of vessels.

The gross carrying amounts of vessels held for rental income under operating leases were HK\$98,994,000 (2006: HK\$98,994,000) and the related accumulated depreciation charges were HK\$88,754,000 (2006: HK\$86,296,000).

## NOTES TO THE FINANCIAL STATEMENTS

### Note 12 Property, Plant and Equipment (Continued)

An analysis of leasehold buildings and properties under development is as follows:

		Group	
		2007 (HK\$'000)	2006 (HK\$'000)
<b>Hong Kong</b>			
Long lease			
Leasehold buildings	11,281	11,638	
Medium-term lease			
Leasehold buildings	85,616	88,063	
Properties under development	418,029	71,700	
	514,926	171,401	
<b>Outside Hong Kong</b>			
Medium-term lease			
Leasehold buildings	9,264	9,485	
Properties under development	9,258	—	
	18,522	9,485	
	533,448	180,886	

### Note 13 Investment Properties

		Group	
		2007 (HK\$'000)	2006 (HK\$'000)
<b>Valuation</b>			
At 1 January	2,988,264	2,912,255	
Exchange adjustment	31,734	13,944	
Acquisition of a subsidiary	164,700	—	
Transfers	320	—	
Cost adjustments	5,063	—	
Surplus on revaluation	121,283	62,065	
At 31 December	3,311,364	2,988,264	

### Note 13 Investment Properties (Continued)

An analysis of investment properties is as follows:

		Group	
		2007 (HK\$'000)	2006 (HK\$'000)
<b>Hong Kong</b>			
Long lease		309,000	280,600
Medium-term lease		2,215,852	2,156,321
		<b>2,524,852</b>	<b>2,436,921</b>
<b>Outside Hong Kong</b>			
Medium-term lease		636,512	414,343
Freehold		150,000	137,000
		<b>786,512</b>	<b>551,343</b>
		<b>3,311,364</b>	<b>2,988,264</b>

All investment properties were held for rental income under operating leases.

A revaluation of all investment properties was performed at 31 December 2007 by reference to sales evidence as available on the market and where appropriate on the basis of capitalisation of net income. The revaluation was conducted by Savills Valuation and Professional Services Limited, independent professional valuer, which has among its staff members of the Hong Kong Institute of Surveyors. Surplus on revaluation and deferred tax thereon have been included in the income statement.

## NOTES TO THE FINANCIAL STATEMENTS

## Note 14 Leasehold Land

	Group	
	2007 (HK\$'000)	2006 (HK\$'000)
<b>Cost</b>		
At 1 January	777,566	767,466
Acquisition of a subsidiary	736,000	—
Additions	625	10,100
At 31 December	1,514,191	777,566
<b>Amortisation</b>		
At 1 January	179,378	165,684
Amortisation for the year	13,574	13,572
Transfer	9,132	122
At 31 December	202,084	179,378
<b>Net book value at 31 December</b>	<b>1,312,107</b>	<b>598,188</b>

An analysis of leasehold land is as follows:

	Group	
	2007 (HK\$'000)	2006 (HK\$'000)
<b>Hong Kong</b>		
Long lease	3,189	3,215
Medium-term lease	135,641	138,815
	138,830	142,030
<b>Outside Hong Kong</b>		
Medium-term lease	1,173,277	456,158
	1,312,107	598,188

## Note 15 Subsidiaries

	Company	
	2007 (HK\$'000)	2006 (HK\$'000)
Unlisted shares, at cost	24,200	20,700

Particulars regarding the principal subsidiaries are set out on pages 150 to 152.

## Note 16 Associates

	Group		Company	
	2007 (HK\$'000)	2006 (HK\$'000)	2007 (HK\$'000)	2006 (HK\$'000)
Unlisted shares, at cost	—	—	250	250
Share of net assets	237,077	210,633	—	—
Goodwill	137	137	—	—
	237,214	210,770	250	250

Summarised financial information in respect of the Group's associates is set out below:

	2007 (HK\$'000)	2006 (HK\$'000)
Total assets	1,152,609	3,131,643
Total liabilities	(571,017)	(2,626,441)
Revenue	2,251,447	2,917,969
Profit for the year	1,037,423	1,513,958

Particulars regarding the principal associates are set out on pages 150 to 152.

## NOTES TO THE FINANCIAL STATEMENTS

## Note 17 Jointly Controlled Entities

	Group		Company	
	2007 (HK\$'000)	2006 (HK\$'000)	2007 (HK\$'000)	2006 (HK\$'000)
Capital contribution, at cost	—	—	7,803	7,803
Share of net assets	975,236	962,186	—	—
	975,236	962,186	7,803	7,803

Summarised financial information in respect of the Group's jointly controlled entities is set out below:

	2007 (HK\$'000)	2006 (HK\$'000)
<b>Share of assets and liabilities attributable to the Group</b>		
Non-current assets	773,399	587,974
Current assets	1,886,312	1,195,348
Current liabilities	(1,241,342)	(408,234)
Non-current liabilities	(443,133)	(412,902)
Net assets	975,236	962,186
<b>Share of income and expenses attributable to the Group</b>		
Income	119,375	31,397
Expenses	(96,842)	(48,995)
Profit/(loss) for the year	22,533	(17,598)

Particulars regarding the principal jointly controlled entities are set out on pages 150 to 152.

## Note 18 Intangible Assets

### Group

	Goodwill (HK\$'000)	Franchises and royalties (HK\$'000)	Total (HK\$'000)
<b>Cost</b>			
At 1 January 2006	2,275	—	2,275
Additions	—	4,417	4,417
At 31 December 2006	2,275	4,417	6,692
Acquisition of subsidiaries	362,453	—	362,453
Additions	—	200	200
At 31 December 2007	364,728	4,617	369,345
<b>Amortisation and impairment loss</b>			
At 1 January 2006	—	—	—
Amortisation for the year	—	89	89
Impairment loss recognised in the year	2,275	—	2,275
At 31 December 2006	2,275	89	2,364
Amortisation for the year	—	296	296
At 31 December 2007	2,275	385	2,660
<b>Net book value</b>			
<b>At 31 December 2007</b>	<b>362,453</b>	<b>4,232</b>	<b>366,685</b>
At 31 December 2006	—	4,328	4,328

### Impairment tests on goodwill

The Group uses business segment as its primary segment for reporting segment information. For the purposes of impairment testing, the carrying amount of goodwill at 31 December 2007 has been allocated to the cash generating unit (CGU) as follows:

(HK\$'000)

Properties for development in Macau

362,453

The recoverable amount of the CGU is determined based on a value-in-use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 6% per annum and zero growth rate on revenues. The pre-tax discount rate used reflects specific risks relating to the relevant segment. Management believes that any reasonably possible further change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of this CGU.

## NOTES TO THE FINANCIAL STATEMENTS

## Note 19 Available-for-sale Investments

	Group		Company	
	2007 (HK\$'000)	2006 (HK\$'000)	2007 (HK\$'000)	2006 (HK\$'000)
<b>Equity securities</b>				
Unlisted				
Cost	895,400	898,146	234,723	234,723
Impairment losses	(75,345)	(77,845)	—	—
	820,055	820,301	234,723	234,723
Listed in Hong Kong, at market value	630,228	411,651	—	—
Listed outside Hong Kong, at market value	40,771	21,082	—	—
	1,491,054	1,253,034	234,723	234,723
<b>Debt securities</b>				
Unlisted, at fair value	28,527	26,736	—	—
<b>Investment funds</b>				
Listed outside Hong Kong, at market value	20,723	16,674	—	—
Unlisted, at fair value	11,472	8,586	—	—
	32,195	25,260	—	—
	1,551,776	1,305,030	234,723	234,723

The fair values of listed securities are determined on the basis of their quoted market prices at the balance sheet date. For unlisted debt securities, the Group uses the market values determined by independent financial institutions to estimate their fair values. Investment funds are valued based on the net asset value per share as reported by the managers of such funds.

Certain available-for-sale investments of the Group, including an unlisted equity investment in STDM, do not have quoted market prices in an active market and other methods of reasonably estimating fair value are clearly unworkable as the variability in the range of various reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. These available-for-sale investments are therefore stated at cost and are subject to review for impairment loss.

## Note 19 Available-for-sale Investments (Continued)

An analysis of available-for-sale investments is as follows:

	Equity securities		Debt securities		Investment funds		Total	
	2007 (HK\$'000)	2006 (HK\$'000)	2007 (HK\$'000)	2006 (HK\$'000)	2007 (HK\$'000)	2006 (HK\$'000)	2007 (HK\$'000)	2006 (HK\$'000)
<b>Group</b>								
Non-current assets	1,491,054	1,253,034	28,527	26,736	11,313	—	1,530,894	1,279,770
Current assets	—	—	—	—	20,882	25,260	20,882	25,260
	1,491,054	1,253,034	28,527	26,736	32,195	25,260	1,551,776	1,305,030
<b>Company</b>								
Non-current assets	234,723	234,723	—	—	—	—	234,723	234,723

## Note 20 Mortgage Loans Receivable

	Group	
	2007 (HK\$'000)	2006 (HK\$'000)
Mortgage loans receivable	42,965	85,830
Less: Current portion	(4,034)	(3,672)
Non-current portion	38,931	82,158

Mortgage loans receivable are secured by second mortgage of properties and interest bearing at prime rate plus 1.75% to prime rate plus 3.75% (2006: prime rate plus 1.75% to prime rate plus 3.75%) per annum.

The carrying amount of mortgage loans receivable approximates the fair value based on cash flows discounted using effective interest rates of prime rate plus 1.75% to prime rate plus 3.75% (2006: prime rate plus 1.75% to prime rate plus 3.75%) per annum.

## NOTES TO THE FINANCIAL STATEMENTS

## Note 21 Other Non-current Assets

	Group		Company	
	2007 (HK\$'000)	2006 (HK\$'000)	2007 (HK\$'000)	2006 (HK\$'000)
Amounts due by subsidiaries less provision	—	—	11,220,574	5,600,016
Amounts due by associates less provision	11,136	269,596	—	—
Amounts due by jointly controlled entities	435,061	408,631	—	—
Amounts due by investee companies	28,190	28,190	125	125
Structured notes and deposits	91,208	89,223	78,020	77,790
Equity-linked notes, at fair value	7,424	7,869	—	—
Club debentures	140	140	—	—
	573,159	803,649	11,298,719	5,677,931

Amounts due by subsidiaries are unsecured and with no fixed term of repayment. Amount of HK\$408,471,000 (2006: HK\$358,893,000) is interest bearing at prime rate (2006: prime rate) per annum while the remaining balances are non-interest bearing.

Amounts due by associates are unsecured, non-interest bearing and with no fixed term of repayment. (2006: HK\$258,461,000 is interest bearing at 6% per annum while the remaining balances are non-interest bearing.)

Amounts due by jointly controlled entities are unsecured. Amount of HK\$333,540,000 (2006: HK\$333,540,000) is repayable by 5 December 2010 and amount of HK\$30,487,000 (2006: HK\$30,440,000) is repayable upon notice of either party while the remaining balances have no fixed term of repayment. Amount of HK\$333,540,000 (2006: HK\$333,540,000) is interest bearing at HIBOR plus 3% (2006: HIBOR plus 3%) per annum while the remaining balances are non-interest bearing.

Amounts due by investee companies are unsecured, non-interest bearing and with no fixed term of repayment.

For the interest bearing portion of amounts due by subsidiaries and jointly controlled entities, the carrying amount is not materially different from the fair value. For the non-interest bearing portion of amounts due by subsidiaries, associates, jointly controlled entities and investee companies, it is not meaningful to disclose fair value.

Structured notes and deposits are denominated in United States dollars with interest rates linked to various factors including interest rates, market indexes, foreign exchange and commodities etc.

For equity-linked notes, the redemption amounts and/or interest rates are linked to equity securities. The Group uses the market values determined by independent financial institutions to estimate their fair values.

## Note 22 Properties for or under Development

	Group	
	2007 (HK\$'000)	2006 (HK\$'000)
Properties for or under development, at cost	10,775,322	1,071,824

An analysis of leasehold land included in properties for or under development is as follows:

	Group	
	2007 (HK\$'000)	2006 (HK\$'000)
<b>Hong Kong</b>		
Long lease	—	74,600
Medium-term lease	1,878,180	743,450
<b>Outside Hong Kong</b>		
Medium-term lease	7,978,673	—
	9,856,853	818,050

## Note 23 Inventories

	Group	
	2007 (HK\$'000)	2006 (HK\$'000)
Properties	644,286	95,759
Spare parts	128,962	119,572
Others	10,983	9,015
	784,231	224,346

An analysis of leasehold land included in inventories is as follows:

	Group	
	2007 (HK\$'000)	2006 (HK\$'000)
<b>Hong Kong</b>		
Long lease	29,840	—
Medium-term lease	29,743	53,386
<b>Outside Hong Kong</b>		
Medium-term lease	392,510	—
	452,093	53,386

## NOTES TO THE FINANCIAL STATEMENTS

## Note 24 Trade Receivables, Other Receivables and Deposits Paid

	Group		Company	
	2007 (HK\$'000)	2006 (HK\$'000)	2007 (HK\$'000)	2006 (HK\$'000)
Amount due by a jointly controlled entity	9,200	9,200	—	—
Current portion of mortgage loans receivable	4,034	3,672	—	—
Equity-linked notes, at fair value	14,743	3,975	—	—
Structured notes and deposits	90,211	—	39,010	—
Deposits for acquisitions of interests in land development rights	772,942	500,000	—	—
Trade and other debtors, deposits and prepayments	637,668	353,570	15,528	10,631
	<b>1,528,798</b>	<b>870,417</b>	<b>54,538</b>	<b>10,631</b>

Amount due by a jointly controlled entity was unsecured and repayable on demand. Amount to the extent of HK\$7,200,000 (2006: HK\$7,200,000) was interest bearing at the interest rate of 5% (2006: 5%) per annum and the remaining balance was non-interest bearing.

The carrying amount of trade and other receivables approximates their fair value because of their immediate or short term maturity.

Trade debtors are managed in accordance with defined credit policies, dependent on market requirements and businesses which they operate. Subject to negotiation, credit is only available for major customers with well-established trading records. The ageing analysis of trade debtors is as follows:

	Group	
	2007 (HK\$'000)	2006 (HK\$'000)
0 – 30 days	144,702	124,773
31 – 60 days	67,928	33,950
61 – 90 days	131,052	8,352
over 90 days	22,002	15,636
	<b>365,684</b>	<b>182,711</b>

An analysis of the age of trade debtors that are past due as at the reporting date but not impaired is as follows:

	Group	
	2007 (HK\$'000)	2006 (HK\$'000)
Past due up to:		
0 – 30 days	52,804	75,156
31 – 60 days	12,890	10,319
61 – 90 days	3,512	7,484
over 90 days	21,463	10,725
	<b>90,669</b>	<b>103,684</b>

## Note 24 Trade Receivables, Other Receivables and Deposits Paid (Continued)

Movement in the allowance for doubtful debts of trade debtors during the year is as follows:

	Group	
	2007 (HK\$'000)	2006 (HK\$'000)
At 1 January	5,677	3,671
Impairment loss recognised during the year	733	2,043
Impairment loss reversed during the year	(391)	—
Uncollectible amounts written off	(444)	(37)
At 31 December	5,575	5,677

## Note 25 Derivative Financial Instruments

	Group	
	2007 (HK\$'000)	2006 (HK\$'000)
<b>Current assets</b>		
Fuel swap contracts	30,319	—
Other derivative financial instruments	2,289	—
	32,608	—
<b>Current liabilities</b>		
Fuel swap contracts	—	18,260
Equity forward sale contracts	—	7,881
	—	26,141

During the year, fuel swap contracts were designated as cash flow hedges to hedge fuel price risk in anticipated future fuel purchases. These contracts were remeasured at fair value based on the estimated future cash flows. The fair value gains or losses are transferred from hedging reserve to other costs in the income statement when the forecast purchases occur, at various dates between 1 month to 12 months (2006: 1 month to 12 months) from the balance sheet date.

## NOTES TO THE FINANCIAL STATEMENTS

## Note 26 Bank Deposits, Cash and Bank Balances

	Group		Company	
	2007 (HK\$'000)	2006 (HK\$'000)	2007 (HK\$'000)	2006 (HK\$'000)
Bank deposits	3,048,848	3,209,613	1,114,146	1,713,957
Cash and bank balances	515,686	217,901	15,972	24,913
	3,564,534	3,427,514	1,130,118	1,738,870

The carrying amount of bank deposits, cash and bank balances approximates their fair value because of their immediate or short term maturity.

## Note 27 Bank Borrowings

	Group	
	2007 (HK\$'000)	2006 (HK\$'000)
<b>Bank loans repayable within a period</b>		
Not exceeding 1 year	3,216,982	91,742
More than 1 year but not exceeding 2 years	200,000	779,982
More than 2 years but not exceeding 5 years	2,671,232	4,015
More than 5 years	121,268	50,985
	6,209,482	926,724
Less: Current portion	(3,216,982)	(91,742)
Non-current portion	2,992,500	834,982

Bank loans to the extent of HK\$154,982,000 (2006: HK\$224,724,000) are secured by charges on certain vessels of the Group of HK\$361,818,000 (2006: HK\$416,880,000). Bank loans to the extent of HK\$142,500,000 (2006: HK\$55,000,000) are secured by charges on properties under development of HK\$418,029,000 (2006: HK\$81,578,000), bank deposits, cash and bank balances of HK\$7,960,000 (2006: HK\$46,111,000) and other assets of HK\$11,770,000 (2006: HK\$112,000) of the Group. The balance is secured by corporate guarantee of the Company.

Bank loans to the extent of HK\$297,482,000 (2006: HK\$279,724,000) are repayable by instalments.

Bank loans are interest bearing at HIBOR plus 0.3% to HIBOR plus 1.5% (2006: HIBOR plus 0.5% to HIBOR plus 1.5%) per annum.

The carrying amount of bank borrowings approximates their fair value based on cash flows discounted using effective interest rates of HIBOR plus 0.3% to HIBOR plus 1.5% (2006: HIBOR plus 0.5% to HIBOR plus 1.5%) per annum.

## Note 28 Trade and Other Payables

	Group		Company	
	2007 (HK\$'000)	2006 (HK\$'000)	2007 (HK\$'000)	2006 (HK\$'000)
Amounts due to subsidiaries	—	—	4,282,207	1,047,762
Amount due to an associate	2,846	2,846	—	—
Loan	5,000	5,000	—	—
Trade and other creditors, deposits and accrued charges	1,057,533	626,159	35,362	24,890
	<b>1,065,379</b>	<b>634,005</b>	<b>4,317,569</b>	<b>1,072,652</b>

Amounts due to subsidiaries and an associate and loan are unsecured, non-interest bearing and with no fixed term of repayment. The carrying amount of trade and other payables either approximates their fair value because of their immediate or short term maturity, or is not materially different from their fair value.

The ageing analysis of trade creditors is as follows:

	Group	
	2007 (HK\$'000)	2006 (HK\$'000)
0 – 30 days	505,465	191,385
31 – 60 days	7,712	2,057
61 – 90 days	1,367	942
over 90 days	26,923	10,115
	<b>541,467</b>	<b>204,499</b>

## Note 29 Provision for Employee Benefits

Provision for employee benefits represents cost of cumulative compensated absences that the Group expects to pay.

	Group		Company	
	2007 (HK\$'000)	2006 (HK\$'000)	2007 (HK\$'000)	2006 (HK\$'000)
At 1 January	27,654	28,222	7,338	7,642
Net amount provided during the year	1,258	832	321	528
Amount paid during the year	(1,598)	(1,400)	(532)	(832)
At 31 December	<b>27,314</b>	<b>27,654</b>	<b>7,127</b>	<b>7,338</b>

## NOTES TO THE FINANCIAL STATEMENTS

### Note 30 Loans from Minority Shareholders

Loans from minority shareholders are unsecured and with no fixed term of repayment. The Group has not provided any guarantee in favour of the minority shareholders in respect of the loans advanced. Amount to the extent of HK\$516,950,000 (2006: HK\$26,950,000) is interest bearing at HIBOR plus 0.58% (2006: HIBOR plus 0.58%) per annum while the balance is non-interest bearing. For the interest bearing portion, the carrying amount is not materially different from their fair value. For the non-interest bearing portion, it is not meaningful to disclose fair value.

### Note 31 Share Capital

	2007		2006	
	Number of shares	(HK\$'000)	Number of shares	(HK\$'000)
<b>Authorised</b>				
Ordinary shares of HK\$0.25 each				
At 1 January and 31 December	4,000,000,000	1,000,000	4,000,000,000	1,000,000
<b>Issued and fully paid</b>				
Ordinary shares of HK\$0.25 each				
At 1 January	2,190,514,064	547,628	2,082,018,240	520,505
Placement of shares	140,000,000	35,000	—	—
Issue of shares for acquisition of a subsidiary	—	—	94,110,954	23,528
Exercise of share options	5,697,670	1,424	15,078,870	3,769
Repurchase of shares	(7,902,000)	(1,975)	(694,000)	(174)
At 31 December	2,328,309,734	582,077	2,190,514,064	547,628

Pursuant to the Placing and Subscription Agreement entered into by the Company on 27 September 2007, 140,000,000 existing issued ordinary shares held by a substantial shareholder were placed out to independent investors at HK\$12.25 per share and 140,000,000 new ordinary shares were subscribed by the substantial shareholder at HK\$12.25 per share. The proceeds, net of expenses, is HK\$1,687,322,000 of which HK\$35,000,000 was credited to the share capital and the remaining balance of HK\$1,652,322,000 was credited to the share premium. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company. The issue of new ordinary shares broadened the shareholder and capital base of the Company and the net proceeds were intended for investment opportunities in the Macau property market.

During the year, share options were exercised to subscribe for 5,697,670 ordinary shares in the Company at total consideration of HK\$18,442,000 of which HK\$1,424,000 was credited to the share capital and the balance of HK\$17,018,000 was credited to the share premium.

### Note 31 Share Capital (Continued)

During the year, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchased	Highest price paid per share (HK\$)	Lowest price paid per share (HK\$)	Aggregate price paid (HK\$'000)
March 2007	1,538,000	11.06	10.88	16,898
April 2007	616,000	11.24	11.14	6,910
May 2007	5,748,000	10.90	10.30	60,754
	<u>7,902,000</u>			<u>84,562</u>

In October 2006, the Company repurchased 694,000 of its own ordinary shares on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK\$6,259,000. The highest and lowest prices paid per share were HK\$9.00 and HK\$8.92 respectively.

The repurchased shares for both years were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to Section 49H of the Hong Kong Companies Ordinance, an amount equivalent to the par value of the shares cancelled of HK\$1,975,000 (2006: HK\$174,000) was transferred from retained profits to capital redemption reserve. The premium and expenses paid on the repurchase of the shares of HK\$82,587,000 (2006: HK\$6,085,000) was charged to retained profits.

## NOTES TO THE FINANCIAL STATEMENTS

### Note 32 Share Option Schemes

The Company had a share option scheme which was adopted on 18 May 1993 (the 1993 share option scheme) and terminated on 31 May 2002. A new share option scheme was adopted on 31 May 2002 (the 2002 share option scheme), whereby the Board of Directors of the Company may grant share options to eligible persons, including Directors and employees of the Company, to subscribe for ordinary shares in the Company. Details of the share option schemes are disclosed in section (d) under Disclosure of Interests in the Report of the Directors on pages 54 to 57.

#### (a) Details of the share options are as follows:

2007

		Number of options					
Date of grant	Exercise price	At 1 January 2007	Granted during the year	Exercised during the year	Cancelled during the year	At 31 December 2007	Note
The 1993 share option scheme							
3 January 2000	HK\$1.15	15,869,566	—	—	—	15,869,566	(i)
The 2002 share option scheme							
25 May 2004	HK\$3.15	97,376,000	—	(5,078,870)	—	92,297,130	(i)
8 July 2004	HK\$3.95	918,800	—	(618,800)	—	300,000	(ii)
22 September 2004	HK\$4.20	5,000,000	—	—	—	5,000,000	(i)
18 January 2007	HK\$11.84	—	150,000	—	(150,000)	—	(iii)
		103,294,800	150,000	(5,697,670)	(150,000)	97,597,130	
		119,164,366	150,000	(5,697,670)	(150,000)	113,466,696	(v)
Weighted average exercise price							
		HK\$2.93	HK\$11.84	HK\$3.24	HK\$11.84	HK\$2.92	

## Note 32 Share Option Schemes (Continued)

### (a) Details of the share options are as follows: (Continued)

2006

Date of grant	Exercise price	Number of options			Note
		At 1 January 2006	Exercised during the year	At 31 December 2006	
The 1993 share option scheme					
3 January 2000	HK\$1.15	20,869,566	(5,000,000)	15,869,566	(i)
The 2002 share option scheme					
25 May 2004	HK\$3.15	107,454,870	(10,078,870)	97,376,000	(i)
8 July 2004	HK\$3.95	918,800	—	918,800	(ii)
22 September 2004	HK\$4.20	5,000,000	—	5,000,000	(i)
		113,373,670	(10,078,870)	103,294,800	
		134,243,236	(15,078,870)	119,164,366	(v)
Weighted average exercise price		HK\$2.88	HK\$2.49	HK\$2.93	

Notes:

- (i) The share options outstanding at 31 December 2007 and 31 December 2006 are granted to Directors and exercisable during a period of 10 years commencing on the date of each grant. These share options vested at the dates of their issues.
- (ii) The share options outstanding at 31 December 2007 and 31 December 2006 are granted to employees and exercisable during a period of 5 years commencing on the date of grant. These share options vested at the dates of their issues.
- (iii) 150,000 share options were granted under the 2002 share option scheme on 18 January 2007, but subsequently were cancelled in October 2007. The vesting period of these share options was from the date of grant until three months before the commencement of the exercise period.
- (iv) During 2007, 5,697,670 (2006: 15,078,870) share options were exercised under the 2002 share option scheme. The weighted average share price at the dates of exercise was HK\$12.75 (2006: HK\$10.03).
- (v) The weighted average remaining contractual life for the share options outstanding at 31 December 2007 is 5.78 (2006: 6.78) years.
- (vi) The total expenses recognised in profit or loss for the year arising from share options is HK\$694,000 (2006: nil).

## NOTES TO THE FINANCIAL STATEMENTS

### Note 32 Share Option Schemes (Continued)

#### (b) Fair value of share options and assumptions

The fair value of these options on the date of grant was HK\$694,000, calculated using the Black-Scholes option pricing model. The inputs into the model are as follows:

Closing price of the Company's shares on the date of grant	HK\$11.78
Exercise price	HK\$11.84
Risk-free interest rate	3.94% per annum
Expected life	5 years
Expected volatility	43.02% per annum
Expected dividend yield	1.05% per annum

Expected volatility was determined by using the historical volatility of the Company's share prices over the previous year up to the date of grant. Expected dividends are based on historical dividends. The Black-Scholes option pricing model requires the input of subjective assumptions. Changes in the inputs may materially affect the fair value estimate.

## Note 33 Reserves

### a) Group

	2007 (HK\$'000)	2006 (HK\$'000)
Share premium	6,735,345	5,066,027
Capital redemption reserve	7,920	5,945
Capital reserve	5	—
Legal reserve	11,141	8,905
Asset revaluation reserve	1,740,674	—
Investment revaluation reserve	371,162	167,131
Hedging reserve	10,656	(6,417)
Exchange reserve	27,353	11,724
Retained profits	3,388,100	2,776,954
	<b>12,292,356</b>	<b>8,030,269</b>

The movements of the Group's reserves for the years ended 31 December 2007 and 31 December 2006 are presented in the consolidated statement of changes in equity on pages 72 to 73 of the financial statements.

The application of share premium and capital redemption reserve is governed by Sections 48B and 49H respectively of the Hong Kong Companies Ordinance.

Legal reserve is a non-distributable reserve of certain subsidiaries and associates which is set aside from the profits of these companies in accordance with the Commercial Code of Macau Special Administrative Region.

Asset revaluation reserve represents the fair value adjustment to the identifiable net assets acquired arising from acquisitions of subsidiaries, as related to the Group's previously held interests in them.

Investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale investments held at the balance sheet date and is dealt with in accordance with the accounting policy of available-for-sale investments as set out in note 2(n) to the financial statements.

Hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flows in accordance with the accounting policy of cash flow hedges in note 2(p) to the financial statements.

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations in accordance with the accounting policy of foreign currencies in note 2(x) to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

## Note 33 Reserves (Continued)

## b) Company

	Share premium (HK\$'000)	Capital redemption reserve (HK\$'000)	Capital reserve (HK\$'000)	Retained profits (HK\$'000)	Total (HK\$'000)
At 1 January 2006	4,095,965	5,771	—	704,356	4,806,092
Profit for the year	—	—	—	397,742	397,742
Issue of shares for acquisition of a subsidiary	936,404	—	—	—	936,404
Exercise of share options	33,729	—	—	—	33,729
Expenses on issue of shares	(71)	—	—	—	(71)
Repurchase of shares	—	174	—	(6,236)	(6,062)
Expenses on repurchase of shares	—	—	—	(23)	(23)
Dividends	—	—	—	(278,534)	(278,534)
At 31 December 2006	5,066,027	5,945	—	817,305	5,889,277
Profit for the year	—	—	—	520,201	520,201
Placement of shares	1,680,000	—	—	—	1,680,000
Exercise of share options	17,018	—	—	—	17,018
Expenses on issue of shares	(27,700)	—	—	—	(27,700)
Repurchase of shares	—	1,975	—	(84,288)	(82,313)
Expenses on repurchase of shares	—	—	—	(274)	(274)
Grant of share options	—	—	694	—	694
Released upon cancellation of share options	—	—	(694)	694	—
Dividends	—	—	—	(316,298)	(316,298)
<b>At 31 December 2007</b>	<b>6,735,345</b>	<b>7,920</b>	<b>—</b>	<b>937,340</b>	<b>7,680,605</b>

Distributable reserves of the Company as at 31 December 2007 amounted to HK\$1,101,412,000 (2006: HK\$992,546,000) of which HK\$164,072,000 (2006: HK\$175,241,000) has been proposed as final dividend.

The consolidated profit attributable to equity holders of the Company includes a profit of HK\$402,765,000 (2006: HK\$397,258,000) which has been dealt with in the financial statements of the Company.

## Note 34 Consolidated Cash Flow Statement

### a) Acquisition of interests in subsidiaries

	2007 (HK\$'000)	2006 (HK\$'000)
<b>Net assets acquired</b>		
Property, plant and equipment	1,017	—
Investment properties	164,700	—
Leasehold land	736,000	—
Properties for or under development	8,645,367	—
Inventories	739,987	—
Jointly controlled entity	—	978,713
Amount due by a jointly controlled entity	—	201,788
Trade receivable, other receivables and deposits paid	16,325	277,237
Bank deposits, cash and bank balances	1,084,421	584
Amount due to the Group	—	(197,881)
Trade and other payables	(868,942)	(277,820)
Taxation payable	(109,620)	—
Deferred tax liabilities	(1,066,045)	—
	9,343,210	982,621
Interests in associates originally held by the Group	(2,173,235)	—
Minority interests	(137,211)	—
	7,032,764	982,621
Excess of interest in fair value of net assets acquired over cost of acquisition	(291,177)	(22,689)
Goodwill	362,453	—
	7,104,040	959,932
<b>Satisfied by</b>		
Ordinary shares of the Company, at fair value	—	959,932
Cash consideration paid	7,069,666	—
Assumption of the obligation of the vendor payable to a subsidiary	25,576	—
Direct costs relating to the acquisitions	8,798	—
	7,104,040	959,932
<b>Cash (outflow)/inflow on acquisition of interests in subsidiaries</b>		
Cash consideration paid	(7,069,666)	—
Direct costs relating to the acquisitions	(8,798)	—
Cash and cash equivalents acquired	1,084,421	584
	(5,994,043)	584

Details of the acquisitions in 2007 and 2006 are disclosed in note 35 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### Note 34 Consolidated Cash Flow Statement (Continued)

#### b) Analysis of cash and cash equivalents

	2007 (HK\$'000)	2006 (HK\$'000)
Investment funds (note 19)	20,882	25,260
Bank deposits, cash and bank balances (note 26)	3,564,534	3,427,514
Cash and cash equivalents in the consolidated cash flow statement	3,585,416	3,452,774

Cash and cash equivalents at the balance sheet date include cash and bank balances of HK\$39,436,000 (2006: HK\$22,697,000) held by subsidiaries which are not freely remissible to the Group because of currency exchange restrictions.

#### c) Major non-cash transactions

- (i) During the year, part of the dividend income of HK\$59,268,000 (2006: HK\$59,268,000) from investments was settled through the current account with an investee company.
- (ii) During 2006, the Company issued 94,110,954 ordinary shares as the consideration for the acquisition of a subsidiary, the details of which are disclosed in note 35 to the financial statements.

## Note 35 Acquisitions of Interests in Subsidiaries

2007

### a) Acquisition of Tin Wai Development Company, Limited (Tin Wai)

	Book value (HK\$'000)	Fair value (HK\$'000)
<b>Net assets acquired</b>		
Property, plant and equipment	518	518
Leasehold land	1,068	736,000
Trade receivable, other receivables and deposits paid	227	227
Trade and other payables	(74)	(74)
Deferred tax liabilities	—	(88,192)
	<b>1,739</b>	<b>648,479</b>
Minority interests		(136,181)
		<b>512,298</b>
Excess of interest in fair value of net assets acquired over cost of acquisition		(291,098)
		<b>221,200</b>
<b>Satisfied by</b>		
Cash consideration paid		195,624
Assumption of the obligation of the vendor payable to a subsidiary		25,576
		<b>221,200</b>

On 21 June 2007, Oriental Pride Group Limited, a wholly-owned subsidiary, acquired 79% of the issued share capital of Tin Wai, which had the right of a land concession in respect of a property site in Taipa, Macau for development of a columbarium.

The fair value adjustment to leasehold land was determined with reference to the valuation performed by an independent professional property valuer. Since the fair value of net assets acquired exceeds the fair value of the consideration, the Group recognised the excess in the consolidated income statement.

Tin Wai contributed revenue of HK\$550,000 and profit of HK\$490,000 to the Group between the date of acquisition and the balance sheet date. If the acquisition of Tin Wai had been completed on 1 January 2007, the Group's total revenues and profit for the year would not have been materially different from those shown on the consolidated income statement.

## NOTES TO THE FINANCIAL STATEMENTS

## Note 35 Acquisitions of Interests in Subsidiaries (Continued)

2007 (Continued)

- b) Acquisitions of Nova Taipa – Urbanizações, Limitada (NTU), Nomusa Limited (Nomusa), Fast Shift Investments Limited (Fast Shift), Nova City Property Management Limited (NCPM) and Nova Taipa Gardens Property Management Limited (NTGPM)

	Book value (HK\$'000)	Fair value (HK\$'000)
<b>Net assets acquired</b>		
Property, plant and equipment	388	388
Investment properties	164,700	164,700
Properties for or under development	1,187,219	8,645,367
Inventories	203,736	739,987
Trade receivable, other receivables and deposits paid	14,459	14,459
Bank deposits, cash and bank balances	1,079,795	1,079,795
Trade and other payables	(867,864)	(867,864)
Taxation payable	(109,399)	(109,399)
Deferred tax liabilities	(18,524)	(977,853)
	1,654,510	8,689,580
Interests in associates originally held by the Group		(2,173,235)
		6,516,345
Goodwill		362,453
		6,878,798
<b>Satisfied by</b>		
Cash consideration paid		6,870,000
Direct costs relating to the acquisitions		8,798
		6,878,798

In December 2007, Ace Wonder Limited, an indirect wholly owned subsidiary, through the acquisitions of the entire issued share capital of Nomusa and Fast Shift, acquired an additional 75% equity interest in NTU raising its total equity interest to 100%. NTU is engaged in property development and investment in Macau and its principal asset is the property development located at the northern part of Taipa, Macau. The development has two-main parts, namely Nova City and Nova Taipa Gardens. As part of the same acquisitions, Shun Tak Property Management (Macau) Investment Limited, an indirect wholly owned subsidiary, acquired an additional 50% equity interest each in NCPM and NTGPM raising its total equity interest to 100% in both companies. NCPM and NTGPM are property management companies for Nova City and Nova Taipa Gardens respectively.

The acquired subsidiaries contributed revenue of HK\$228,036,000 and profit of HK\$37,312,000 to the Group between the dates of acquisitions and the balance sheet date.

## Note 35 Acquisitions of Interests in Subsidiaries (Continued)

### 2007 (Continued)

#### b) Acquisitions of Nova Taipa – Urbanizações, Limitada (NTU), Nomusa Limited (Nomusa), Fast Shift Investments Limited (Fast Shift), Nova City Property Management Limited (NCPM) and Nova Taipa Gardens Property Management Limited (NTGPM) (Continued)

If the acquisitions had been completed on 1 January 2007, the Group's total revenues and profit for the year would have been HK\$5,115,913,000 and HK\$1,299,044,000 respectively. The proforma information is for illustrative purposes only and is not necessarily an indication of revenues and results of operations of the Group that actually would have been achieved had the acquisitions been completed on 1 January 2007, nor is it intended to be a projection of future results.

The goodwill is attributable to the anticipated profitability, future market development and significant synergies expected to arise from those acquired subsidiaries.

### 2006

#### Acquisition of Built City Investments Limited (Built City)

	Book value (HK\$'000)	Fair value (HK\$'000)
<b>Net assets acquired</b>		
Jointly controlled entity	(5,587)	978,713
Amount due by jointly controlled entity	201,788	201,788
Trade and other receivables	277,237	277,237
Cash and bank balances	29	29
Amount due to the Group	(197,881)	(197,881)
Trade and other payables	(277,265)	(277,265)
	<u>(1,679)</u>	<u>982,621</u>
Excess of interest in fair value of net assets acquired over cost of acquisition		<u>(22,689)</u>
		<u>959,932</u>
<b>Satisfied by</b>		
Ordinary shares of the Company, at fair value		<u>959,932</u>

On 7 June 2006, Right City International Limited, a wholly-owned subsidiary, completed the acquisition of the entire issued share capital of Built City, whose principal asset is a 51% interest in a jointly controlled entity, Basecity Investments Limited (Basecity), which indirectly wholly-owns Properties Sub F, Limited, which had the right of a land concession in respect of the property site located at Lot B, District B2, Zone B, NAPE in Macau.

The Company issued 94,110,954 ordinary shares as consideration for the acquisition. The consideration was determined with reference to the market value of the property site in mid-2004 (as described in the Company's circular dated 21 October 2005), and did not take into account the subsequent increase in property prices in Macau. The fair value of ordinary shares issued as consideration was based on the quoted bid price at the date of completion of acquisition. The fair value adjustment to the attributable interest in the jointly controlled entity was mainly attributable to the fair value of the land concession right it held. Since the fair value of net assets acquired exceeds the fair value of the consideration paid, the Group recognised the excess in the consolidated income statement.

## NOTES TO THE FINANCIAL STATEMENTS

### Note 35 Acquisitions of Interests in Subsidiaries (Continued)

2006 (Continued)

#### Acquisition of Built City Investments Limited (Built City) (Continued)

Built City contributed an immaterial amount of revenue and a loss of HK\$14,400,000 to the Group between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January 2006, the Group's total revenues and profit for the year would have been HK\$2,771,996,000 and HK\$1,183,899,000 respectively. The increase in profit for the year would have been mainly attributable to a higher excess of interest in fair value of net assets acquired over cost of acquisition, which would have been caused by a higher valuation of the land concession right and a lower valuation of ordinary shares issued. The proforma information is for illustrative purposes only and is not necessarily an indication of revenues and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2006, nor is it intended to be a projection of future results.

The initial accounting for the acquisition was determined only provisionally because the cost of acquisition will be affected by the Cash Adjustment, if any, as defined in the Company's circular dated 21 October 2005. The Cash Adjustment could not be measured exactly until completion of construction, at which time the Cash Adjustment will be treated as an adjustment to the cost of acquisition.

#### Aggregate effect of acquisitions of other subsidiaries

	2007 Fair value and book value (HK\$'000)	2006 Fair value and book value (HK\$'000)
<b>Net assets acquired</b>		
Property, plant and equipment	111	—
Trade and other receivables	1,639	—
Cash and bank balances	4,626	555
Trade and other payables	(1,004)	(555)
Taxation payable	(221)	—
	5,151	—
Minority interests	(1,030)	—
	4,121	—
Excess of interest in fair value of net assets acquired over cost of acquisition	(79)	—
	4,042	—
<b>Satisfied by</b>		
Cash consideration paid	4,042	—

## Note 36 Segment Information

### Business segments

Group  
2007

	Transportation (HK\$'000)	Property (HK\$'000)	Hospitality (HK\$'000)	Investment and others (HK\$'000)	Eliminations (HK\$'000)	Consolidated (HK\$'000)
<b>Turnover and revenue</b>						
External turnover	2,011,135	846,425	367,939	92,638	—	3,318,137
Inter-segment turnover	208,186	2,880	38,243	—	(249,309)	—
Other revenues	79,762	1,266	2,532	30,485	—	114,045
	2,299,083	850,571	408,714	123,123	(249,309)	3,432,182
<b>Segment results</b>	259,177	286,881	43,080	81,006	—	670,144
Fair value changes on investment properties	—	121,283	—	—	—	121,283
Unallocated income						3,671
Unallocated expense						(109,186)
Interest income						139,312
Operating profit						825,224
Excess of interest in fair value of net assets acquired over cost of acquisition of subsidiaries	—	291,098	79	—	—	291,177
Finance costs						(61,145)
Share of results of associates	1,545	224,980	54,834	1,939	—	283,298
Share of results of jointly controlled entities	4,455	18,881	(803)	—	—	22,533
Profit before taxation						1,361,087
Taxation						(99,279)
Profit after taxation						1,261,808

## NOTES TO THE FINANCIAL STATEMENTS

## Note 36 Segment Information (Continued)

## Business segments (Continued)

Group  
2007

	Transportation (HK\$'000)	Property (HK\$'000)	Hospitality (HK\$'000)	Investment and others (HK\$'000)	Eliminations (HK\$'000)	Consolidated (HK\$'000)
<b>Assets</b>						
Segment assets	2,839,913	18,290,198	1,044,267	1,682,550	(57,685)	23,799,243
Associates	5,111	2,674	228,637	792	—	237,214
Jointly controlled entities	29,124	946,873	(761)	—	—	975,236
Unallocated assets						1,303,617
Total assets						26,315,310
<b>Liabilities</b>						
Segment liabilities	404,207	1,860,822	152,111	11,329	(57,685)	2,370,784
Unallocated liabilities						8,561,396
Total liabilities						10,932,180
<b>Other information</b>						
Capital expenditure	35,729	11,265	347,685	1,305		
Depreciation	113,366	6,055	3,783	1,844		
Amortisation						
– leasehold land	2,976	181	10,417	—		
– intangible assets	—	—	—	296		
Impairment losses on receivables	—	455	278	—		

## Note 36 Segment Information (Continued)

### Business segments (Continued)

Group  
2006

	Transportation (HK\$'000)	Property (HK\$'000)	Hospitality (HK\$'000)	Investment and others (HK\$'000)	Eliminations (HK\$'000)	Consolidated (HK\$'000)
<b>Turnover and revenue</b>						
External turnover	1,798,201	298,640	291,234	120,729	—	2,508,804
Inter-segment turnover	141,119	2,096	32,803	—	(176,018)	—
Other revenues	67,029	933	696	40,833	—	109,491
	2,006,349	301,669	324,733	161,562	(176,018)	2,618,295
<b>Segment results</b>	236,721	84,024	26,834	102,119	—	449,698
Fair value changes on investment properties	—	62,065	—	—	—	62,065
Unallocated income						3,759
Unallocated expense						(88,153)
Interest income						153,701
Operating profit						581,070
Excess of interest in fair value of net assets acquired over cost of acquisition of a subsidiary	—	22,689	—	—	—	22,689
Finance costs						(47,866)
Share of results of associates	412	347,835	50,750	1,516	—	400,513
Share of results of jointly controlled entities	5,789	(23,713)	—	326	—	(17,598)
Profit before taxation						938,808
Taxation						(56,831)
Profit after taxation						881,977

## NOTES TO THE FINANCIAL STATEMENTS

## Note 36 Segment Information (Continued)

## Business segments (Continued)

Group  
2006

	Transportation (HK\$'000)	Property (HK\$'000)	Hospitality (HK\$'000)	Investment and others (HK\$'000)	Eliminations (HK\$'000)	Consolidated (HK\$'000)
<b>Assets</b>						
Segment assets	2,541,762	5,850,554	692,532	1,435,121	(33,726)	10,486,243
Associates	3,566	546	205,311	1,347	—	210,770
Jointly controlled entities	24,540	958,179	(20,533)	—	—	962,186
Unallocated assets						1,881,334
Total assets						13,540,533
<b>Liabilities</b>						
Segment liabilities	359,223	446,868	59,617	18,476	(33,726)	850,458
Unallocated liabilities						1,953,302
Total liabilities						2,803,760
<b>Other information</b>						
Capital expenditure	50,985	25,051	82,729	6,767		
Depreciation	112,510	4,472	4,218	1,004		
Amortisation of						
– leasehold land	2,976	179	10,417	—		
– intangible assets	—	—	—	89		
Impairment losses on						
– goodwill	—	2,275	—	—		
– receivables	—	52	1,991	—		

## Note 36 Segment Information (Continued)

### Geographical segments

#### Group

	Hong Kong (HK\$'000)	Macau (HK\$'000)	Others (HK\$'000)	Consolidated (HK\$'000)
<b>2007</b>				
Turnover and revenue	1,751,226	1,438,993	241,963	3,432,182
Segment assets	10,876,022	14,696,038	743,250	26,315,310
Capital expenditure	385,800	12,016	194	
<b>2006</b>				
Turnover and revenue	1,312,638	1,118,150	187,507	2,618,295
Segment assets	8,891,719	4,049,286	599,528	13,540,533
Capital expenditure	155,958	15,566	1,680	

## NOTES TO THE FINANCIAL STATEMENTS

## Note 37 Significant Related Party Transactions

## a) Details of significant related party transactions during the year were as follows:

	Note	2007 (HK\$'000)	2006 (HK\$'000)
<b>STDM Group</b>	(i)		
Dividend income from STDM		60,859	108,541
Ferry tickets sold to STDM Group	*	423,227	462,453
Discount granted to STDM Group on ferry tickets purchased by STDM Group	*	21,029	23,038
Commission paid to STDM Group on ferry tickets sold by STDM Group	*	20,471	17,540
Fees received from STDM for management of hotels and Macau Tower Convention & Entertainment Centre	*	34,874	34,390
Fuel purchased from STDM Group for Macau shipping operations	*	323,591	248,976
Amount collected by STDM Group for sale of ferry tickets and related services in Macau		472,705	404,336
Amount reimbursed to STDM Group for expenses incurred in respect of shipping operations in Macau		160,966	136,605
Amount reimbursed by STDM Group for staff expenses and administrative resources shared		24,904	30,183
Acquisition of Nova Taipa-Urbanizações Limitada and assignment of related shareholder's loan from STDM Group	*	2,290,000	—
<b>Associates</b>			
Insurance premium paid to an associate		32,593	34,948
<b>Jointly controlled entities</b>			
Ferry passengers handling fees received on behalf of a jointly controlled entity		47,772	40,844
<b>Key management personnel</b>			
Fees received under Ferry Services Co-operation Agreement with a jointly controlled entity of New World Development Company Limited (NWD)	(ii) *	22,500	30,000
Directors' emoluments	(iii)		
Salaries and other short-term employee benefits		29,834	29,184
Post-employment benefits		1,062	1,063
<b>Other related parties</b>			
Commission to China Travel Service (Hong Kong) Limited (CTSHK) for sale of ferry tickets	(iv) *	38,143	32,803
Net income collected by CTSHK for sale of ferry tickets and related services	(iv)	205,871	184,523
Design and construction fee paid and payable to Dragages Limited (DHK)	(v)	329,672	51,015

## Note 37 Significant Related Party Transactions (Continued)

b) At the balance sheet date, the Group had the following balances with related parties:

	Note	2007 (HK\$'000)	2006 (HK\$'000)
<b>STDM Group</b>	(i)		
Minority shareholder's loan from STDM to a subsidiary	(vi) *	100,000	100,000
Bank accounts maintained with Seng Heng Bank Limited, a subsidiary of STDM		26,938	22,446
<b>Jointly controlled entities</b>			
Amounts due by jointly controlled entities	(vii)	444,261	417,831
Construction costs payable to a jointly controlled entity		28,983	30,148
<b>Key management personnel</b>			
Minority shareholder's loans from NWD to subsidiaries	(viii)	248,195	155,044
Minority shareholder's loan from a company beneficially owned by Dr. Stanley Ho to a subsidiary	(ix) *	104,747	112,747
Refundable deposit paid by a subsidiary to Sai Wu Investimento Limitada (Sai Wu)	(x) *	500,000	500,000
<b>Other related parties</b>			
Minority shareholder's loan from Dragages Investments Limited (DI) to a subsidiary	(v)	66,000	17,454
Minority shareholder's loans from Sun Hung Kai Properties Limited (SHK) to subsidiaries	(viii)	721,553	466,674
Accounts receivable from CTS HK	(iv)	15,265	16,430
Design and construction fee payable to DHK	(v)	71,808	13,494

Notes:

- (i) Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung, Mrs. Louise Mok, Ms. Pansy Ho and Mr. David Shum, Directors of the Company, have beneficial interests in STDM. Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung (appointed representative of a corporate director), Mrs. Louise Mok, Ms. Pansy Ho and Mr. David Shum are directors of STDM. STDM is a substantial shareholder of the Company.
- (ii) Dato' Dr. Cheng Yu Tung is chairman of NWD.
- (iii) Further details of Directors' emoluments are disclosed in note 7 to the financial statements.
- (iv) CTS HK is a subsidiary of China Travel International Investment Hong Kong Limited which is a minority shareholder of a subsidiary.
- (v) The subsidiary, Union Sky Holdings Limited, holds the hotel development project at the Hong Kong International Airport and is owned as to 70% by the Group and 30% by DI. DI is a wholly-owned subsidiary of DHK. The minority shareholder's loan is unsecured, non-interest bearing and with no fixed term of repayment.
- (vi) The subsidiary, Shun Tak, Serviços Recreativos, S.A., holds site development rights in Macau and is owned as to 80% by the Group and 20% by STDM. The minority shareholder's loan is unsecured, non-interest bearing and with no fixed term of repayment.

## NOTES TO THE FINANCIAL STATEMENTS

### Note 37 Significant Related Party Transactions (Continued)

Notes: (Continued)

- (vii) Amounts due by jointly controlled entities are unsecured. Amount of HK\$9,200,000 (2006: HK\$9,200,000) is repayable on demand, amount of HK\$333,540,000 (2006: HK\$333,540,000) is repayable by 5 December 2010 and amount of HK\$30,487,000 (2006: HK\$30,440,000) is repayable upon notice of either party while the remaining balances have no fixed term of repayment. Amount of HK\$7,200,000 (2006: HK\$7,200,000) is interest bearing at 5% (2006: 5%) per annum and amount of HK\$333,540,000 (2006: HK\$333,540,000) is interest bearing at HIBOR plus 3% (2006: HIBOR plus 3%) per annum while the remaining balances are non-interest bearing. The related interest income for the year amounted to HK\$24,547,000 (2006: HK\$13,476,000). At the balance sheet date, interest receivable of HK\$41,431,000 (2006: HK\$17,424,000) remained unsettled.
- (viii) The subsidiaries, Ranex Investments Limited (Ranex) and Treasure Peninsula Limited (TPL), hold the development project of The Belcher's and provide second mortgage financing to the buyers of The Belcher's respectively. The subsidiaries are owned as to 51% by the Group, 29% by SHK, 10% by NWD and 10% by an unrelated third party. The minority shareholders' loans to Ranex from NWD and SHK are unsecured, interest bearing at HIBOR plus 0.58% (2006: HIBOR plus 0.58%) per annum and with no fixed term of repayment. The minority shareholders' loans to TPL from NWD and SHK are unsecured, non-interest bearing and with no fixed term of repayment.
- Moreover, SHK also provides minority shareholder's loan\* to a subsidiary, Onluck Finance Limited, which provides second mortgage financing to the buyers of Liberté. This subsidiary is owned as to 64.56% by the Group and 35.44% by SHK. The loan is unsecured, non-interest bearing and with no fixed term of repayment.
- (ix) The subsidiary, Shun Tak Cultural Centre Limited, holds 100% interest in Shun Tak Business Centre in Guangzhou and is owned as to 60% by the Group and 40% by a company beneficially owned by Dr. Stanley Ho. The minority shareholder's loan is unsecured, non-interest bearing and with no fixed term of repayment.
- (x) The subsidiary, Shun Tak Nam Van Investment Limited (Shun Tak Nam Van), entered into a conditional sale and purchase agreement with Sai Wu, a company beneficially owned as to 60% by Dr. Stanley Ho and 40% by other independent third parties, to acquire the interest in the land development right in respect of the property sites adjoining the Macau Tower in Nam Van, Macau. A refundable deposit of HK\$500 million was paid by Shun Tak Nam Van to Sai Wu for further extension of the completion date of the acquisition without changing the consideration or other terms of the acquisition. On 20 June 2007, the completion date of the acquisition was further extended from 30 June 2007 to on or before 30 June 2008.

\* These related party transactions also constitute connected transactions or continuing connected transactions disclosable in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### Note 38 Provident Fund Scheme

The Group provides defined contribution provident fund schemes for its eligible employees. Pursuant to the Mandatory Provident Fund Schemes Ordinance, the Group established a mandatory provident fund (MPF) scheme in December 2000. Since the Group has obtained exemption for its existing Occupational Retirement (ORSO) scheme, all members of the ORSO scheme prior to the establishment of the MPF scheme were offered the choice of switching to the MPF scheme or staying in the ORSO scheme. All new eligible employees joining the Group on or after December 2000 are under the MPF scheme. Under the MPF scheme, both the Group and employees are required to contribute 5% of the employees' relevant income (capped at HK\$20,000). Employees may elect to contribute more than the minimum as a voluntary contribution and the Group will contribute an equal amount up to 5% of the employees' relevant income.

Under the ORSO scheme, the Group and its employees are each required to make contributions to the scheme calculated at 5% of the employees' monthly basic salaries. The Group also operates a defined contribution provident fund scheme for eligible employees in Macau. Contributions to the scheme are made either only by the employer ranging from 5% to 10% or by both employer and employees ranging from 5% to 10% of the employees' monthly basic salaries.

The assets held under the MPF scheme and the other provident fund schemes are managed by independent trustees. The Group's contributions charged to the income statement for the year ended 31 December 2007 were HK\$23,750,000 (2006: HK\$18,008,000). Under the provident fund schemes other than MPF scheme, no forfeiture of employer's contributions were applied to reduce the Group's contributions for both years. Up to the balance sheet date, forfeited contributions of HK\$28,982,000 (2006: HK\$22,906,000) were available to the Group to reduce the contributions to the schemes in future years.

## Note 39 Commitments

### a) Capital commitments

	Group	
	2007 (HK\$'000)	2006 (HK\$'000)
Contracted but not provided for	506,010	858,736
Authorised but not contracted for	4,557	22
	<b>510,567</b>	858,758

In addition to the above, the Group had the following commitments at the balance sheet date:

- (i) the payment of HK\$523 million (2006: HK\$250 million) in cash and the issue of 148,883,374 (2006: 148,883,374) ordinary shares of the Company for the acquisitions of the interests in the land development rights in respect of the property sites adjoining the Macau Tower in Nam Van, Macau.
- (ii) its share of capital and loan contributions of HK\$1,535 million (2006: HK\$2,308 million) to certain jointly controlled entities to finance various projects in Macau.

### b) Lease commitments

The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

	Group	
	2007 (HK\$'000)	2006 (HK\$'000)
Within one year	25,621	5,948
In the second to fifth year inclusive	35,622	6,925
Over five years	50	—
	<b>61,293</b>	12,873

The leasing arrangements of land held under operating leases are set out in notes 14, 22 and 23 to the financial statements. Apart from these leases, the Group's operating leases are for terms ranging from 1 to 7 years.

## NOTES TO THE FINANCIAL STATEMENTS

### Note 39 Commitments (Continued)

#### c) Future minimum lease payments receivable

The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	Group	
	2007 (HK\$'000)	2006 (HK\$'000)
Within one year	101,452	97,659
In the second to fifth year inclusive	140,521	121,124
Over five years	31,140	41,107
	<b>273,113</b>	<b>259,890</b>

The Group's operating leases are for terms ranging from 1 to 20 years.

#### d) Property development commitments

The Group had commitments of HK\$1,926,078,000 (2006: HK\$461,052,000) under various contracts to complete property development projects, out of which HK\$1,376,002,000 (2006: HK\$397,387,000) represents the Group's share of such commitments of a jointly controlled entity.

### Note 40 Contingent Liabilities

	Group		Company	
	2007 (HK\$'000)	2006 (HK\$'000)	2007 (HK\$'000)	2006 (HK\$'000)
Guarantees issued by the Company for credit facilities granted to subsidiaries	—	—	5,912,000	647,000
Guarantees issued by the Company for bank guarantees issued for the Group	60,547	59,247	60,547	59,247
Letters of credit outstanding	—	16,515	—	—

In addition to the above, the Group had provided guarantee to a third party in respect of the sum owing by a jointly controlled entity to the said third party under a license agreement. At the balance sheet date, the Group's share of such contingent liabilities amounted to HK\$2,716,000 (2006: HK\$2,232,000).

## Note 41 Financial Instruments

### Financial risk management

The Group is exposed to credit risk, liquidity risk and market risk arising in the normal course of its business and financial instruments. The Group adopts a conservative policy in financial risk management and its risk management objectives, policies and processes mainly focus on minimizing the potential adverse effects of the risks on the Group's performance and position.

#### a) Credit risk

The Group is exposed to credit risk on financial assets, that a loss may incur if the counterparties fail to discharge their obligation, mainly including debt securities, mortgage loans receivable, amounts due by associates and jointly controlled entities, trade and other debtors, bank deposits and cash at banks.

The Group manages credit risk arising from trade debtors in accordance with defined credit policies, dependent on market requirements and business which they operate. Subject to negotiation, credit is only available for major customers with well-established trading records.

#### Summary quantitative data

	Group		Company	
	2007 (HK\$'000)	2006 (HK\$'000)	2007 (HK\$'000)	2006 (HK\$'000)
Available-for-sale investments	28,527	26,736	—	—
Mortgage loans receivable	38,931	82,158	—	—
Other non-current assets	573,019	803,509	11,298,719	5,677,931
Trade receivables and other receivables deposits paid (excluding deposits and prepayments)	532,612	220,835	54,538	10,631
Derivative financial instruments	32,608	—	—	—
Bank deposits, cash and bank balances	3,564,534	3,427,514	1,130,118	1,738,870
	4,770,231	4,560,752	12,483,375	7,427,432

The Group has concentration of credit risk on amount due by a jointly controlled entity of HK\$375 million (2006: HK\$350 million). As the jointly controlled entity has a strong financial position, the Directors consider that the credit risk is minimal.

At the balance sheet date, the maximum exposure to credit risk is represented by the carrying amount of each financial asset and also includes the amount of financial guarantee granted (as set out in note 40) to certain parties.

Exposure to credit risk of mortgage loans receivable is mitigated by the security of second mortgage of properties.

Credit risk arising from the other financial instruments of the Group, which include mainly cash and cash equivalents, is limited because the counterparties are considered by the Directors to have high creditworthiness.

## NOTES TO THE FINANCIAL STATEMENTS

## Note 41 Financial Instruments (Continued)

## b) Liquidity risk

The Group is exposed to liquidity risk on financial liabilities. It is the Group's policy to regularly monitor its liquidity requirements and its compliance with any lending covenants, and to secure adequate funding and sufficient cash reserves to match with the cash flows required for working capital and investing activities. In addition, banking facilities have been put in place for contingency purposes.

## Summary quantitative data and contractual maturity analysis for financial liabilities

## Group

	Less than 1 year (HK\$'000)	Later than 1 year and not later than 5 year (HK\$'000)	More than 5 year (HK\$'000)	Over 1 year but no fixed repayment term (HK\$'000)	Carrying amount and contractual undiscounted cash flows (HK\$'000)
<b>2007</b>					
Bank borrowings	3,216,982	2,871,232	121,268	—	6,209,482
Trade and other payables	1,065,379	—	—	—	1,065,379
Loans from minority shareholders	—	—	—	1,515,795	1,515,795
	<b>4,282,361</b>	<b>2,871,232</b>	<b>121,268</b>	<b>1,515,795</b>	<b>8,790,656</b>
<b>2006</b>					
Bank borrowings	91,742	783,997	50,985	—	926,724
Trade and other payables	634,005	—	—	—	634,005
Derivative financial instruments	26,141	—	—	—	26,141
Loans from minority shareholders	—	—	—	974,314	974,314
	<b>751,888</b>	<b>783,997</b>	<b>50,985</b>	<b>974,314</b>	<b>2,561,184</b>

## Note 41 Financial Instruments (Continued)

### c) Market risk

#### i) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities. It is the Group's policy to regularly monitor and manage its interest rate risk exposure, which includes both fair value interest rate risk and cash flow interest rate risk, by maintaining an appropriate and comfortable level of mix between fixed and variable-rate financial assets and liabilities and by repaying and/or selling the relevant fixed and variable-rate financial assets and liabilities in case of significant unfavourable market interest rate movement.

#### Summary quantitative data

##### Group

	2007 (HK\$'000)	2006 (HK\$'000)
<b>Variable-rate financial assets/(liabilities)</b>		
Available-for-sale investments	18,791	17,314
Mortgage loans receivable	42,965	85,830
Amount due by a jointly controlled entity	333,540	333,540
Structured notes and deposits	78,020	77,790
Bank balances and deposits	3,415,342	3,318,102
Bank borrowings	(6,209,482)	(926,724)
Loans from minority shareholders	(516,950)	(26,950)
	(2,837,774)	2,878,902
<b>Fixed-rate financial assets</b>		
Available-for-sale investments	9,736	9,422
Amount due by an associate	—	258,461
Amount due by a jointly controlled entity	7,200	7,200
Structured notes and deposits	85,822	—
	102,758	275,083
Net interest-bearing (liabilities)/assets	(2,735,016)	3,153,985

## NOTES TO THE FINANCIAL STATEMENTS

### Note 41 Financial Instruments (Continued)

#### c) Market risk (Continued)

##### i) Interest rate risk (Continued)

##### Company

	2007 (HK\$'000)	2006 (HK\$'000)
<b>Variable-rate financial assets</b>		
Amounts due by subsidiaries	408,471	358,893
Structured notes and deposits	78,020	77,790
Bank balances and deposits	1,121,409	1,730,216
	<b>1,607,900</b>	<b>2,166,899</b>
<b>Fixed-rate financial assets</b>		
Structured notes and deposits	39,010	—
Interest-bearing assets	<b>1,646,910</b>	<b>2,166,899</b>

#### Sensitivity analysis

At 31 December 2007, if interest rates had been 100 basis points lower with all other variables held constant, the Group's profit after taxation and equity would have been HK\$27.2 million higher, arising mainly as a result of lower net interest expenses on net variable-rate financial liabilities (2006: HK\$25.0 million lower, arising mainly as a result of lower net interest income on net variable-rate financial assets).

At 31 December 2007, if interest rates had been 100 basis points higher with all other variables held constant, the Group's profit after taxation and equity would have been HK\$27.2 million lower arising mainly as a result of higher net interest expenses on net variable-rate financial liabilities (2006: HK\$25.0 million higher, arising mainly as a result of higher net interest income on net variable-rate financial assets).

The sensitivity analysis has been prepared with the assumption that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for the relevant financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates at that date over the period until the next annual balance sheet date.

The analysis is prepared on the same basis for 2006.

## Note 41 Financial Instruments (Continued)

### c) Market risk (Continued)

#### ii) Currency risk

The Group is exposed to currency risk on financial assets that are denominated in United States dollar (USD), Macau pataca (MOP) and Renminbi (RMB).

The Group closely monitors and manages its exposure to currency risk, in particular the currency risk arising from those currencies that are not pegged to Hong Kong dollar (HKD), the functional currency of the Group.

While the Group has financial assets denominated in the USD and MOP, they are continuously pegged to HKD and the exposure to currency risk for such currencies is minimal to the Group. The Group's exposure to currency risk on financial assets that are denominated in RMB is historically and usually insignificant. The Group continuously monitors and manages such exposure to ensure they are at manageable levels and considers hedging significant foreign currency exposure should the need arise.

#### Summary quantitative data

##### Group

	USD (HK\$'000)	MOP (HK\$'000)	RMB (HK\$'000)	Total (HK\$'000)
<b>2007</b>				
Available-for-sale investments	106,531	—	—	106,531
Structured notes and deposits	181,419	—	—	181,419
Equity-linked notes	22,167	—	—	22,167
Bank deposits	626,943	—	—	626,943
Cash and bank balances	3,866	15,871	39,435	59,172
Trade and other receivables	2,304	36,777	3,366	42,447
Trade and other payables	(44,527)	(33,912)	(8,001)	(86,440)
	898,703	18,736	34,800	952,239
<b>2006</b>				
Available-for-sale investments	78,140	—	—	78,140
Structured notes and deposits	89,223	—	—	89,223
Equity-linked notes	11,844	—	—	11,844
Bank deposits	560,316	—	—	560,316
Cash and bank balances	13,158	12,874	22,697	48,729
Trade and other receivables	991	46,482	1,591	49,064
Trade and other payables	(40,716)	(30,260)	(3,224)	(74,200)
	712,956	29,096	21,064	763,116

## NOTES TO THE FINANCIAL STATEMENTS

## Note 41 Financial Instruments (Continued)

## c) Market risk (Continued)

## ii) Currency risk (Continued)

## Company

	USD (HK\$'000)	MOP (HK\$'000)	RMB (HK\$'000)	Total (HK\$'000)
<b>2007</b>				
Structured notes and deposits	117,030	—	—	117,030
Bank deposits	310,688	—	—	310,688
Cash and bank balances	246	116	—	362
	<b>427,964</b>	<b>116</b>	<b>—</b>	<b>428,080</b>
<b>2006</b>				
Structured notes and deposits	77,790	—	—	77,790
Bank deposits	292,883	—	—	292,883
Cash and bank balances	4,247	117	—	4,364
	<b>374,920</b>	<b>117</b>	<b>—</b>	<b>375,037</b>

## Sensitivity analysis

At 31 December 2007, if the HKD weakened 10% against the RMB with all other variables held constant, the Group's exchange reserve would have been HK\$3.5 million (2006: HK\$2.1 million) higher. Conversely, if the HKD had strengthened 10% against the RMB with all other variables held constant, the Group's exchange reserve would have been HK\$3.5 million (2006: HK\$2.1 million) lower.

The sensitivity analysis has been prepared with the assumption that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to the exposure to currency risk for the relevant financial instruments in existence at that date. The changes in foreign exchange rates represent management's assessment of a reasonably possible change in foreign exchange rates at that date over the period until the next annual balance sheet date.

The sensitivity analysis has not been prepared for the Group's exposure to currency risk arising from financial assets denominated in USD and MOP. In view of the facts that the HKD has been pegged with the USD and the MOP for many years and the respective governments in Hong Kong and Macau have continuously committed not to amend the pegged rates, the management's assessment of reasonably possible changes in value of the HKD against the USD and against the MOP at the balance sheet date over the period until the next annual balance sheet date is not material.

The analysis is prepared on the same basis for 2006.

## Note 41 Financial Instruments (Continued)

### c) Market risk (Continued)

#### iii) Equity price risk

The Group is exposed to equity price risk on listed and unlisted equity securities, equity-linked notes and equity forward sale contracts.

The Group's policy is mainly to invest in financial assets with equity price risk by using its surplus funds in order to minimise the impact of the exposure to the Group's business operation and financial position and, simultaneously, to enhance the return to the shareholders. The Group aims at holding the listed and unlisted equity securities for long term strategic purposes.

For its listed equity securities, the Group regularly monitors their performance by reviewing their share price and announcements, including interim and annual reports. These investments are selected based on their respective investment potential and prospect and are diversified in different industries. For its unlisted equity securities, the Group monitors their performance by reviewing their reports, including management reports and annual financial statements.

#### Summary quantitative data

	Group		Company	
	2007 (HK\$'000)	2006 (HK\$'000)	2007 (HK\$'000)	2006 (HK\$'000)
<b>Financial assets/(liabilities), at fair value</b>				
Available-for-sale investments	703,194	457,993	—	—
Equity-linked notes	22,167	11,844	—	—
Equity forward sale contracts	—	(7,881)	—	—
	725,361	461,956	—	—
<b>Financial assets, at cost less impairment losses</b>				
Available-for-sale investments	820,055	820,301	234,723	234,723
	1,545,416	1,282,257	234,723	234,723

#### Sensitivity analysis

The Group's equity investments amounting to 92.5% (2006: 92.1%) of its financial assets carried at fair value are classified as available-for-sale investments with exposure to equity price risk and are listed on recognised stock exchanges in Hong Kong, Asia Pacific and the United States. A 10% increase in stock prices at 31 December 2007 would have increased equity by HK\$ 67.1 million (2006: HK\$43.3 million); an equal change in the opposite direction would have decreased equity by HK\$67.1 million (2006: HK\$43.3 million). Unless any decrease in stock prices represents impairment on any investment, the Group's profit after taxation would have been unaffected.

The sensitivity analysis has been prepared with the assumption that the change in equity price had occurred at the balance sheet date and had been applied to the exposure to equity price risk for the relevant financial instruments in existence at that date. The changes in equity price represent management's assessment of a reasonably possible change in equity price at that date over the period until the next annual balance sheet date.

## NOTES TO THE FINANCIAL STATEMENTS

### Note 41 Financial Instruments (Continued)

#### c) Market risk (Continued)

##### iii) Equity price risk (Continued)

The analysis is prepared on the same basis for 2006.

#### Sensitivity analyses are unrepresentative of risk inherent in financial instruments

The Group's unlisted equity investments stated at cost less any impairment loss do not have quoted market prices in an active market and other methods of reasonably estimating fair value are clearly unworkable (Note 19). No sensitivity analyses can be representative of equity price risk inherent in such investments as no quoted market prices are available for such investments.

##### iv) Commodity price risk

The Group is exposed to commodity price risk on fuel swap contracts. It's the Group's policy to limit the exposure to commodity price risk and the current exposure to the Group is not material.

#### Summary quantitative data

	Group	
	2007 (HK\$'000)	2006 (HK\$'000)
<b>Financial assets/(liabilities), at fair value</b>		
Fuel swap contracts	30,319	(18,260)

No sensitivity analysis is prepared for the Group's exposure to commodity price risk as the exposure is not material.

### Categories of financial instruments

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

	Group		Company	
	2007 (HK\$'000)	2006 (HK\$'000)	2007 (HK\$'000)	2006 (HK\$'000)
<b>Financial assets</b>				
Financial assets				
- designated as at FVTPL	39,744	23,277	—	—
- held for trading	2,289	—	—	—
Loan and receivables (including cash and cash equivalents)	4,669,352	4,510,739	12,477,357	7,426,440
Available-for-sale financial assets	1,551,776	1,305,030	234,723	234,723
<b>Financial liabilities</b>				
Financial liabilities held for trading	—	7,881	—	—
Financial liabilities measured at amortised cost	8,790,656	2,535,043	4,317,569	1,072,652

## Note 42 Capital Management

The Group's 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, and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure. The Group manages its capital structure and makes adjustments to it taking into account current and expected debt and equity capital market conditions, the Group's investment strategy and opportunities, projected operating cashflows and capital expenditures, and general market conditions. To maintain or adjust the capital structure, the Group may adjust the level of borrowings, the dividend payment to shareholders or issue new shares.

The Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. Net debt is calculated as total debt, which includes current and non-current bank borrowings, less cash and cash equivalents. Adjusted capital comprises all components of equity attributable to shareholders of the Company less hedging reserve. During 2007, the Group's strategy, which was unchanged from 2006, was to maintain a healthy net debt-to-adjusted capital ratio.

The net debt-to-adjusted capital ratio at 31 December 2007 and 2006 was as follows:

	Group	
	2007 (HK\$'000)	2006 (HK\$'000)
Bank borrowings	6,209,482	926,724
Less: Cash and cash equivalents	(3,585,416)	(3,452,774)
Net debts/(surplus)	2,624,066	(2,526,050)
Equity attributable to equity holders of the Company	13,038,505	8,753,138
Less: Hedging reserve	(10,656)	6,417
Adjusted capital	13,027,849	8,759,555
Net debt-to-adjusted capital ratio	20.1%	—

The increase in the net debt-to-adjusted capital ratio during 2007 was mainly due to the increase in bank borrowings and decrease in bank deposits for financing Macau property projects but compensated by the issue of new shares.

## NOTES TO THE FINANCIAL STATEMENTS

### Note 43 Critical Accounting Estimates and Judgements

The Group makes estimates, assumptions and judgements as appropriate in the preparation of the financial statements. These estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are as follows:

#### a) Valuation of investment properties

The fair value of each investment property is individually determined at each balance sheet date by independent professional valuers based on a market value assessment, on an existing use basis. The valuers have relied on the discounted cash flow analysis and the capitalisation of income approach as their primary methods, supported by the direct comparison method. These methodologies are based upon estimates of future results and a set of assumptions specific to each property to reflect its tenancy and cashflow profile. The fair value of each investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

#### b) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2(c). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

#### c) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovation. Management will change the depreciation where useful lives are different from the previously estimated lives. It will also write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

#### d) Income taxes

The Group is subject to income taxes in certain jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Recognition of deferred tax assets, which principally relate to tax losses, depends on the expectation of future taxable profit that will be available against which tax losses can be utilised. The outcome of their actual utilisation may be different.

#### e) Impairment of available-for-sale financial assets

The Group follows the guidance of HKAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

## Note 43 Critical Accounting Estimates and Judgements (Continued)

### f) Estimated net realisable value on properties for or under development

In determining whether allowances should be made to the Group's properties for or under development for sale, the Group takes into consideration the current market environment and the estimated market value (i.e. the estimated selling price, less estimated costs of selling expenses) less estimated costs to completion of the properties. An allowance is made if the estimated market value is less than the carrying amount.

## Note 44 Comparatives

Certain comparative figures have been reclassified in order to conform with the current year's presentation.

## Note 45 Approval of Financial Statements

The financial statements were approved by the Board of Directors on 8 April 2008.

## PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

	Place of incorporation/ Principal place of operation	Issued and paid up ordinary share capital/ registered capital	Percentage held by the Group	Principal activities
<b>TRANSPORTATION</b>				
Shun Tak Ferries Limited	Hong Kong	HK\$2	100	investment holding
Interdragon Limited	British Virgin Islands	US\$10,000	60	investment holding
Shun Tak-China Travel Shipping Investments Limited	British Virgin Islands	US\$10,000	42.6	investment holding
Glowfield Group Limited	British Virgin Islands	US\$27	42.6	investment holding
Shun Tak-China Travel Ferries Limited	British Virgin Islands	US\$2	42.6	investment holding
Shun Tak-China Travel Ship Management Limited	Hong Kong/ Hong Kong-Macau	HK\$200 HK\$1,000,000 +	42.6	ship management
Ocean Shipbuilding & Engineering Limited	Hong Kong	HK\$200 HK\$100,000 +	42.6	shipbuilding and repairs
Conwick Investment Limited	Hong Kong/ Hong Kong-Macau	HK\$2 HK\$2 +	42.6	shipping
Far East Hydrofoil Company, Limited	Hong Kong/ Hong Kong-Macau	HK\$2,000 HK\$5,000,000 +	42.6	shipping
Hongkong Macao Hydrofoil Company, Limited	Hong Kong/ Hong Kong-Macau	HK\$10,000,000	42.6	shipping
Ravenser Enterprises Limited	Hong Kong/ Hong Kong-Macau	HK\$20 HK\$1,000,000 +	42.6	shipping
Tai Tak Hing Shipping Company Limited	Hong Kong/ Hong Kong-Macau	HK\$200 HK\$5,200,000 +	42.6	shipping
<b>PROPERTY – HONG KONG</b>				
Shun Tak Development Limited	Hong Kong	HK\$27,840,000	100	investment holding
Bonsuric Company Limited	Hong Kong	HK\$2	100	property development
Garraton Investment Limited	Hong Kong	HK\$1,000	100	property investment
Goform Limited	Hong Kong	HK\$2	100	property investment
Hocy Development Limited	Hong Kong	HK\$2	100	property investment
Iconic Palace Limited	Hong Kong	HK\$20	100	property investment
Shun Tak Property Investment & Management Holdings Limited	Hong Kong	HK\$2	100	property investment and management
Ranex Investments Limited	Hong Kong	HK\$100	51	property investment and development
Treasure Peninsula Limited	Hong Kong	HK\$1,000	51	second mortgage financing

	Place of incorporation/ Principal place of operation	Issued and paid up ordinary share capital/ registered capital	Percentage held by the Group	Principal activities
<b>PROPERTY – MACAU</b>				
Eversun Company Limited	Hong Kong/Macau	HK\$200	100	property investment
Shun Tak Nam Van Investimento Limitada	Macau	MOP25,000	100	property development
Basecity Investments Limited**	British Virgin Islands/ Macau	US\$10,000 ^	51	property development
Nova Taipa – Urbanizações, Limitada	Macau	MOP10,000,000	100	property investment and development
Tin Wai Development Company, Limited	Macau	MOP100,000	79	property investment and development
<b>PROPERTY – MAINLAND CHINA</b>				
Shun Tak Cultural Centre Limited	Hong Kong	HK\$10	60	investment holding
Guangzhou Shun Tak Real Estate Company, Limited**	PRC	HK\$130,000,000 @	60	property investment
<b>HOSPITALITY</b>				
Florinda Hotel International Limited	British Virgin Islands/ Macau	US\$1	100	hotel management
Shun Tak Travel Services Limited	Hong Kong	HK\$2,000,000	100	travel agency services
Shun Tak, Serviços Recreativos, S.A.	Macau	MOP1,000,000	80	property holding
Union Sky Holdings Limited**	Hong Kong	HK\$10,000	70	hotel development
Excelsior-Hoteis e Investimentos, Limitada**	Macau	MOP20,000,000 #	50	hotel operation
Sociedade de Turismo e Desenvolvimento Insular, S.A.R.L.	Macau	MOP200,000,000 #	35	hotel and golf club operations
<b>FINANCE</b>				
Shun Tak Finance Limited	Hong Kong	HK\$2	100	treasury
Shun Tak Finance (Overseas) Limited	Jersey	US\$12 US\$26,360 *	100 100	treasury
Step Ahead International Limited	British Virgin Islands/ Hong Kong	US\$1	100	general investment

## PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The above table lists the principal subsidiaries, associates and joint ventures of the Group which, in the opinion of the Directors, principally affect the results and net assets of the Group. To give full details of subsidiaries, associates and joint ventures would, in the opinion of the Directors, result in particulars of excessive length.

Except Shun Tak Ferries Limited, Shun Tak Development Limited and Shun Tak Property Investment & Management Holdings Limited, which are 100% directly held by the Company, the interests in the remaining subsidiaries, associates and joint ventures listed in the above table are held indirectly.

+ *Non-voting deferred shares*

\* *Redeemable preference shares*

@ *Registered capital*

# *Associates*

^ *Joint ventures*

\*\* *Companies not audited by H.C. Watt & Company Limited*

## FIVE-YEAR FINANCIAL SUMMARY

	2007 (HK\$ million)	2006 (HK\$ million)	2005 (HK\$ million)	2004 (HK\$ million)	2003 (HK\$ million)
<b>Consolidated Income Statement</b>					
Turnover	3,318	2,509	2,489	3,749	5,151
Profit attributable to equity holders of the Company	1,014	664	364	480	327
Total dividends	316	279	146	231	97
<b>Consolidated Balance Sheet</b>					
Non-current assets	9,608	7,919	6,388	6,595	7,478
Current assets	16,707	5,622	5,468	5,548	5,429
Current liabilities	(5,170)	(814)	(780)	(1,421)	(1,296)
Non-current liabilities	(5,762)	(1,990)	(2,113)	(2,197)	(3,832)
Net assets	15,383	10,737	8,963	8,525	7,779
Share capital	582	548	520	520	486
Reserves	12,292	8,030	6,530	6,220	5,875
Proposed dividends	164	175	94	135	68
Equity attributable to equity holders of the Company	13,038	8,753	7,144	6,875	6,429
Minority interests	2,345	1,984	1,819	1,650	1,350
Total equity	15,383	10,737	8,963	8,525	7,779
Number of issued and fully paid shares (million)	2,328	2,191	2,082	2,080	1,942
<b>Performance Data</b>					
Earnings per share (HK cents)					
– basic	45.7	31.0	17.5	23.7	16.8
– diluted	43.9	29.7	16.8	22.7	16.7
Dividends per share (HK cents)					
– interim	7.0	4.5	2.5	4.5	1.5
– final	7.0	8.0	4.5	6.5	3.5
Dividend cover	3.3	2.5	2.5	2.2	3.4
Current ratio	3.2	6.9	7.0	3.9	4.2
Gearing (%)	20.1	–	–	–	–
Return on equity attributable to equity holders of the Company (%)	7.8	7.6	5.1	7.0	5.1
Net asset value per share (HK\$)	6.6	4.9	4.3	4.1	4.0

## FIVE-YEAR FINANCIAL SUMMARY

Number of issued and fully paid shares is based on the number of shares in issue at the balance sheet date.

Gearing represents the ratio of net borrowings to equity attributable to equity holders of the Company.

	2007	2006	2005	2004	2003
<b>Headcount by Division</b>					
Head Office	174	161	137	146	129
Transportation	1,796	1,759	1,741	1,669	1,654
Property	328	294	245	230	263
Hospitality	143	121	125	72	63
Investment and others	89	86	1	1	—

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE** is hereby given that the annual general meeting of Shun Tak Holdings Limited will be held at the Golden Restaurant, Macau Jockey Club (HK) Club House, 1st Floor, China Merchant Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on Thursday, 19 June 2008 at 3:00 p.m. for the following purposes:

1. To consider and receive the audited financial statements and the reports of the directors and auditors for the financial year ended 31 December 2007.
2. To declare a final dividend.
3. To re-elect directors.
4. To re-appoint auditors and to fix their remuneration.
5. As special business to consider and, if thought fit, pass the following resolution as an ordinary resolution:

### ORDINARY RESOLUTION

**"That:**

- (a) subject to paragraph (b) of this Resolution, the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to repurchase shares of the Company be and it is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares of the Company which may be repurchased on The Stock Exchange of Hong Kong Limited or any other stock exchange recognised for this purpose by the Securities and Futures Commission of Hong Kong and The Stock Exchange of Hong Kong Limited under the Hong Kong Code on Share Repurchases pursuant to the approval in paragraph (a) of this Resolution shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution, and the said approval shall be limited accordingly;
- (c) for the purposes of this Resolution:  
 "Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:
  - i. the conclusion of the next annual general meeting of the Company;
  - ii. the expiration of the period within which the next annual general meeting of the Company is required by the Companies Ordinance to be held; and
  - iii. the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting."

6. As special business to consider and, if thought fit, pass the following resolutions as ordinary resolutions:

### ORDINARY RESOLUTIONS

(I) **"That:**

- (a) subject to paragraph (c) of this Resolution and pursuant to Section 57B of the Companies Ordinance, the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into shares of the Company) which might require the exercise of such power be and it is hereby generally and unconditionally approved;

## NOTICE OF ANNUAL GENERAL MEETING

- (b) the approval in paragraph (a) of this Resolution shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into shares of the Company) which might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue, (ii) the exercise of any rights of subscription or conversion under any existing warrants, bonds, debentures, notes and other securities issued by the Company which carry rights to subscribe for or are convertible into shares of the Company, (iii) any option scheme or similar arrangement for the time being adopted or will be adopted for the grant or issue of shares or rights to acquire shares of the Company or (iv) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association of the Company, shall not exceed the aggregate of:
  - (aa) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution plus;
  - (bb) (if the directors of the Company are so authorised by a separate resolution of the shareholders of the Company) the nominal amount of share capital of the Company repurchased by the Company subsequent to the passing of this Resolution (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution), and the said approval shall be limited accordingly;
- (d) for the purposes of this Resolution:
 

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

  - i. the conclusion of the next annual general meeting of the Company;
  - ii. the expiration of the period within which the next annual general meeting of the Company is required by the Companies Ordinance to be held; and
  - iii. the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting; and

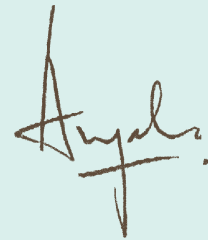
"Rights Issue" means an offer of shares of the Company or issue of options, warrants, or other securities giving the right to subscribe for shares of the Company, open for a period fixed by the directors of the Company to holders of shares whose names appear on the register of members of the Company (and, where appropriate, to holders of other securities entitled to the offer) on a fixed record date in proportion to their then holdings of such shares of the Company (or, where appropriate, such other securities), (subject in all cases to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company)."
- (II) **"That** the directors of the Company be and they are hereby authorised to exercise the powers of the Company referred to in paragraph (a) of the resolution set out as Resolution (I) in item 6 of the notice of this meeting in respect of the share capital of the Company referred to in sub-paragraph (bb) of paragraph (c) of such resolution."

7. As special business to consider and, if thought fit, pass the following resolution as an ordinary resolution:

#### ORDINARY RESOLUTION

**"That** until the shareholders of the Company in annual general meeting otherwise determines, the directors' fees for the financial year ending 31 December 2008 at HK\$200,000 be payable for each independent non-executive director and HK\$5,000 for each other director. Other directors' remuneration to be fixed by the board of directors of the Company."

By Order of the Board



**Angela Tsang**  
Company Secretary

Hong Kong, 28 April 2008

*Registered Office:*  
Penthouse, 39th Floor, West Tower  
Shun Tak Centre  
200 Connaught Road Central  
Hong Kong

*Notes:*

1. *A member of the Company entitled to attend, and vote at, the meeting convened by the notice is entitled to appoint one or two proxies to attend and on a poll vote in his stead. A proxy need not be a member of the Company.*
2. *In order to be valid, a form of proxy must be deposited at the Company's registered office together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.*
3. *The register of members will be closed from Monday, 16 June 2008 to Thursday, 19 June 2008, both days inclusive, during which period no transfer of shares will be effected. In order to determine entitlements to the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen Road East, Hong Kong not later than 4:30 p.m. on Friday, 13 June 2008.*
4. *With regard to item 5 above, the directors wish to draw the attention of the shareholders to the circular which summarises the more important provisions of the Listing Rules relating to the repurchase of shares on The Stock Exchange of Hong Kong Limited by a company and will be despatched to the shareholders together with the Annual Report 2007. The present general mandate to repurchase shares given by the shareholders expires at the forthcoming annual general meeting and, accordingly, a renewal of that general mandate is now being sought.*
5. *With regard to item 6 above, the directors wish to state that, currently, they have no plans to issue any additional new shares of the Company (other than pursuant to any of items (ii), (iii) or (iv) contained in paragraph (c) of the Resolution (I)). The present general mandate to issue shares given by the shareholders expires at the forthcoming annual general meeting and, accordingly, a renewal of that general mandate is now being sought.*

**SHUN TAK HOLDINGS LIMITED**

Penthouse, 39th Floor, West Tower  
Shun Tak Centre  
200 Connaught Road Central  
Hong Kong

**信德集團有限公司**

香港中環干諾道中二百號  
信德中心西座三十九字頂樓