



Shun Tak Holdings Limited
信德集團有限公司

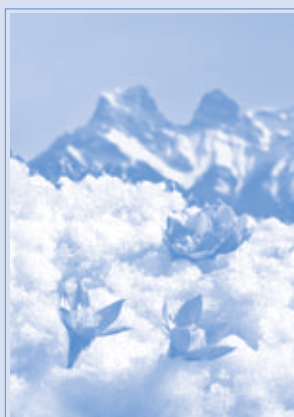
Stock Code 股份代號: 242

2008 ANNUAL REPORT
年報



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Springing into endless opportunities

Pasqueflower, a colorful flower resistant to even the coldest winters, is usually one of the first plants to bloom at the dawn of spring.

The cover design epitomizes Shun Tak's diligent efforts in establishing a solid foundation for future growth. Undaunted by challenges in the environment, the Group forges ahead with unique foresight, careful planning and unfailing perseverance. At times of difficulties, Shun Tak is still dynamically identifying opportunities in the market and capitalizing upon them.

Corporate Information

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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

Dato' Dr. Cheng Yu Tung

Non-Executive Director

Mrs. Louise Mok

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

Mr. Michael Ng

Executive Director

Audit Committee

Mr. Norman Ho

Chairman of the Audit Committee

Sir Roger Lobo

Mrs. Louise Mok

Remuneration Committee

Ms. Pansy Ho

Chairman of the Remuneration Committee

Sir Roger Lobo

Mr. Norman Ho

Mr. Charles Ho

Ms. Daisy Ho

Nomination Committee

Ms. Pansy Ho

Chairman of the Nomination Committee

Sir Roger Lobo

Mr. Norman Ho

Mr. Charles Ho

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
Website: www.shuntakgroup.com
E-mail: enquiry@shuntakgroup.com

Auditor

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
Nanyang Commercial Bank, Ltd.
Sumitomo Mitsui Banking Corporation,
Hong Kong Branch
Agricultural Bank of China,
Hong Kong Branch

Share Registrars and Transfer Office

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

ADR Depositary

The Bank of New York Mellon

Share Listing

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

Corporate Profile

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Shun Tak Holdings Limited (the “Company”) and its subsidiaries (the “Group”) is a leading listed conglomerate with core businesses in property, transportation, hospitality and investment sectors. Established in 1972, the Company (HKSE 242) has been listed on the Hong Kong Stock Exchange since 1973.

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 2008.

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 completed residential project is Radcliffe in Pokfulam, comprising exclusive duplex apartments. Chatham Gardens, another residential property development project of the Group, commenced construction works in December 2008.

PROPERTY



TRANSPORTATION



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

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 its 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 passengers speedy, reliable and comfortable sea travel services across major destinations within the Pearl River Delta (“PRD”), linking major cities such as Hong Kong, Macau, Shenzhen and Shekou.

TurboJET boasts today one of the largest fleets of high-speed passenger ferries in Asia and is the pioneer in 24-hour, high-speed ferry services between Hong Kong and Macau. TurboJET has commanded the market-leading position on this popular route for almost half a century.



HOSPITALITY



INVESTMENT

In 2003, TurboJET launched a unique inter-regional air-sea network comprising a ferry service that links major international airports in the PRD known as “TurboJET Sea Express”. The bonded service connects air transit passengers of the Hong Kong International Airport with Macau and Shenzhen, further strengthening connectivity amongst PRD cities and world destinations. With the realization and expansion of this intermodal transportation platform, the Group’s leadership position in the passenger service industry was further consolidated. In order to better reflect the nature of this service, the routes were later renamed “TurboJET Airport Routes” in 2007.

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.

The extensive network creates for the Group a unique and strategic international multimodal transportation network which provides a strong platform for the Group to capitalize upon passenger traffic in the PRD and other parts of Asia.

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 in the late 1980s.

A 5-star hotel to be operated by the Mandarin Oriental Hotel Group will be built as part of the One Central development. Another ultra-luxurious hotel, the Jumeirah Macau Hotel, will be built in the Cotai tourism epicenter and managed by the Dubai-based luxury hotel management company by 2013.

The award-winning Macau Tower Convention & Entertainment Centre managed by the Group, is a landmark and major tourist attraction in Macau.

In 2008, the Group entered the Hong Kong hospitality market for the first time with the opening of the Hong Kong SkyCity Marriott Hotel located minutes away from the Hong Kong International Airport and AsiaWorld-Expo.

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 60% 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

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Dr. Stanley Ho

G.B.S.

Group Executive Chairman
aged 87

The Group's founder and executive chairman, Dr. Ho Hung Sun, Stanley 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* and Alpha Davis Investments Limited*, the chairman and an executive director of SJM Holdings Limited (which was listed on Hong Kong Main Board on 16 July 2008), and the chairman of the board of directors of Estoril Sol, SGPS, S.A. (a company listed on the Euronext Lisbon). In the past three years, Dr. Ho was the chairman of Value Convergence Holdings Limited (a company listed on Hong Kong Main Board) up to 29 April 2008 and the chairman of Melco International Development Limited (a company listed on Hong Kong Main Board) 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 Golden 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. Louise Mok, 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 85

Sir Rogerio Hyndman Lobo (also known as 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*F.C.P.A.**Independent Non-Executive Director
aged 53*

Mr. Ho Hau Chong, Norman 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 59*

Mr. Ho Tsu Kwok, Charles 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 50
(resigned on 20 January 2009)*

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

Mr. Yeh resigned as an independent non-executive director of the Company and other listed companies in Hong Kong (Arnhold Holdings Limited, Kingway Brewery Holdings Limited and Next Media Limited); resigned as an alternate director of Hysan Development Company Limited, a company listed in Hong Kong and resigned as a director of Japan Residential Assets Manager Limited, the manager of Saizen Real Estate Investment Trust, which is listed on the Singapore Exchange Limited with effect from 20 January 2009 due to his new appointment to serve as a member of the Executive Council of the Government of the Hong Kong Special Administrative Region ("HKSAR") even though the HKSAR has no requirement or predilection for the abstention of independent public company directorships. Mr. Yeh ceased to be a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company immediately following his resignation as an independent non-executive director 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 1985. 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 of the Securities and Futures Commission, MPF Schemes Advisory Committee of Mandatory Provident Fund Schemes Authority and Ad-Hoc Investment Committee for University Grants Committee.

management profile

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Dato' Dr. Cheng Yu Tung

DPMS, LLD (Hon), DBA (Hon),
DSSc (Hon)
Non-Executive Director
aged 83

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

Dato' Dr. Cheng is also a director of Shun Tak Shipping Company, Limited*. He was an appointed representative of a corporate director of Sociedade de Turismo e Diversões de Macau, S.A. * up to 4 December 2008.

Dato' Dr. Cheng is the chairman of the Hong Kong Main Board listed New World Development Company Limited and the Hong Kong Main Board listed Melbourne Enterprises Limited. He is also the non-executive chairman of the Hong Kong Main Board listed Lifestyle International Holdings Limited and the chairman of Chow Tai Fook Enterprises Limited, and is a non-executive director of SJM Holdings Limited (which was listed on the Hong Kong Main Board on 16 July 2008).

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

Mrs. Louise Mok

Non-Executive Director
aged 80

Mrs. Mok Ho Yuen Wing, Louise 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 of the Company. 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 46

Ms. Ho Chiu King, Pansy Catilina joined the Group as an executive director 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, 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; an independent non-executive director of Sing Tao News Corporation Limited; and a non-executive director of Qin Jia Yuan Media Services Company Limited.

For community services, Ms. Ho is an advisory council member of The Better Hong Kong Foundation; a founding honorary advisor and 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. Louise Mok, 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 44*

Ms. Ho Chiu Fung, Daisy 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, 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*. She has been an appointed representative of the Company which is a corporate director of Sociedade de Turismo e Diversões de Macau, S.A.* since 13 September 2008.

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; 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; advisory Council of the Canadian International School of Hong Kong; Governor of The Canadian Chamber of Commerce in Hong Kong; and director of Po Leung Kuk.

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. Louise Mok, 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.*

Dr. Ambrose So

*Executive Director
aged 58*

Dr. So Shu Fai, Ambrose 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 executive director of SJM Holdings Limited (which was listed on the Hong Kong Main Board on 16 July 2008), an independent non-executive director of the Hong Kong Main Board listed Yu Ming Investments Limited and a director of the Euronext Lisbon listed Estoril Sol, SGPS, S.A. 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 67*

Mr. Huen Wing Ming, Patrick 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 Company 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, S.A. 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.

Mr. Anthony Chan

*Executive Director
aged 62*

Mr. Chan Wai Lun, Anthony 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 41*

Ms. Ho Chiu Ha, Maisy 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 Company 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 (Administration) Committee and council member of Hong Kong Institute of Real Estate Administrators; committee member and vice chairman of Young Executive Committee of The Chinese General Chamber of Commerce; director of Tung Wah Group of Hospitals; honorary president of Hong Kong Junior Police Call; and honorary vice president of Hong Kong Girl Guides. Ms. Ho is also a holder of Estate Agent's Licence (Individual).

In Macau, Ms. Ho is an executive vice president of Property Management Business Association Macao; and member of Ladies Committee of Macao Chamber of Commerce.

In China, she is a committee member of The Chinese People's Political Consultative Conference of Liaoning Province; committee member of All-China Youth Federation; Standing Committee member of Beijing Youth Federation; Standing Committee member of Liaoning 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. Louise Mok, a non-executive director of the Company.

Mr. David Shum

*Executive Director
aged 54*

Mr. Shum Hong Kuen, David 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 Company and a director of a number of the Company's subsidiaries. He is responsible for the investment activities of the Group.

Mr. Shum was a director of Sociedade de Turismo e Diversões de Macau, S.A.* up to 13 September 2008.

Mr. Shum is an executive director of SJM Holdings Limited (which was listed on the Hong Kong Main Board on 16 July 2008).

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.*

Mr. Michael Ng

*Executive Director
aged 50
(appointed on 1 April 2009)*

Mr. Ng Chi Man, Michael has been appointed as an executive director of the Company and a member of the Executive Committee of the Company in 2009. He is responsible for the day-to-day and overall management of the activities particularly relating to business development.

Mr. Ng is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. He holds a Master's degree in Business Administration from St. John's University in New York.

Mr. Ng has substantial experience in corporate and financial management of listed companies in Hong Kong. Prior to joining the Company, he was an executive director of HKC (Holdings) Limited and the Chief Executive Officer of Hong Kong Energy (Holdings) Limited. He was also the executive director and deputy general manager of China Travel International Investment Hong Kong Limited, the founder and Chief Executive Officer of Mangocity.com Limited, Group Financial Controller of Consolidated Electric Power Asia Limited and Executive Director of Hong Kong Construction (Hong Kong) Limited. During the past three years, he has held directorships in listed public companies in Hong Kong including HKC (Holdings) Limited and China Travel International Investment Hong Kong Limited.

Financial Highlights and Dividend Schedule

Financial Highlights

| | 2008 (HK\$'000) | 2007 (HK\$'000) |
|------------------------------------------------------|--------------------|--------------------|
| Turnover | 4,350,848 | 3,318,137 |
| Profit attributable to equity holders of the Company | 101,360 | 1,013,548 |
| Total equity | 14,029,556 | 15,383,130 |
| Earnings per share (<i>HK cents</i>) | | |
| – basic | 4.4 | 45.7 |
| – diluted | 4.3 | 43.9 |
| Dividends per share (<i>HK cents</i>) | 1.3 | 14.0 |
| Net asset value per share (<i>HK\$</i>) | 6.2 | 6.6 |

The calculation of basic earnings per share is based on the weighted average number of 2,320,189,585 shares (2007: 2,218,420,201 shares) in issue during the year. The calculation of diluted earnings per share is based on the weighted average number of 2,372,131,777 shares (2007: 2,306,385,218 shares) in issue after adjusting for the effects of all dilutive potential ordinary shares.

Dividend Schedule

| | |
|---------------------------------------------|------------------------|
| Announcement of final dividend | 2 April 2009 |
| Deadline for lodging of all transfers | 20 May 2009, 4:30 p.m. |
| Closure of register of members | 21 May to 26 May 2009 |
| Annual General Meeting | 26 May 2009 |
| Posting of dividend warrant to shareholders | 10 June 2009 |

Significant Events

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2008

May

- Acquisition of the remaining 20% interest in a site in Taipa Macau (the "Cotai") for hotel and serviced apartments development by the acquisition of the entire interest in Prominent Princess International Limited.
- The Group announced the purchase of new land adjoining Harbour Mile site for combined development, with total developable gross floor area of approximately 4,300,000 square feet.
- Official launch of TurboJET WAP ticketing service – the first and only ferry operator offering such convenience.



June

- Official launch of new corporate website with enhanced content and functionality.
- Macau Tower kicked off a 6-month long Italian Festival in association with the Italian Trade Commission.



July

- Macau Tower hosted a trilogy of sports challenges in celebration of the 2008 Beijing Olympics, targeting the hospitality industry, the disabled community and local families.



October

- TurboJET hosted the 33rd Interferry Conference as conference partner, attracting a worldwide attendance of more than 250 delegates from the shipping industry.



- The Group released design and tenancy information of One Central shopping mall. The mall will be completed as scheduled by the end of 2009.

November

- TurboJET expanded fleet with two new vessels going into service that offer higher passenger capacities.

December

- The Group signed management agreement with Jumeirah Group to operate its newest five-star deluxe hotel in Cotai.
- Hong Kong SkyCity Marriott Hotel soft opened and marked the Group's foray into the Hong Kong hotel sector.
- Handover of Nova City Phase 3 residential units commenced.



2009



January

- The Group announced the disposal of its 50% interest in the Mandarin Oriental, Macau to STDM at a consideration of HK\$740 million subject to independent shareholders' approval.
- The Group announced it intends to repurchase 263,667,107 of its own shares from STDM and its subsidiary, at the price of HK\$2.20 per share, which represents approximately 11.68% of the Company's issued share capital subject to independent shareholders' approval.
- Hong Kong SkyCity Marriott Hotel Grand Opening Ceremony.

Chairman's Statement

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Last year, the Group's successful launches of a number of property and hospitality projects further solidified its strength in the respective business sectors. However, as the global economy experienced its downturn, the Group's transportation division was met with considerable challenges.

Profit attributable to shareholders of the Group for the year ended 31 December 2008 was HK\$101 million (2007: HK\$1,014 million). Basic earnings per share were HK 4.4 cents (2007: HK 45.7 cents).

The profit attributable to the equity holders of the Company for the year would be HK\$196 million, a decrease of approximately 69% compared with last year of HK\$641 million, after excluding the effect of revaluation deficit (net of deferred taxation) of HK\$95 million (2007: gain of HK\$82 million) on investment properties and excess of interest in fair value of net assets acquired over cost of acquisition of subsidiaries of HK\$291 million in 2007.

Subject to approval by our shareholders at the Annual General Meeting on 26 May 2009, the Directors recommend a final dividend of HK 1.3 cents per share (2007: HK 7.0 cents per share) in respect of the year ended 31 December 2008. No interim dividend was declared during the year (2007: HK 7.0 cents per share). The total dividends for the year amounted to HK 1.3 cents (2007: HK 14.0 cents) per share.

2008 started strongly with encouraging visitor numbers and a thriving property market sustaining the dynamic momentum in preceding years. However, in common with the global economy, the situation began to turn around, resulting in a challenging year for the Group.

The shipping division was burdened by a multitude of factors including an abrupt surge in fuel prices, stiff competition, visa restrictions from the Mainland and global economic downturn. To weather such challenges, TurboJET strove to achieve higher cost efficiency through route rationalization, re-deployment of resources and proactive cost control initiatives including the addition of two new vessels of higher passenger capacity to reap improved return per journey through economies of scale. The Company also sought to increase income through product diversification by harnessing the luxury travel segment and introduced a newly-refurbished vessel to target charter groups and discerning individual travelers.

Under the strenuous operating environment, TurboJET maintained its quality service and clinched various commendation awards during the year. The successful hosting of the 33rd Interferry Conference in Hong Kong,

the only international conference representing the global maritime community, also reinforced its preeminent role in ferry services within the region.

The Group continued to maintain its leadership position in the Macau property development sector and as owner of the largest premium land bank amongst Hong Kong based developers. As a result of the successful launch of Nova City Phase 3, substantial income has been realized in 2008 and further income is expected to be booked in 2009. One Central Residences also achieved phenomenal sales results, with its handover and booking of revenue expected to take place during the 3rd quarter of 2009. The luxury shopping centre of One Central is scheduled to be launched during the last quarter of 2009.

During the year, the Group acquired several land sites in Macau. In May 2008, the Group purchased a 20% stake from Sociedade de Turismo e Diversões de Macau, S.A. ("STDM") in the Cotai site development and became the sole investor in the project.

Within the same month, the Group also acquired the development right of a site adjoining its Harbour Mile site. With unwavering confidence in the outlook of Macau's economy, the Group has plans to develop the two plots of land collectively into a flagship mixed-use development along one of the last premium sites on the lakefront of Nam Van.

Following the acquisition of 100% interest in the Nova City project in December 2007, the Group is in the process of designing the remaining phases, including a large-scale neighborhood mall serving residents' needs, subject to government's approval. These pipeline projects are expected to contribute significantly to the Group's future income.

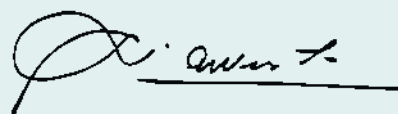
In December 2008, the Group made various important announcements concerning its hospitality portfolio. The Group revealed its plan to develop the Jumeirah Macau Hotel in Cotai, bringing the ultra-luxury Dubai experience to Macau. At the same time, the Group entered Hong Kong's hospitality scene for the first time with the soft opening of the SkyCity Marriott Hotel near the Hong Kong International Airport and the AsiaWorld-Expo. In 2010, a brand new Mandarin Oriental hotel will be completed as part of the One Central development, and will join the Group's diversified interest in the hotel business.

In January 2009, the Group announced the disposal, subject to approval by its independent shareholders, of its 50% interest in the Mandarin Oriental Macau at an estimated consideration of HK\$740 million and 50% of the site's future development potential if and when disposed or redeveloped by STDM. The Group also announced in January 2009 that it will repurchase 263,667,107 shares held by STDM and its subsidiary, at the price of HK\$2.20 per share, which represents approximately 11.68% of the issued share capital if approved by its independent shareholders.

The Group's strategic investment in STDM continued to generate satisfactory dividends in 2008. As a result of prudent risk management, the Group remains financially sound despite of the global financial crisis. The Group holds bank balances and deposits of approximately HK\$2.7 billion as of 31 December 2008.

Year 2008 has been a period of consolidation following years of phenomenal growth in Macau. The Group has taken the opportunity to reevaluate its business portfolio, streamline its operations, and establish a solid foundation to meet future expansion prospects. With the Group's share prices trading below its intrinsic value and growth potential, and to enhance return for its investors, the Group repurchased 105,338,000 shares on the Stock Exchange for an aggregate consideration, including transaction costs, of approximately HK\$322 million in 2008.

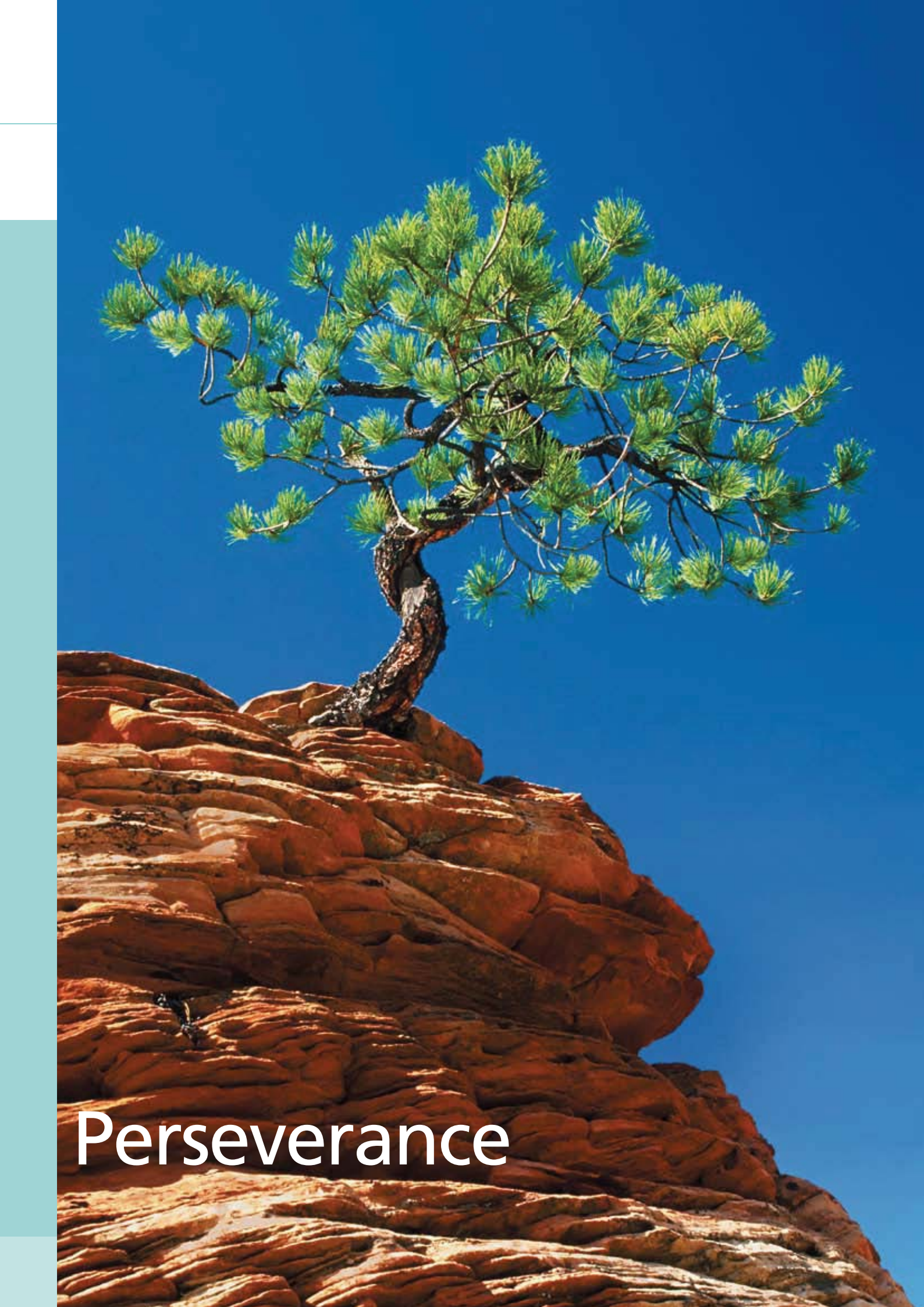
With invaluable support from the management, our teams, business partners, and shareholders, the Group is able to conclude the year on a positive note in spite of economic turbulence around the world. I extend my appreciation for everyone's contribution and effort, and am confident that Shun Tak will emerge as one of the few leaders that will come out stronger upon the recovery of our economy.



Stanley Ho

Group Executive Chairman

2 April 2009



Perseverance

PROPERTY

15

Commanding one of the largest and most valuable land banks in Macau, the Group is ready to capitalize upon opportunities with the recovery of the real estate market in the future.



16 PROPERTY



The Group is an important player in the Macau's property market with a series of developments under planning, construction and launch phases. In 2008, the division maintains a steady level of revenue from the recognition of locked-in profits from the sale of Nova City Phase 3.



The Group's property division reported an operating profit of HK\$370 million (2007: HK\$287 million) or 29% growth for the year ended 31 December 2008.

Notwithstanding the global financial crisis, the division maintains a steady level of revenue from the recognition of locked-in profits pertaining to the sale of Nova City Phase 3. It possesses one of the most valuable land banks in Macau, and is advantageously positioned to capitalize upon opportunities with the recovery of the real estate market in future.

In Macau

One Central

Prominently located on the NAPE waterfront and offering direct access to the MGM Grand Macau, the prestigious address comprises 1.6 million square feet of luxury residential and serviced apartments, a 400,000 square feet upscale retail complex and a five-star 215-room hotel to be managed by the Mandarin Oriental Group.

Superstructure works are progressing according to plans, with the residential units expected to be ready for handover in the 3rd quarter of 2009. Over 97% of residential units were sold as at 31 December 2008. The shopping mall is scheduled for completion and opening by the end of 2009 with international luxury brands already making substantial investments in either creating their flagship stores, or their first or largest stores in Macau. The hotel, to be managed by the Mandarin Oriental Group, and serviced apartments are scheduled to open in the first quarter of 2010.





One Central is a joint development with Hongkong Land Holdings Limited. The Group holds a 51% interest in the venture.

Harbour Mile

Adjacent to the iconic Macau Tower, the Harbour Mile is a flagship project in the Group's development portfolio.

In May 2008, the Group undertook to acquire a plot of land adjoining the original Nam Van site with additional development rights of 1.6 million square feet gross floor area. With the acquisition, the Group now commands a significant portion of the premium Nam Van waterfront area.

The combined site with developable gross floor area of approximately 4.3 million square feet will be used to develop a mixed-use development consisting primarily of premium residential units. Other commercial elements including shopping mall, serviced apartments and hotel will be developed according to market demands. The project is now under planning and is subject to Macau SAR Government's approval.

Nova City

Nova City is a large scale residential and retail development to be completed in five phases on the Taipa Island. Following the successful acquisition of 75% shareholding from its partners in December 2007, the Group now controls 100% interest of the project.



Nova City Phases 1 and 2 were completed with profits recorded in year 2006 and 2007 respectively. As at 31 December 2008, over 87% of Nova City Phase 3 has been sold. Occupation permits for all four residential towers in Phase 3 were issued in December 2008, with handover of units commencing in the same month. The remaining phases of the development, Nova City Phases 4 and 5, are currently under planning.

Cotai Site Development

In May 2008, the Group entered into a Sale and Purchase Agreement with Sociedade de Turismo e Diversões de Macau, S.A. ("STDM") to purchase the latter's 20% interest in the project. The Group now controls 100% interest in the Cotai project and is the sole developer of the site. The Group is in discussion with the Macau SAR Government on its plan to develop an ultra-luxurious hotel.

In December 2008, the Group signed a management agreement with the Jumeirah Group, a renowned luxury hotel management company and a member of Dubai Holding, to operate the proposed five-star deluxe property.

Columbarium in Taipa

The Group holds a 79% interest in the project. Construction works commenced in October 2008 with completion scheduled for mid 2010.

18 PROPERTY

In Hong Kong

Radcliffe

Radcliffe, a luxury residential development featuring ten exclusive 3,620 square feet duplex boutique apartments, was completed in the first half of 2007. 7 out of the 10 duplex units were sold as of 31 December 2008.

SkyCity Marriott Hotel

The 658-room hotel is developed on a 148,000 square feet site within SkyCity, a business and leisure community developed by The Airport Authority Hong Kong. It is directly connected to the AsiaWorld-Expo and is only a stone's throw away from the Hong Kong International Airport and SkyPier, a cross-boundary ferry terminal.

The project is a joint venture development with Dragages Hong Kong Limited with the Group holding 70% interest. The hotel, which had its soft opening in mid-December 2008, was formally opened on 22 Jan 2009.

Chatham Garden Redevelopment

The construction works of Chatham Garden Redevelopment Project commenced in December 2008. The luxury development is located in central Kowloon in close proximity with the Tsim Sha Tsui district. It will consist of approximately 370,000 square feet of residential and retail space. The project is scheduled for completion in the first quarter of 2012. The Group holds 51% interest in the project.

Monmouth Place

Monmouth Place is a modern apartment in the mid-levels with a verdant surrounding. 4 units were sold in 2008. The remaining unsold units have been fully leased and the sales campaign for the sale of the remaining unsold residential units will continue in 2009.

The Westwood

Home to a myriad of chain retailers, The Westwood, a 5-storey shopping centre at The Belcher's with approximately 158,000 square feet of lettable area, is the largest shopping destination in the Western Mid-Levels. During 2008, its tenancy mix was improved with the introduction of several new tenants and dining outlets, with occupancy rate standing above 90%. With the completion of the construction work of the West Island Line, accessibility of The Westwood will be further enhanced.





Liberté Place

Liberté Place, the shopping podium of Liberté in West Kowloon continues to maintain a high occupancy rate of over 90% due to its convenient location with direct access to neighboring residential developments. A newly constructed footbridge connection with the neighboring Banyan Garden facilitated customer traffic between the two developments, providing improved convenience to shoppers and business for tenants. A further surge in traffic is expected with the completion of the entrance of the Lai Chi Kok MTR Station in early 2010.

In China

Guangzhou Shun Tak Business Centre

In Guangzhou, the Shun Tak Business Centre, with a 32-storey office tower and a six-storey shopping arcade, continues to generate stable and satisfactory leasing income for the Group.

Property Services

Shun Tak Property Management Limited ("STPML"), the Group's property management division, provides integrated management solutions to a diversified range of residential, commercial and industrial properties, with a portfolio spanning over 13 million square feet of property space in Hong Kong and Macau. Adding to the Nova City development, the target of 2009 will be to take up One Central, a sizeable mixed-use landmark development in Macau.

STPML remains committed to both the community and the environment. In Macau, our fully certified team of property management professionals is committed to develop and improve Macau's property management standards by working closely with regulatory bodies and industry partners in upholding the new statutory requirements. As the recipient of the Caring Company Award for consecutive years, the Company went on in 2008 to obtain the Diamond Award and the Award for Highest Recyclables Quantity in the competition on separation of waste organized by the Environmental Protection Department, and was honoured the Merit Award in Horticultural Maintenance organized by Leisure and Cultural Services Department.

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 both commercial and residential developments in public and private sectors in Macau.

The Group's subsidiary, Clean Living (Macau) Limited, launched a professional laundry service for premier institutional clients in Macau. Its 30,000-square-foot plant is equipped with brand new state-of-the-art laundry machines designed for high-quality services pledge.

A photograph of four salmon swimming in deep blue water. The fish are positioned in the upper half of the frame, swimming towards the left. The water is a rich, dark blue with visible ripples and some white foam or bubbles near the bottom. The lighting is bright, highlighting the silvery scales of the fish.

Diligence

TRANSPORTATION

A pioneer in intermodal transportation within the Pearl River Delta, the division continues to diversify and perfect its products and services to cater for the ever-evolving demands of the region and global travelers.



22 TRANSPORTATION



2008 has been an exceptionally challenging year for the transportation division. Through resource redeployment, cost control measures, product diversification and enhanced services, TurboJET strove to weather the impact.



2008 has been an exceptionally challenging year for the transportation division burdened by a multitude of factors including an abrupt fluctuation in fuel prices, stiff competition, visa restrictions from the Mainland and global economic downturn. As a result of rising global oil prices, the fuel cost of the Group's shipping operation surged year-on-year by approximately 42%; causing the division to record an operating loss of HK\$150 million for 2008, as compared with an operating profit of HK\$259 million for 2007. The division also suffered a loss in passenger volume with Hong Kong-Macau route decreased year-on-year by approximately 8%.

To weather such challenges, TurboJET strove to achieve higher cost efficiency through re-deployment of resources and effective fleet utilization, including reduction of sailings via co-share and charter-hire with other ferry operators, setting aside of spare capacity to save overheads, control of capital expenditures, and the implementation of labour cost control measures across TurboJET.





In August 2008, TurboJET renewed its fleet by purchasing 2 new high-speed passenger catamarans, each with 418 passenger seating capacity, to achieve economies of scale and enhance operational efficiency. Both new vessels commenced operation in November and December 2008.

A newly refurbished Jetfoil was completed in the third quarter of 2008, catering to discerning VIP and MICE customers as part of the Company's strategy to implement a diversification program to harness the luxury market segment. Other service enhancement measures include a new service lounge, expanded sales channels, extended advanced booking period and enhanced flexibilities in services.

TurboJET Airport Routes continue to exhibit strong growth, registering a 32% year-on-year increase in passenger volume. In order to cope with the increasing demand and offer better connectivity with flight schedules, a 21% additional capacity has been introduced. This multimodal platform effectively strengthened Macau's international connectivity and access, handling passenger traffic equivalent to 17% of throughput achieved by the Macau International Airport in 2008, as compared with 14.5% in 2007.

The permanent SkyPier is scheduled for completion in the fourth quarter of 2009, offering upgraded facilities and increased capacity for multimodal transit passengers.

TurboJET and Expert Fortune Limited are planning to launch a new service between Nam Sha and Hong Kong International Airport. The application has been submitted for approval.

TurboJET has been awarded the "Macau Prime Awards for Service Excellence 2008" by Prime Magazine and the "Best Brand Enterprise in Greater China 2008" by East Week. It is also the

only Hong Kong brand winner of the 33rd "International Award for the Best Trade Name" organized by international publishing houses Editorial Office and Trade Leader's Club in Spain. In January 2009, TurboJET further clinched two major industrial awards namely "Hong Kong Top Service Brand Award" co-organized by Hong Kong Brand Development Council and The Chinese Manufacturers' Association of Hong Kong as well as the "Hong Kong Award for Industry: Productivity and Quality Certificate of Merit" from the Hong Kong Productivity Council.

The 33rd Annual Conference organized by Interferry, the only shipping association representing the ferry industry worldwide, was successfully held in Hong Kong in October 2008 with TurboJET as the renowned conference partner, hosting 250 delegates in Hong Kong and Macau. The attendance rate was the second highest in its history.

Shun Tak & CITS Coach (Macao) Limited, which operates Macau and cross-boundary charter bus services, currently has an operating fleet of approximately 120 vehicles. The business contributes a stable income stream for the Group, with revenue almost doubled to approximately HK\$73 million in 2008, registering a remarkable growth in profit.

The Group remains committed to solidify its vision of forging an intermodal transportation network within the PRD that connects seamlessly with global destinations to capitalize on visitor diversifications and promote economic growth of the region. In light of the recent setbacks in tourism activities, the Group will continue to engage in prudent cost control initiatives to accommodate the impact of slowing demand and focus resources in developing new market segments at an appropriate time. With fuel cost returning to normal level in the fourth quarter, it is expected that profit margin will improve.



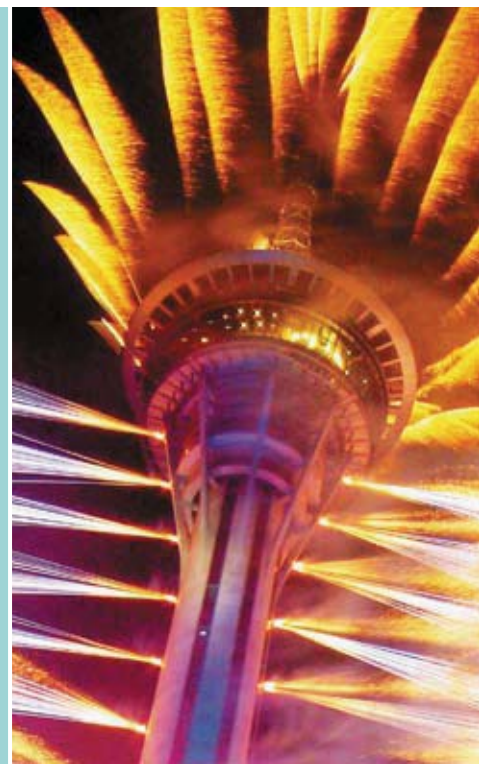


Vitality

HOSPITALITY

25

The Group is the first to introduce 5-star international hotel brands and world class MICE experience to Macau. It is continuing to forge an impressive leisure portfolio through innovation and commitment.



26 HOSPITALITY

The Group has marked its foray in Hong Kong with the opening of the SkyCity Marriott Hotel, and has announced a new hotel in Cotai to be managed by the Jumeirah Group.



The global financial downturn and tightened travel restrictions in China took their toll on Macau's tourism industry in the second half of 2008. Coupled with the effect of pre-opening expenses incurred for the SkyCity Marriott Hotel, the hospitality division reported a decrease in operating profit of 90% to HK\$4 million (2007: HK\$43 million). Nonetheless, various units experienced satisfactory growth and promising plans were unfolded with the vision of strengthening the division's long term development potential for the China, Hong Kong and Macau leisure markets.

The Group announced in January 2009 that, subject to approval from independent shareholders, it will dispose of its 50% interest in the Mandarin Oriental Macau to STD M at a consideration of approximately HK\$740 million. If and when the property is disposed or redeveloped by STD M in the future, the Group will be entitled to an additional 50%





of the site's future gains. The decision allowed the Group to streamline its portfolio segmentation in anticipation of the opening of the new Mandarin Oriental Hotel within One Central, so that resources can be effectively channeled to reap optimal return.

The Group's acclaimed 34.9%-owned Westin Resort Macau ("Westin") continues to be popular among tourists seeking a non-gaming resort destination. In 2008, Westin won "Macau's Leading Hotel" at the World Travel Awards 2008, an accolade hailed as "the Oscars of the Travel Industry" by the Wall Street Journal. The adjacent Macau Golf & Country Club also recorded satisfactory performance.

In December 2008, the Group entered into a management agreement with the Dubai-based luxury hotel management company, the Jumeirah Group, to operate an ultra-luxurious hotel to be developed by the Group on the Cotai site. The Group now holds 100% interest in the project following the acquisition of a 20% stake from STDM. The hotel is scheduled for completion in year 2013.

The Group's 70%-owned joint venture, The Hong Kong SkyCity Marriott Hotel, is a 658-room five-star waterfront hotel. The new hotel is opened for business in December 2008, marking the Group's foray into Hong Kong's hospitality scene. Directly linked to the AsiaWorld-Expo, and only minutes away from the Hong Kong International Airport and the new SkyPier to be completed in 2009, the hotel offers outstanding access to the world and major PRC cities, as well as superb facilities to support the needs of event organizers and MICE delegations.

Macau Tower Convention & Entertainment Centre ("Macau Tower")

Macau Tower is an iconic landmark and a major tourist attraction in Macau, receiving over 7.1 million paid visitors since its opening in December 2001. The Group has been appointed its management entity since its opening.

The observation decks have served over 3 million visitors since its opening. In order to maintain steady and recurrent traffic, special promotions for the community were held over the year. Three sports challenges were hosted in summer coinciding with the Beijing Olympics, followed by a 6-month Italian Festival organized in association with the Italian Trade Commission, promoting Italian signature brands and products.

Leveraging upon its established reputation, Macau Tower will continue to focus on expanding its MICE and banquet business, capitalizing on occasions such as the 10th anniversary of the Macau handover and 60th anniversary of the People's Republic of China. At the same time, a new tenant mix will be introduced to offer family and lifestyle products to drive traffic and volume to the Tower.

Macau Tower's unique adventure activities have contributed to its popularity among leisure visitors. Macau Tower is the most well known Bungy site worldwide, with both its Bungy Jump and SkyJump listed in the Guinness World Records as the world's highest adventure facilities of their kinds. In 2008, Bungy Jump and SkyJump recorded 9,402 jumps collectively, representing a year-on-year growth of approximately 33% (2007: 7,049 jumps).



Shun Tak Hospitality Services Limited

Shun Tak Hospitality Services Limited ("STHSL") primarily focuses on capturing PRD travel businesses. Taking advantage of the extensive resources and affiliated network with the Group, STHSL is able to package leisure and MICE products catering to different markets at competitive rates.

A new retail outlet at Hong Kong – Macau Ferry Terminal, Shun Tak Centre, effectively improves the Company's exposure and ability to capitalize on walk-in business and enhancing service level.





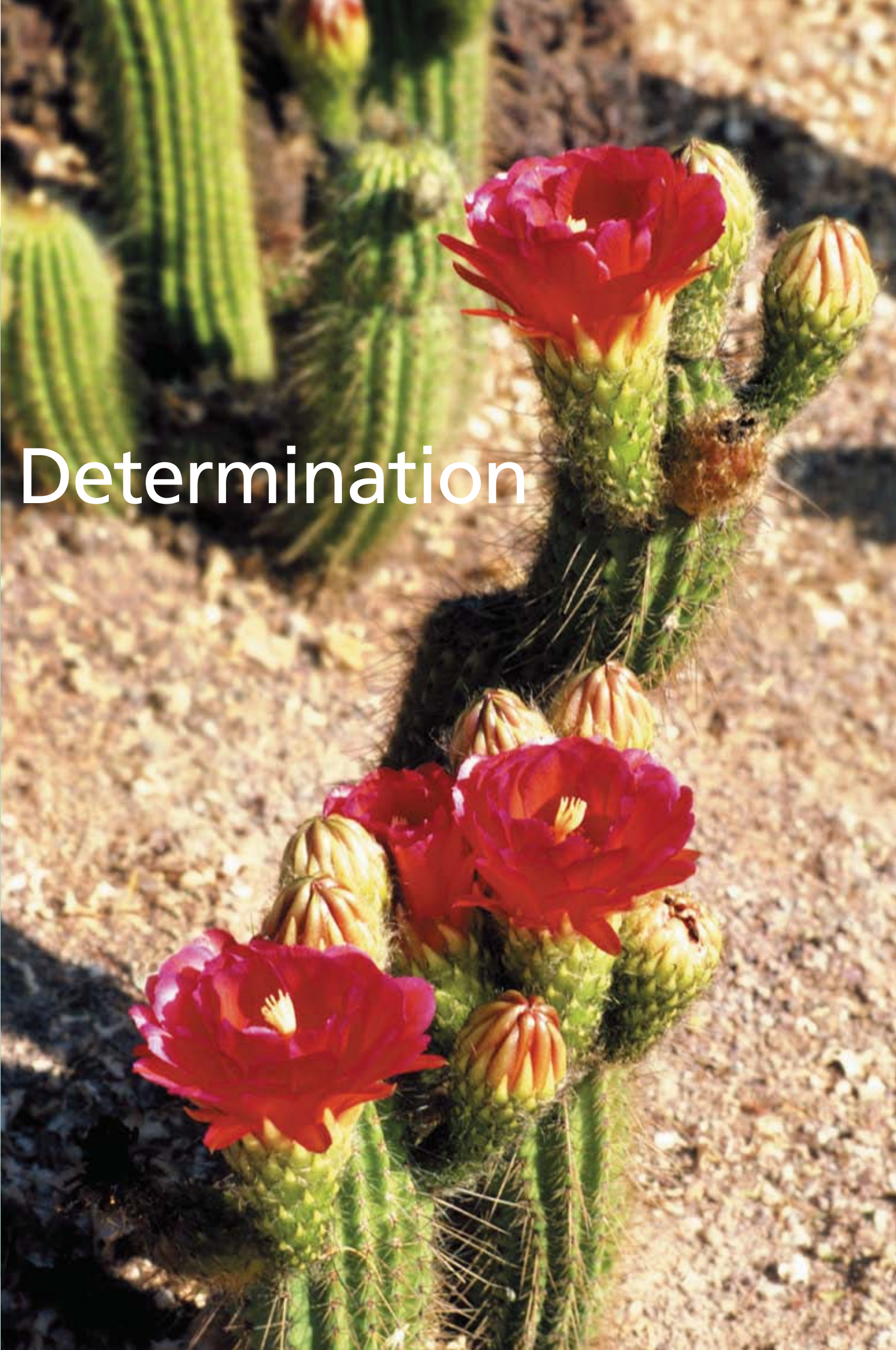
A newly formed MICE arm has been established to better serve growing demand from Greater China and other Asian markets. Strategically complementing the Group's travel and hospitality developments, this extension of premier service provides total travel solutions to all business travelers destined for PRD and other cities in Mainland China.

STHSL is aggressively acquiring a full license for operating MICE business in Mainland China, with the aim of providing more comprehensive travel services to customers and a further expansion of its business travel market in Mainland China. The license is expected to be obtained in the first half of 2009.

The division expects to see an increased demand in PRD travel in year 2009. Financial uncertainties dampened consumers' confidence in spending, thereby shifting travel decisions from long-haul to quality short-haul destinations such as PRD. The likelihood of China lifting travel visa restrictions will be a positive catalyst to rekindle Macau's tourism industry.



Determination



INVESTMENT

31

The Group continues to invest in the Pearl River Delta in preparation of sustained growth for the future.



32 INVESTMENT



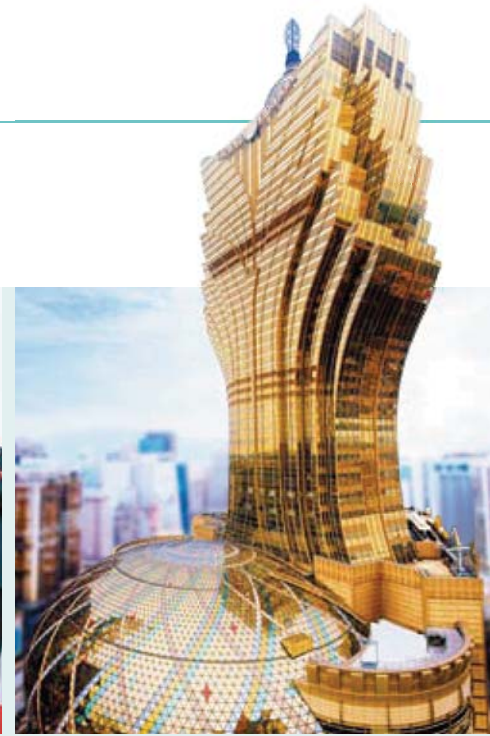
The Group makes direct and indirect investments that complement its core businesses to solidify the overall competitive edge of the Group.



Operating profit of the investment division increased to HK\$114 million (2007: HK\$81 million) for 2008. The Group owns an effective interest in STDM of approximately 11.5%. In 2008, the Group recognized HK\$78 million in ordinary dividends declared by STDM for the financial year ended 31 December 2007.

On 16 July 2008, STDM completed the spin-off of its subsidiary, Sociedade de Jogos de Macau, S.A. ("SJM") through SJM Holdings Limited. Following the spin-off, STDM's effective shareholding in SJM, one of the few gaming concessionaires licensed by the Macau SAR Government to operate casinos, decreased from approximately 80% to about 60%.

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, underwent restructuring in 2008 to consolidate its focus in developing core licensee business, with Toys "R" Us as its flagship operation. It will continue to explore consumer-related opportunities serving the family and tourist markets.

Affirming the Group's confidence in its future prospects, the Group has repurchased 105,338,000 shares of its common stock on the Hong Kong Stock Exchange for an aggregate consideration, including transaction costs, of approximately HK\$322 million in 2008. With share prices trading below its

intrinsic value and growth potentials, the buyback program is implemented with the objective of enhancing return potentials for its shareholders. The Group also announced in January 2009 that it intends to repurchase 263,667,107 shares held by STDM and its subsidiary, at the price of HK\$2.20 per share, which represents approximately 11.68% of the Company's issued share capital if approved by its shareholders.



Continuing to be a staunch advocate in “Giving Back, Reaching Out”, corporate social responsibility is an integral part of our long-held values and culture.



Despite the challenges we encountered in 2008, our commitment to our society remains firm and focused, both on the corporate and individual levels.

“Giving Back”

Our employees are active participants in many charity events, including the Community Chest Hong Kong and Kowloon Walks for Millions and Corporate Sports Challenge, Tung Wah Charity Gala and Sedan Chair Race. Over HK\$260,000 was successfully raised for the charities in year 2008, including more than HK\$93,000 donated to the victims in the China blizzard and Sichuan earthquake.

“Reaching Out”

In addition to raising funds for charities, we believe it is important to reach out directly to those in need, and sharing love with the community.

Coinciding with the Beijing Olympics, TurboJET sponsored the “Macau Disabled Sports Challenge” at Macau Tower, attracting over 1,300 physically and mentally challenged participants together with their families to contest in the games, living the Olympic motto of ‘One World One Dream’.

During Christmas 2008, a group of more than 60 Shun Tak volunteers visited the elderly at Tung Wah Group of Hospitals Jockey Club Rehabilitation Complex to share the joyous festivities with the seniors.

“Education & Environment Protection”

In terms of education, TurboJET launched a scholarship program in the year which targets to acknowledge academic excellence for students in the maritime or transportation studies, as well as to harness their continuous interest in the industry. A student was selected from each of the HK Polytechnic University, HK Institute of Vocational Education, Maritime Services Training Institute and the HK Sea School, to share an annual scholarship fund of close to HK\$129,000.



In addition, TurboJET is sponsoring two Form 5 graduates from Hong Kong Sea School in the six-month seaman's training course at the Vocational Training Council in Tai Lam Chung. After graduation, they will be employed as sailors like their predecessors in 2008 who are currently serving as sailors with TurboJET.

In view of promoting sustainable environmental protection, TurboJET sponsored a Switzerland trip organized by the Hong Kong Scout Association. 21 scouts had the opportunity to explore the superb beauty of nature in the unpolluted paradise and to learn of the importance of environmental conservation.

caption:

- 01 Corporate Voluntary Team visited the Tung Wah Group of Hospitals Jockey Club Rehabilitation Complex
- 02 The Community Chest Corporate Sports Challenge
- 03 Oxfam Trailwalker 2008
- 04 Switzerland trip by Hong Kong Scout Association, sponsored by TurboJET
- 05 Salvation Army Hong Kong & Macau O'Day 2008
- 06 Macau Disabled Sports Challenge at Macau Tower, sponsored by TurboJET



Schedule of Major Properties

36

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 2008 | Estimated Completion Date |
|----------------------------------------------|-------------------------------------------------------------------|------------------------------------------------------------|----------------------------------|---------------------|-------------------------------------------|---------------------------------|
| Hong Kong | | | | | | |
| Chatham Gardens | 34,075 | 3,786 | Residential/ Retail | 51% | Foundation works in progress | 2011 |
| Radcliffe (formerly 120 Pokfulam Road) | 1,009 | 1,684 | Residential | 100% | Completed | — |
| YTM Lots 30 & 31, Yau Tong | — | 1,802 | — | 50% | Land bank | — |
| Macau | | | | | | |
| One Central | 218,419 | 18,344 | Residential/ Commercial/Hotel | 51% | Superstructure works in progress | 2009/ 2010 |
| Nova City | | | Residential/ Commercial | 100% | | |
| Phase II | 1,393 | 8,881 | | | Completed | — |
| Phase III | 12,313 | 10,388 | | | Completed | — |
| Phase IV | 63,279 | 5,426 | | | Under planning | — |
| Phase V | 275,815* | 23,843 | | | Under planning | — |
| Lote J, Aterro de Pac On, Taipa | 6,522 | 2,200 | Columbarium | 79% | Foundation works in progress | 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 2008 | Estimated Completion Date |
|-----------------------|-------------------------------------------------------------------|------------------------------------------------------------|--------------------------------------|---------------------|-------------------------------------------|---------------------------------|
| Macau | | | | | | |
| Harbour Mile (Note 1) | 401,166 | 39,800 | Residential/ Commercial/ 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 2008 | Year of Lease Expiry |
|-----------------------------------------------------------------|---------------------------------------------|--------------------------------------|----------------------|---------------------|-------------------------------------------|-------------------------|
| Baia de Nossa Senhora de Esperança, Taipa, Macau (Note 2) | 200,000 | 80,656 | Hotel/ Commercial | 100% | 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 2008 | 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

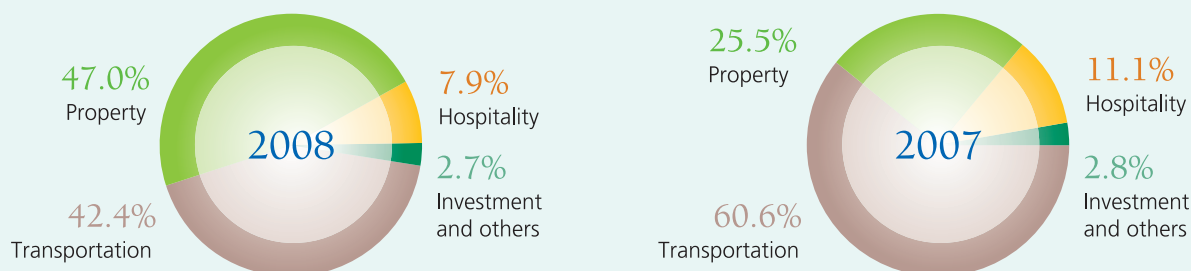
| | Approx. Total Gross Floor Area (Sq.m) | Approx. Total Site Area (Sq.m) | Primary Use | Group's Interest | Approx. Lettable Floor Area (Sq.m) | Year of Lease Expiry |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|-----------------------------------------|----------------------------------|---------------------|---------------------------------------------|----------------------------|
| The Westwood, 8 Belcher's Street, Hong Kong | 20,616 | — | Commercial | 51% | 14,682 | 2030 |
| The Belcher's, 89 Pok Fu Lam Road, Hong Kong | 572 motor car parking spaces | — | Carpark | 51% | — | 2030 |
| | 33 motorcycle parking spaces | — | Carpark | 51% | — | 2030 |
| Liberté Place, 833 Lai Chi Kok Road, Kowloon | 5,600 | — | Commercial | 64.56% | 3,942 | 2049 |
| Liberté, 833 Lai Chi Kok Road, Kowloon | 515 motor car parking spaces | — | Carpark | 64.56% | — | 2049 |
| | 140 lorry parking spaces | — | Carpark | 64.56% | — | 2049 |
| | 45 motorcycle parking spaces | — | Carpark | 64.56% | — | 2049 |
| Seymour Place, LG/F & G/F, 60 Robinson Road, Hong Kong | 974 | — | Commercial | 100% | 822 | 2858 |
| Seymour Place, G/F, 1/F - 3/F, 60 Robinson Road, Hong Kong | 26 parking spaces | — | Carpark | 100% | — | 2858 |
| Monmouth Place, L1 - L4, 9L Kennedy Road, Hong Kong | 18 parking spaces | — | Carpark | 100% | — | 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% | 2,129 | 2863 |
| Hong Kong SkyCity Marriott Hotel 1 Sky City Road East, Hong Kong International Airport, Lantau, Hong Kong | 42,616 | 13,776 | Hotel | 70% | — | 2047 |
| Mandarin Oriental Macau, Avenida da Amizade, Macau | 50,801 | 9,865 | Hotel | 50% | — | 2017 |

Group Financial Review

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Turnover Analysis

Turnover by Division



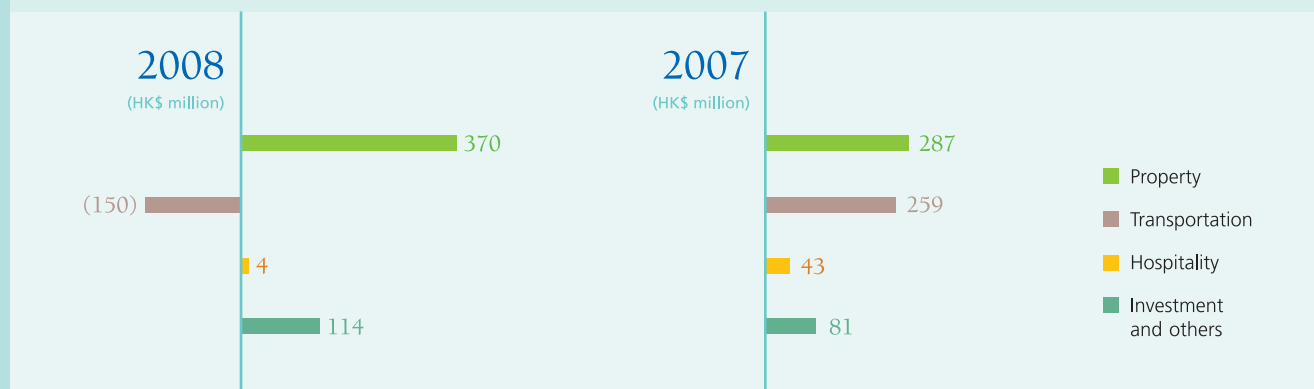
| (HK\$ million) | 2008 | 2007 | Variance | % | Remarks |
|-----------------------|-------|-------|----------|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Property | 2,046 | 846 | 1,200 | 142 | The increase was mainly due to recognition of property sales from Nova City in Macau. |
| Transportation | 1,842 | 2,011 | (169) | (8) | The decrease was primarily due to reduction in passenger volume resulting from stiff competition, travel visa restrictions from Mainland China and global economic downturn. |
| Hospitality | 345 | 368 | (23) | (6) | The decrease was mainly due to the global economic downturn and tightened travel visa restrictions in Mainland China, which had adversely affected travel related business in Macau. |
| Investment and others | 118 | 93 | 25 | 27 | The rise was mainly due to increased dividend income from STDm. |
| Total | 4,351 | 3,318 | 1,033 | 31 | |

Turnover by Geographical Area

| (HK\$ million) | 2008 | 2007 | Variance | % | Remarks |
|----------------|-------|-------|----------|------|--------------------------------------------------------------------------------------------------------|
| Hong Kong | 1,314 | 1,718 | (404) | (24) | The decrease was mainly due to reduced sales of residential units of the Group's Hong Kong properties. |
| Macau | 2,850 | 1,369 | 1,481 | 108 | The increase was mainly due to recognition of property sales from Nova City in Macau. |
| Others | 187 | 231 | (44) | (19) | |
| Total | 4,351 | 3,318 | 1,033 | 31 | |

Profit and Loss Analysis

Operating Profit by Division



| (HK\$ million) | 2008 | 2007 | Variance | % | Remarks |
|--------------------------------------------------------------------------------------------------|-------|-------|----------|-------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Property | 370 | 287 | 83 | 29 | The increase was mainly due to profit generated from property sales at Nova City. |
| Transportation | (150) | 259 | (409) | (158) | The variance was largely attributable to record high fuel prices and tightening of travel visa restrictions in Mainland China, which adversely affected business of TurboJET. |
| Hospitality | 4 | 43 | (39) | (91) | Apart from the effect of global financial downturn on tourism industry, the non-recurring pre-opening expenses taken up by the SkyCity Marriott Hotel had significantly attributed to the decrease. |
| Investment and others | 114 | 81 | 33 | 41 | The rise was mainly due to increased dividend income from STDm. |
| Unallocated net (expenses) / income | (31) | 34 | (65) | (191) | The variance was largely due to reduced interest income. |
| Fair value changes on investment properties | (192) | 121 | (313) | (259) | |
| Operating profit | 115 | 825 | (710) | (86) | |
| Excess of interest in fair value of net assets acquired over cost of acquisition of subsidiaries | — | 291 | (291) | (100) | 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 in 2007. |
| Finance costs | (157) | (61) | (96) | (157) | The increase was principally due to additional loans drawn during the year. |
| Share of results of associates | 38 | 283 | (245) | (87) | The variance was mainly due to completion of acquisition of 75% interest in Nova City project in December 2007, which was then wholly owned by the Group. Therefore, profit is no longer recognised under this category in 2008. |
| Share of results of jointly controlled entities | 14 | 23 | (9) | (39) | The variance is mainly due to decreased contribution from a 51% owned property project in Macau. |
| Profit before taxation | 10 | 1,361 | (1,351) | (99) | |
| Taxation | 20 | (99) | 119 | 120 | |
| Profit after taxation | 30 | 1,262 | (1,232) | (98) | |
| Loss / (Profit) attributable to minority interests | 71 | (248) | 319 | 129 | The variance was mainly attributable to the loss shared by minority shareholders in transportation and property divisions. |
| Profit attributable to equity holders of the Company | 101 | 1,014 | (913) | (90) | |

Profit and Loss Analysis (Continued)

Operating Profit by Geographical Area

| (HK\$ million) | 2008 | 2007 | Variance | % | Remarks |
|----------------|-------|------|----------|-------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Hong Kong | (157) | 473 | (630) | (133) | The variance mainly represented loss of transportation division and fair value loss of investment properties in Hong Kong. |
| Macau | 256 | 263 | (7) | (3) | The negative impact was mainly due to loss of transportation division. This was partially compensated by increase in profit from Nova City project when it became wholly-owned by the Group in December 2007. |
| Others | 16 | 89 | (73) | (82) | The decrease was mainly due to fair value loss of an investment property in Guangzhou and certain structured financial products. |
| Total | 115 | 825 | (710) | (86) | |

Analysis on Share of Results of Associates

| (HK\$ million) | 2008 | 2007 | Variance | % | Remarks |
|-----------------------|------|------|----------|-------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Property | — | 225 | (225) | (100) | The variance was mainly due to completion of acquisition of 75% interest in Nova City project in December 2007, which was then wholly owned by the Group. Therefore, profit is no longer recognised under this category in 2008. |
| Transportation | — | 1 | (1) | (100) | |
| Hospitality | 36 | 55 | (19) | (35) | Both Mandarin Oriental Macau and The Westin Resort Macau recorded reduced contribution in view of keen competition. |
| Investment and others | 2 | 2 | — | — | |
| Total | 38 | 283 | (245) | (87) | |

Liquidity, Financial Resources and Capital Structure

At 31 December 2008, the Group's total net assets decreased by 8.8% over last year to HK\$14,030 million. Cash and liquidity position remains strong and healthy. During the year, net cash from operating activities amounted to HK\$139 million which was resulted mainly from positive impact from sale of properties of Nova City Phase III. Major cash outflow for investing activities included HK\$397 million for purchase of property, plant and equipment, contribution of HK\$830 million for property related projects and HK\$238 million for acquisition of remaining interests in a non-wholly owned subsidiary from a minority shareholder. Net cash outflow for financing activities of HK\$160 million is mainly attributable to HK\$322 million for share repurchase.

Cash Flow Variance Analysis

| (HK\$ million) | 2008 | 2007 | Variance |
|--------------------------------------------------------|-------|---------|----------|
| Operating activities | 139 | (681) | 820 |
| Investing activities | (830) | (6,159) | 5,329 |
| Financing activities | (160) | 6,971 | (7,131) |
| Net (decrease) / increase in cash and cash equivalents | (851) | 131 | (982) |

The Group's bank balances and deposits amounted to HK\$2,737 million at 31 December 2008. 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 2008, total loan facilities available to the Group amounted to HK\$11,933 million, of which HK\$4,695 million remained undrawn. The loan facilities outstanding at the year end amounted to HK\$7,238 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 |
|--|---------------|-----------|-----------|--------------|-------|
| | 28% | 18% | 49% | 5% | 100% |

Based on a net borrowings of HK\$4,501 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 38.1% (2007: 20.1%). The Group will continue to maintain a healthy gearing ratio and consider to reduce its finance costs.

During the year, 33,969,566 new shares were issued upon exercise of share options and 105,338,000 shares were repurchased and cancelled. The Company incurred approximately HK\$322 million for the said repurchase. At 31 December 2008, the Group had commitment of HK\$1,129 million to finance a joint venture project with Hongkong Land Holdings Limited to develop One Central in Macau. In May 2008, the Group agreed to acquire the land development right of Nam Van site in Macau at a consideration of HK\$3,145 million. The outstanding commitment of which at the year end amounted to about HK\$2,830 million.

Pledge of Assets

At the year end, certain assets of the Group with an aggregate carrying value of HK\$1,368 million (2007: HK\$800 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. Approximately 96% of the bank deposits, cash and bank balances are denominated in Hong Kong dollars and United States dollars with the remaining balance mainly in Renminbi and Macau pataca. The Group's principal operations are primarily conducted in Hong Kong dollars so that the exposure to foreign exchange fluctuations is minimal. While the Group has financial assets and liabilities 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.

Human Resources

The Group, including subsidiaries but excluding associates and jointly controlled entities, employed approximately 2,880 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 of the Company (the “Directors”) have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2008.

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 155 to 157.

The analysis of the principal activities and geographical locations of the operations of the Group during the financial year are shown in note 35 to the financial statements.

Group Financial Statements

The profit of the Group for the year ended 31 December 2008 and the state of affairs of the Company and of the Group at that date are shown in the financial statements on pages 71 to 157. 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 33.

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 155 to 157.

Dividends

No interim dividend was paid during the year ended 31 December 2008. The Directors now recommend the declaration of a final dividend of HK 1.3 cents per share in respect of the year ended 31 December 2008 (2007: HK 7 cents per share) payable on 10 June 2009 to the shareholders of the Company whose names appear on the Register of Members of the Company on 26 May 2009.

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 36 to 39.

Share Capital

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

Reserves

The movements in reserves of the Company and of the Group during the year are shown in note 33 to the financial statements and the consolidated statement of changes in equity respectively.

Donations

During the year, the Group made donations for charitable and community purposes amounted to HK\$1,278,200 (2007: HK\$187,000).

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\$40,656,000 (2007: HK\$14,956,000).

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, 20% of the Group's turnover was attributable to the Group's five largest customers combined, with the largest customer accounting for 7% of the Group's total turnover. 75% of the Group's purchases was attributable to the Group's five largest suppliers combined, with the largest supplier accounting for 22% 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.

Directors

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

Mr. Yeh V-Nee resigned as Independent Non-Executive Director on 20 January 2009. Mr. Michael Ng was appointed as Executive Director on 1 April 2009.

In accordance with Articles 77 and 79 of the Company's Articles of Association, Sir Roger Lobo, Dato' Dr. Cheng Yu Tung, Mrs. Louise Mok, Mr. Patrick Huen and Ms. Maisy Ho will retire by rotation, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

In accordance with Article 73 of the Company's Articles of Association, Mr. Michael Ng, the newly appointed Director, will hold office until the forthcoming annual general meeting and, being eligible, offers himself 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.

Brief biographical details of the Directors, who hold office during the year and up to the date of this report are set out on pages 4 to 8.

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 62 to 68.

Directors' Interests in Contracts and Connected Transactions

1. Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung, Mrs. Louise Mok, Ms. Pansy Ho and Mr. David Shum have beneficial interests in STDM, which is a substantial shareholder of the Company. Dr. Stanley Ho, Mrs. Louise Mok, Ms. Pansy Ho and Ms. Daisy Ho (as appointed representative of the Company) are directors of STDM. Dr. Stanley Ho and Dr. Ambrose So are directors of, and have beneficial interests in, SJM Holdings Limited ("SJM"), an indirect non-wholly owned subsidiary of STDM, the shares of which are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Dato' Dr. Cheng Yu Tung and Mr. David Shum are directors of Sociedade de Jogos de Macau, S.A. ("SJM"), a subsidiary of SJM and one of the gaming concessionaires which has been granted a concession by the Macau SAR Government to operate casinos in Macau.

During the year, the Group had the following transactions with STDM and its subsidiaries (the "STDM Group"):

- (a) The Group received total fees of HK\$23.0 million from STDM for managing hotels owned by STDM.
- (b) Shun Tak-China Travel Shipping Investments Limited ("ST-CTSI"), a non-wholly-owned subsidiary of the Company, purchased HK\$417.0 million of fuel from the STDM Group in Macau for its shipping operations. ST-CTSI is beneficially owned as to 42.6% by the Company, 28.4% by STDM and 29% by China Travel International Investment Hong Kong Limited ("CTII"). Pursuant to a fuel arrangement agreement (the "Fuel Agreement") between ST-CTSI and STDM, STDM 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. On 12 November 2007, ST-CTSI signed an amendment to the Fuel Agreement with STDM to continue the arrangement for 3 years from 1 January 2008 to 31 December 2010, and renewable for an additional 3 years unless terminated by written notice by either party.
- (c) Under an agency agreement between ST-CTSI and STDM (the "Agency Agreement"), STDM acted as the agent of ST-CTSI for sale of ferry tickets for which it received HK\$20.5 million in commission. The commission was calculated at 5% of the total net ticket sales generated by STDM as agent (less any discounts and concessions on ferry tickets agreed by ST-CTSI and any taxes, fees and levies paid thereon to any government or ferry terminal operator).

During the year, HK\$298.9 million of ferry tickets were sold to STDM for its own use. A discount of up to a maximum of 12% (depending on the volume of the bulk purchases), totaling HK\$14.5 million, was granted on such bulk purchases.

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

- (d) The Group received total fees of HK\$9.8 million from STDM relating to the operation and property management of the Macau Tower Convention & Entertainment Centre owned by STDM.

- (e) On 16 January 2008, Clean Living (Macau) Limited ("Clean Living"), a wholly-owned subsidiary of the Company, entered into a laundry agreement (the "Sofitel Agreement") with Pier 16 – Management Limited ("Pier 16"), a non-wholly-owned subsidiary of STDM. Clean Living was appointed as the exclusive laundry service provider to the Sofitel Macau at Ponte 16. Pier 16 pays Clean Living a monthly fee based on agreed unit prices for items cleaned which are determined on normal commercial basis with reference to market price and anticipated cleaning costs.

The Sofitel Agreement is in force from 16 January 2008 to 15 January 2010 and may be renewed if mutually agreed at least 3 months prior to the expiry of the term.

During the period from 16 January 2008 to 31 December 2008, Pier 16 paid fees of HK\$1.3 million to Clean Living.

- (f) On 21 February 2008, the Company and STDM entered into a master leasing agreement (the "STDM Master Leasing Agreement") under which the Group will continue to rent various premises from the STDM Group. New leases will be for fixed terms of not more than 3 years. The lease rentals are determined with reference to open market rentals.

The STDM Master Leasing Agreement is in force for an initial period from 21 February 2008 to 31 December 2009 and renewable for successive terms of 3 years in writing.

During the year, the total rental expenses paid to STDM amounted to HK\$7.4 million.

2. On 19 September 2007, Shun Tak-China Travel Ship Management Limited ("ST-CTSM"), a wholly-owned subsidiary of ST-CTSI, entered into an agreement (the "Co-operation 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 New World Development Company Limited ("NWD"). NWD is a substantial shareholder of Ranex Investments Limited, a 51%-owned subsidiary of the Company. Under the terms of the agreement, the Hong Kong Ferry Service between the Hong Kong Macau Ferry Terminal and Macau and the Kowloon Ferry Service between the China Ferry Terminal and Macau are managed and operated by ST-CTSM and NWFF respectively.

In particular, the Co-operation Agreement provides 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 to the market (including 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 does 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 mutually agreed from time to time, provided that cross-selling by NWFF of tickets for the Hong Kong Ferry Service commences after the discounted seats fee paid to ST-CTSM exceeds HK\$30 million per annum; and
- (iii) ST-CTSM and NWFF may charter vessels from each other at a charter-hire fee and other terms to be mutually agreed from time to time.

The term of the Co-operation Agreement was in effect for an initial 1-year period from 1 November 2007 and renewed for 1 year to 31 October 2009. The agreement will be automatically renewed for an additional 1-year period unless terminated by written notice by either party.

On 20 June 2008, ST-CTSM and NWFF entered into a master service agreement (the “NWFF Master Service Agreement”) to further rationalise their co-operative arrangements. The NWFF Master Service Agreement provides a framework to govern services which are or may from time to time be provided by the Group to the NWFF group (or vice versa) on a non-exclusive basis, including transactions contemplated under the Co-operation Agreement. The Group and NWFF group have and will enter into agreements or service contracts with reference to prevailing market prices and on normal commercial terms.

The NWFF Master Service Agreement is in force for an initial term of 3 years from 15 June 2008 to 14 June 2011 and renewable for successive terms of 3 years upon mutual agreement in writing.

During the year, the aggregate revenue received by the Group from the NWFF group and the aggregate expenses paid by the Group to the NWFF group under the NWFF Master Service Agreement amounted to HK\$33.9 million and HK\$1.2 million respectively.

3. On 12 November 2007, ST-CTSI entered into an agreement (the “CTSHK Agreement”) appointing China Travel Service (Hong Kong) Limited (“CTSHK”) as a non-exclusive general sales agent for the sale of ferry tickets for ST-CTSI ferry services. CTSHK is a subsidiary of CTIL, which is a substantial shareholder of ST-CTSI. CTSHK promotes and markets at its own cost the ST-CTSI ferry services.

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

The CTSHK Agreement is in force from 12 November 2007 to 31 December 2009 and renewable for an additional 3 years unless terminated by written notice by either party.

During the year, ST-CTSI paid commissions of HK\$34.1 million to CTSHK.

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

- (a) On 12 November 2007, Wincent Limited (“Wincent”), a wholly-owned subsidiary of the Company, entered into an agreement (the “Wincent Agreement”) with ST-CTSI which appointed Wincent as a non-exclusive general sales agent for the sale of ferry tickets for ST-CTSI ferry services. Wincent promotes and markets at its own cost the ST-CTSI ferry services.

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

The Wincent Agreement is in force from 1 October 2007 to 31 December 2009 and renewable for an additional 3 years unless terminated by written notice by either party.

During the year, ST-CTSI paid commissions of HK\$34.1 million to Wincent.

(b) On 12 November 2007, Crown Development Limited ("Crown"), a wholly-owned subsidiary of the Company, entered into a software agreement (the "Software Agreement") with ST-CTSI to provide software and related services for an online ticketing system for the sale of ferry tickets. 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 is in force from 1 October 2007 to 31 December 2009 and renewable for an additional 3 years unless terminated by either party giving written notice.

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

5. On 12 November 2007, 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 a consultancy agreement (the "Consultancy 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. STP pays to Kiu Lok a consultancy fee based on 50% of its manager remuneration from Shun Tak Centre.

The Consultancy Agreement is in force from 12 November 2007 to 31 December 2009 and renewable for an additional term from 1 January 2010 to 3 March 2011.

During the year, STP paid consultancy fees of HK\$5.5 million to Kiu Lok.

6. On 14 November 2007, the Company entered into a master leasing agreement (the "STC Master Leasing Agreement") with Shun Tak Centre Limited ("STC"), a company beneficially owned by Dr. Stanley Ho, STDM 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). New leases will be for fixed terms of not more than 3 years. The lease rentals are determined with reference to open market rentals.

The STC Master Leasing Agreement is in force from 14 November 2007 to 31 December 2009 and renewable for successive terms of 3 years unless terminated by either party in writing.

During the year, the total rental and related expenses paid by the Group to STC amounted to HK\$7.5 million.

7. On 14 November 2007, the Company entered into a master leasing agreement (the "STS Master Leasing Agreement") with Shun Tak Shipping Company, Limited ("STS"), a substantial shareholder of the Company, under which the Group may rent premises at the Shun Tak Centre from STS. New leases will be for fixed terms of not more than 3 years. The lease rentals are determined with reference to open market rentals.

The STS Master Leasing Agreement is in force from 14 November 2007 to 31 December 2009 and renewable for successive terms of 3 years unless terminated by either party in writing.

During the year, there was no rental or related expenses payable by the Group to STS.

8. During the year, agreements entered into between the Group and MGM Grand Paradise Limited ("MGM"), a company owned as to 50% by Ms. Pansy Ho, a Director and substantial shareholder of the Company, were as set out below:

- (a) On 1 December 2007, ST-CTSM entered into a ferry ticket agreement (the "Ferry Ticket Agreement") with MGM for the sale of ferry tickets for ST-CTSM ferry services. MGM is entitled to a 5% discount on the original selling price net of departure tax and levy (where applicable) for all ferry tickets sold to MGM. Such discount accords with market practice in granting discounts to other bulk purchasers of ferry tickets.

The Ferry Ticket Agreement is in force from 1 December 2007 to 30 November 2010.

- (b) On 18 December 2007, Clean Living entered into a laundry agreement (the "MGM Laundry Agreement") with MGM which appointed Clean Living as the primary laundry service provider to the MGM Grand Macau Hotel ("MGM Hotel"). MGM pays Clean Living a monthly fee based on agreed unit prices for items cleaned which are determined on a normal commercial basis with reference to market price and anticipated cleaning cost.

The MGM Laundry Agreement is in force from 18 December 2007 to 31 December 2008 and subject to renewal by mutual agreement at least 3 months prior to the expiry of the term.

- (c) On 24 December 2007 (and supplemented on 31 December 2007), Shun Tak Travel Services Limited, a wholly-owned subsidiary of the Company, entered into agreements (the "Wholesale Agreements") with MGM for rental of guestrooms at the MGM Hotel. Under the Wholesale Agreements, room rates are based on the type of rooms, market demand and seasonality.

The Wholesale Agreements are in force from 24 December 2007 to 30 June 2008.

- (d) On 4 March 2008, the Company and MGM entered into a master service agreement (the "MGM Master Service Agreement") which provides a framework for services which may be provided/demanded by the Group to/from the MGM group from time to time on a non-exclusive basis, including transactions contemplated under the Ferry Ticket Agreement, the MGM Laundry Agreement and the Wholesale Agreements. The Group and the MGM group have entered and will enter into agreements or service contracts with reference to prevailing market prices and on normal commercial terms.

The MGM Master Service Agreement is in force from 4 March 2008 to 31 December 2010 and renewable for successive terms of 3 years by mutual agreement in writing.

During the year, the aggregate revenue received by the Group from the MGM group and the aggregate expenses paid by the Group to the MGM group for agreements contemplated under the MGM Master Service Agreement amounted to HK\$33.6 million and HK\$6.3 million respectively.

Under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the above transactions mentioned in items 1 to 8 constitute continuing connected transactions of the Company which require disclosure in the annual report of the Company.

The Independent Non-Executive Directors have confirmed that the continuing connected transactions mentioned in items 1 to 8 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 auditor of the Company has confirmed that the continuing connected transactions mentioned in items 1 to 8:

- (a) have received the approval of the board of Directors ("Board");
 - (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.
9. 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 of 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 to extend the completion date of the acquisition without changing the consideration or its other terms. On 27 May 2008, the completion date of the acquisition was further extended from 30 June 2008 to on or before 30 June 2009.
 10. Shun Tak, Serviços Recreativos, S.A. ("STSR") had been beneficially owned as to 80% by the Company and 20% by STDN. STSR owns the development right of the site located at Baía de Nossa Senhora de Esperança, Taipa, Macau with a maximum developable gross floor area of approximately 2,152,800 square feet for hotel use and 796,536 square feet for car parking purpose. On 15 May 2008, Clear Place Enterprises Limited, a wholly-owned subsidiary of the Company, entered into a conditional agreement with Vintage Beauty Investments Limited ("Vintage Beauty"), a wholly-owned subsidiary of STDN, to acquire the entire issued share capital of Prominent Princess International Limited ("Prominent Princess") whose sole asset was a 20% interest in STSR and the loan owed by Prominent Princess to Vintage Beauty at a cash consideration of HK\$238 million. The acquisition was completed in June 2008 and STSR is now a wholly-owned subsidiary of the Company.
 11. On 6 August 2008, Wealth Trump Limited and Sunrise Field Limited, non-wholly-owned subsidiaries of the Company, entered into two conditional agreements with NWFF to acquire two 47.5-metre long high-speed passenger catamarans with identical specifications including 418-passenger seating capacity, for a total cash consideration of HK\$294.8 million.

Under Chapter 14A of the Listing Rules, the above transactions mentioned in items 9 to 11 constitute connected transactions of the Company which require disclosure in the annual report of the Company.

Save as disclosed above, details of significant related party transactions during the year that did not constitute continuing connected transactions or connected transactions are disclosed in note 36 to the financial statements.

12. The Group granted financial assistance to Shun Tak Cultural Centre Limited, a company owned as to 60% by the Group and 40% by a company in which Dr. Stanley Ho has a beneficial interest. The shareholders' loan was granted by both shareholders in proportion to their respective shareholdings on an interest-free basis. As at 31 December 2008, the total outstanding shareholders' loans were HK\$229.3 million.

13. As stated in item 10 above, STSR had been beneficially owned as to 80% by the Company and 20% by STDN. During the year, shareholders' loans of HK\$500.8 million, in proportion to their respective shareholdings, were granted on an interest-free basis.

Save for the transactions aforementioned in items 1 to 13, 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, STDN, which are also engaged in the businesses of property investment, property development and/or hospitality; and SJM, one of the gaming concessionaires in Macau. Dr. Stanley Ho is a director of STC, STDN and SJM. Mrs. Louise Mok, Ms. Pansy Ho and Ms. Daisy Ho (as appointed representative of the Company) are directors of STDN. Dr. Ambrose So has a beneficial interest in and is a director of SJM. Mr. David Shum is a director of SJM.

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

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 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.

Disclosure of Interests

As at 31 December 2008, the interests or short positions of the Directors and chief executive of the Company 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 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 | Number of shares held | | Approximate percentage of total issued shares Note (i) |
|-------------------------|--------------------------------|-----------------------|-------------|-----------------------------------------------------------|
| | | Personal interests | Note | |
| Dr. Stanley Ho | Interests in issued shares | 250,936,160 | 39,021,590 | (iii) 12.85% |
| | Interests in unissued shares | — | 148,883,374 | (iv) 6.60% |
| | Interests in underlying shares | 1,587,300 | (ii) — | 0.07% |
| Sir Roger Lobo | — | — | — | — |
| Mr. Norman Ho | — | — | — | — |
| Mr. Charles Ho | — | — | — | — |
| Mr. Yeh V-Nee | — | — | — | — |
| Dato' Dr. Cheng Yu Tung | — | — | — | — |
| Mrs. Louise Mok | Interests in issued shares | 342,627 | — | 0.02% |
| Ms. Pansy Ho | Interests in issued shares | 35,587,604 | 191,931,661 | (v) 10.08% |
| | Interests in unissued shares | — | 148,883,374 | (iv) 6.60% |
| | Interests in underlying shares | 10,157,740 | (ii) — | 0.45% |
| Ms. Daisy Ho | Interests in issued shares | 33,801,811 | 97,820,707 | (vi) 5.83% |
| | Interests in unissued shares | — | 148,883,374 | (iv) 6.60% |
| | Interests in underlying shares | 12,157,740 | (ii) — | 0.54% |
| Dr. Ambrose So | Interests in issued shares | 8,906,250 | 87,452 | (vii) 0.40% |
| | Interests in underlying shares | 20,157,740 | (ii) — | 0.89% |
| Mr. Patrick Huen | Interests in issued shares | 62,500 | 5,994,849 | (viii) 0.27% |
| | Interests in underlying shares | 10,078,870 | (ii) — | 0.45% |
| Mr. Anthony Chan | Interests in issued shares | 10,310,120 | — | 0.46% |
| Ms. Maisy Ho | Interests in issued shares | 1,630,435 | 23,066,918 | (ix) 1.09% |
| | Interests in underlying shares | 20,157,740 | (ii) — | 0.89% |
| Mr. David Shum | Interests in underlying shares | 5,000,000 | (ii) — | 0.22% |

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Notes:

- (i) As at 31 December 2008, the total number of issued shares of the Company is 2,256,941,300.
- (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 Megaprosper 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 |
|------------------|----------------------------------|--------------------|------------------------|
| Dr. 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 |
|------------------|---------------------------------------|--------------------|------------------------|
| Ms. 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 in sections a) to c) above, none of the Directors or chief executive of the Company 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 (within the meaning of Part XV of the 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 pursuant to the Model Code as at 31 December 2008.

d) Share Options

As at 31 December 2008, 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:

| Grantee | Date of grant | Exercise period | Exercise price per share | Number of share options | |
|------------------|-------------------|----------------------------------------|--------------------------|-------------------------|------------------|
| | | | | 1 January 2008 | 31 December 2008 |
| Directors | | | | | |
| Dr. Stanley Ho | 25 May 2004 | 25 May 2004 to 24 May 2014 | HK\$3.15 | 1,587,300 | 1,587,300 |
| Ms. Pansy Ho | 3 January 2000 | 3 January 2000 to 2 January 2010 | HK\$1.15 | 10,434,783 | — |
| | 25 May 2004 | 25 May 2004 to 24 May 2014 | HK\$3.15 | 20,157,740 | 10,157,740 |
| Ms. Daisy Ho | 3 January 2000 | 3 January 2000 to 2 January 2010 | HK\$1.15 | 5,434,783 | — |
| | 25 May 2004 | 25 May 2004 to 24 May 2014 | HK\$3.15 | 20,157,740 | 12,157,740 |
| Dr. Ambrose So | 25 May 2004 | 25 May 2004 to 24 May 2014 | HK\$3.15 | 20,157,740 | 20,157,740 |
| Mr. Patrick Huen | 25 May 2004 | 25 May 2004 to 24 May 2014 | HK\$3.15 | 10,078,870 | 10,078,870 |
| Ms. Maisy Ho | 25 May 2004 | 25 May 2004 to 24 May 2014 | HK\$3.15 | 20,157,740 | 20,157,740 |
| Mr. David Shum | 22 September 2004 | 22 September 2004 to 21 September 2014 | HK\$4.20 | 5,000,000 | 5,000,000 |
| Employees | 8 July 2004 | 8 July 2004 to 7 July 2009 | HK\$3.95 | 300,000 | 200,000 |

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) 10,434,783 share options of Ms. Pansy Ho granted under the 1993 Share Option Scheme were exercised during the year ended 31 December 2008. The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$9.50.

10,000,000 share options of Ms. Pansy Ho granted under the 2002 Share Option Scheme were exercised during the year ended 31 December 2008. The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$5.15.
- (iii) 5,434,783 share options of Ms. Daisy Ho granted under the 1993 Share Option Scheme were exercised during the year ended 31 December 2008. The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$9.50.

8,000,000 share options of Ms. Daisy Ho granted under the 2002 Share Option Scheme were exercised during the year ended 31 December 2008. The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$5.15.
- (iv) 100,000 share options of employees granted under the 2002 Share Option Scheme were exercised during the year ended 31 December 2008. The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$7.87.
- (v) The share options outstanding at the beginning and at the end of the year granted to Directors are exercisable during the period of 10 years commencing on the date of grant. These share options vested on the dates of their issues.
- (vi) The share options outstanding at the beginning and at the end of the year granted to employees are exercisable during the period of 5 years commencing on the date of grant. These share options vested on the dates of their issues.
- (vii) No share options was granted, cancelled or lapsed during the year ended 31 December 2008.

Save as disclosed above, as at 31 December 2008, none of the Directors or their spouse or children under 18 years of age were granted any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations under the share option schemes.

(viii) 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 | <p>(a) any employee or any business related consultant, agent, representative or advisor of the Company or any affiliate;</p> <p>(b) any person who provides goods or services to the Company or any affiliate;</p> <p>(c) any customer of the Company or any affiliate; or</p> <p>(d) any business ally or joint venture partner of the Company or any affiliate</p> | Eligible employees including Executive Directors |
| 3) Total numbers of shares available for issue under the share option schemes and % on issued share capital as at 31 December 2008 | 194,243,391 shares (8.61%) | Not applicable |
| 4) Maximum entitlement of each participant under the share option schemes | <p>In any 12-month period:</p> <p>(a) 1% of the issued share capital (excluding substantial shareholders and Independent Non-Executive Directors)</p> <p>(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)</p> | 25% of aggregate of all shares subject to the share option scheme |
| 5) The period within which the shares must be taken up under an option | The Board 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 |

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| | The 2002 Share Option Scheme | The 1993 Share Option Scheme |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 6) The minimum period for which an option must be held before it can be exercised | Not applicable | Not applicable |
| 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> <p>(a) the closing price of the shares on the date of offer;</p> <p>(b) the average closing prices of the existing shares for the 5 trading days immediately preceding the date of offer; and</p> <p>(c) the nominal value thereof</p> | <p>The exercise price is determined by the Directors and being not less than the greater of:</p> <p>(a) 80% of the average closing prices of the shares of the Company on the Stock Exchange on the 5 trading days immediately preceding the date of offer of such option; and</p> <p>(b) the nominal value thereof</p> |
| 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 |

e) Substantial Shareholders and Other Persons

As at 31 December 2008, 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 | Number of shares/ underlying shares held | Approximate percentage of total issued shares Note (i) |
|------------------------------------------------------------------------------|-------|------------------------------|-------------------------------------|------------------------------------------------|-----------------------------------------------------------------|
| Shun Tak Shipping Company, Limited ("STS") and its subsidiaries | (ii) | Interests in issued shares | Beneficial owner | 308,057,215 | 13.65% |
| Sociedade de Turismo e Diversões de Macau, S.A. ("STDM") and its subsidiary | (iii) | Interests in issued shares | Beneficial owner | 263,667,107 | 11.68% |
| Alpha Davis Investments Limited ("ADIL") | (iv) | Interests in unissued shares | Beneficial owner | 148,883,374 | 6.60% |
| Innowell Investments Limited ("IIL") | (iv) | Interests in unissued shares | Interests of controlled corporation | 148,833,374 | 6.60% |
| Megaprosper Investments Limited ("MIL") | (iv) | Interests in unissued shares | Interests of controlled corporation | 148,833,374 | 6.60% |
| Artio Global Management LLC (formerly Julius Baer Investment Management LLC) | | Interests in issued shares | Investment manager | 185,223,780 | 8.21% |
| State Street Corporation | | Interests in issued shares | Investment manager | 139,906,861 | 6.20% |

Notes:

- (i) As at 31 December 2008, the total number of issued shares of the Company is 2,256,941,300.
- (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 and Mr. David Shum have 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, Mrs. Louise Mok, Ms. Pansy Ho and Ms. Daisy Ho (as appointed representative of the Company) 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.

Save as disclosed above, no other person (other than the Directors) 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 2008.

Financial Assistance and Guarantees to Affiliated Companies

A proforma combined balance sheet of the affiliated companies and the Group's attributable interests as at 31 December 2008 are disclosed as follows:

| | Proforma combined balance sheet (HK\$'000) | Group's attributable interests (HK\$'000) |
|-------------------------|-----------------------------------------------|----------------------------------------------|
| Non-current assets | 2,129,238 | 1,027,879 |
| Current assets | 4,114,856 | 2,029,249 |
| Current liabilities | (2,656,993) | (1,333,446) |
| Non-current liabilities | (1,552,184) | (790,992) |
| Net assets | 2,034,917 | 932,690 |

The proforma combined balance sheet of the affiliated companies is prepared by combining their balance sheets as at 31 December 2008, after regrouping into significant balance sheet classification and taking up adjustments to conform with the Group's significant accounting policies as well as any fair value adjustments.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2008, the Company repurchased 105,338,000 of its own shares on the Stock Exchange for an aggregate consideration, including transactions costs, of HK\$321,579,000. 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 of repurchases on the Stock Exchange | Number of shares repurchased | Highest price paid per share (HK\$) | Lowest price paid per share (HK\$) | Aggregate price paid (HK\$) |
|--------------------------------------------|------------------------------|-------------------------------------|------------------------------------|-----------------------------|
| February 2008 | 300,000 | 10.50 | 10.38 | 3,136,000 |
| April 2008 | 418,000 | 9.90 | 9.73 | 4,137,000 |
| June 2008 | 1,718,000 | 7.37 | 7.13 | 12,501,000 |
| July 2008 | 16,612,000 | 7.03 | 5.37 | 100,433,000 |
| August 2008 | 11,300,000 | 6.00 | 4.69 | 57,270,000 |
| September 2008 | 5,354,000 | 2.79 | 1.90 | 13,765,000 |
| October 2008 | 69,636,000 | 2.49 | 1.30 | 130,337,000 |
| | 105,338,000 | | | 321,579,000 |

The share repurchases were made for the benefit of the shareholders with a view to enhancing the net asset value of the Company and/or its earnings per share for future years.

Save as disclosed above, the Company had not redeemed any of its listed securities, and neither the Company nor any of its subsidiaries had purchased or sold, any of the Company's listed securities during the year ended 31 December 2008.

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 2009 as disclosed in the Company's announcements dated 11 May 2005, 30 December 2005, 30 June 2006, 20 June 2007 and 27 May 2008), at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors 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.

Events after the Balance Sheet Date

Details of events after the balance sheet date are set out in note 43 to the financial statements.

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.

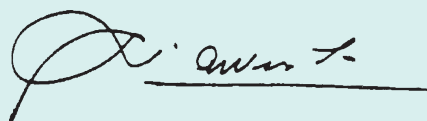
Summary of the Results, Assets and Liabilities

A summary of the results, assets and liabilities of the Group for the last five financial years is shown on pages 158 to 159.

Auditor

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 auditor of the Company.

By Order of the Board



Stanley Ho
Group Executive Chairman

Hong Kong, 2 April 2009

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”) as set out in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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

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 has applied the principles in the Code and complied with it throughout the year ended 31 December 2008, except for deviation from Code provision A.5.4 as referred to under the section “Model Code for Securities Transaction” in this report.

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 shareholder 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 so that no individual or a small group can dominate the Board’s decision-making process.

During the year of 2008 and up to the date of this annual report, changes in the composition of the Board and Board Committees are set out below:

- (i) Mr. Yeh V-Nee resigned as an Independent Non-Executive Director and ceased to act as a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee on 20 January 2009; and
- (ii) Mr. Michael Ng was appointed as an Executive Director and a member of the Executive Committee on 1 April 2009.

Subsequent to the above changes and up to the date of this annual report, the Board consisted of a total of 14 members, with a Group Executive Chairman (“Chairman”), a Managing Director, a Deputy Managing Director, six Executive Directors, and five Non-Executive Directors, of whom three are Independent Non-Executive Directors. Changes in the composition of the Board during the year and up to the date of this annual report are detailed in the section “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 advance the interests of shareholders of the Company (“Shareholders”). Independent Non-Executive Directors possess a range of experience and are of high caliber to ensure the interests of all Shareholders 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 “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 2008, each Independent Non-Executive Director had re-affirmed his independent status which is in compliance with the Listing Rules.

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 the Shareholders 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 "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 is 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 Directors to make informed decisions. Members of the Board also have full access to the Company Secretary who has the responsibility to keep 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 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.

report on corporate governance practices

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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 | Nomination Committee |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|-----------------------|--------------------------|--------------------------|
| | (No. of Attendance / No. of Meetings entitled to attend for the year ended 31 December 2008) | | | |
| Group Executive Chairman Dr. Stanley Ho | 5/6 | | | |
| Non-Executive Directors Dato' Dr. Cheng Yu Tung Mrs. Louise Mok | 2/6 6/6 | 3/3 | | |
| Independent Non-Executive Directors Sir Roger Lobo Mr. Norman Ho Mr. Charles Ho Mr. Yeh V-Nee (<i>resigned on 20 January 2009</i>) | 6/6 6/6 1/6 6/6 | 3/3 3/3 3/3 | 2/2 2/2 1/2 2/2 | 1/1 1/1 1/1 1/1 |
| Managing Director Ms. Pansy Ho | 6/6 | | 2/2 | 1/1 |
| Deputy Managing Director Ms. Daisy Ho | 6/6 | | 2/2 | 1/1 |
| Executive Directors Dr. Ambrose So Mr. Patrick Huen Mr. Anthony Chan Ms. Maisy Ho Mr. David Shum | 6/6 4/6 6/6 5/6 6/6 | | | |

Model Code for Securities Transactions

Code provision A.5.4 requires Directors to comply with the obligations set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of the Listing Rules.

The Company has adopted the Model Code as set out in Appendix 10 of 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 2008 except for the deviation in the following circumstances.

A Director, upon discovering a discrepancy of 9,000 shares between her total shareholding in the Company and her disclosure of interest following the Company's rights issue in May 2002, and under a mistaken impression that it was a necessary remedial step, purchased 10,000 shares of the Company on 18 March 2008. The purchase was made in the month immediately preceding the Company's 2007 annual results announcement and without notifying the Chairman or the Director designated by the Board contrary to Rules A.3 and B.8 of the Model Code.

The Director reported her unintentional breach to the Stock Exchange and rectified her disclosure of shareholding in the Company in late March 2008. The Company discussed the breach with the Director upon receipt of her notification. Having considered the incident to be an isolated and unintentional mistake, the Company concluded no remedial action was necessary. The Company reminded the Director to strictly comply with the Model Code at all times and for such purposes, the Company will continue its usual practice of issuing the relevant black out notice to all Directors.

Board Committees

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, the Executive Committee and the Audit Committee has defined terms of reference which, if applicable, 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.

As at 31 December 2008, the Remuneration Committee consisted of Sir Roger Lobo, Mr. Norman Ho, Mr. Charles Ho and Mr. Yeh V-Nee (being all the Independent Non-Executive Directors), Ms. Pansy Ho (Managing Director) and Ms. Daisy Ho (Deputy Managing Director). On 20 January 2009, Mr. Yeh V-Nee ceased to act as a member of the Remuneration Committee. Ms. Pansy Ho is the Chairman of this committee. 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 "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 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, and 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 it has balanced skills and expertise to provide effective leadership to the Company and assess the independence of Independent Non-Executive Directors according to the criteria set out in Rule 3.13 of the Listing Rules. As at 31 December 2008, the Nomination Committee consisted of Sir Roger Lobo, Mr. Norman Ho, Mr. Charles Ho and Mr. Yeh V-Nee (being all the Independent Non-Executive Directors), Ms. Pansy Ho (Managing Director) and Ms. Daisy Ho (Deputy Managing Director). On 20 January 2009, Mr. Yeh V-Nee ceased to act as a member of the Nomination Committee. Ms. Pansy Ho is the Chairman of this committee. The Nomination Committee meets as required by its work.

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 its day-to-day operations. As at 31 December 2008, the Executive Committee consists of five members, Ms. Pansy Ho (Managing Director), Ms. Daisy Ho (Deputy Managing Director) and three Executive Directors Mr. Patrick Huen, Ms. Maisy Ho and Mr. David Shum. On 1 April 2009, Mr. Michael Ng was appointed as a member of the Executive Committee. 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 2008, the Audit Committee consisted of Sir Roger Lobo, Mr. Norman Ho and Mr. Yeh V-Nee (being all the Independent Non-Executive Directors) and Mrs. Louise Mok (Non-Executive Director). On 20 January 2009, Mr. Yeh V-Nee ceased to act as a member of the Audit Committee. Mr. Norman Ho is the Chairman of this committee. 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 as well as 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 2008, the fees charged to the accounts of the Company and its subsidiaries for statutory audit amounted to approximately HK\$5.7 million and an additional HK\$2.1 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 2008, 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 external auditor of the Company about the auditor's 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 the Shareholders; (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 faced by 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 provision of 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 that appropriate internal control policies are in place and functioning effectively.

Through the Audit Committee, the Board continues to review the effectiveness of the internal control system which includes financial, operational, compliance and risk management controls. The review process consists of (i) assessment of internal control by the 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 Audit Committee, supported by the internal audit department, reviews the adequacy of resources, qualifications, experiences and training requirements of staff responsible for the accounting and financial reporting functions.

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 the management.

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. During each audit, the qualifications and experience of staff as well as manpower and training budgets are reviewed to ensure that sufficient numbers of competent staff are available to carry out an effective internal control system. 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 to 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 periodically on the results of the assessment of internal control and follow-up implementation of actions on control deficiencies. In addition, the head of internal audit department attends the Audit Committee meeting twice a year to report progress in achieving the strategic audit plan for the year and to give 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 the publication of interim and annual reports. The Company's Registrars serves 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 its proactive policy of promoting investor relations by regular meetings with institutional shareholders and research analysts. Our Investor Relations Department maintains open two-way communications with the investment community. In order to ensure our investors to have an informed understanding of the Company's strategy, operations and management, our management engages in proactive investor relation activities. These include participating 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. The circular 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 Shareholders, investors and the public to receive timely and updated information on 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) and its subsidiaries (collectively referred to as the Group) set out on pages 71 to 157, which comprise the consolidated and company balance sheets as at 31 December 2008, 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.

independent auditor's report

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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 2008 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

Practising Certificate Number P599

2 April 2009

Consolidated Income Statement

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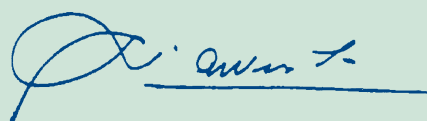
| For the year ended 31 December | Note | 2008 (HK\$'000) | (Restated) 2007 (HK\$'000) |
|-----------------------------------------------------------------------------------------------------|-------|--------------------|----------------------------------|
| Turnover | 4 | 4,350,848 | 3,318,137 |
| Other revenues | 4 | 123,589 | 165,512 |
| | | 4,474,437 | 3,483,649 |
| Other net (loss) / income | 5 | (28,888) | 23,558 |
| Cost of inventories sold or consumed | | (2,284,761) | (1,005,324) |
| Staff costs | | (718,200) | (670,343) |
| Depreciation and amortisation | | (153,959) | (140,551) |
| Other costs | | (981,854) | (987,048) |
| Fair value changes on investment properties | | (191,585) | 121,283 |
| Operating profit | 6 | 115,190 | 825,224 |
| Excess of interest in fair value of net assets acquired over cost of acquisition of subsidiaries | 34(a) | — | 291,177 |
| Finance costs | 8 | (157,888) | (61,145) |
| Share of results of associates | | 38,481 | 283,298 |
| Share of results of jointly controlled entities | | 13,997 | 22,533 |
| Profit before taxation | | 9,780 | 1,361,087 |
| Taxation | 9(a) | 20,201 | (99,279) |
| Profit after taxation | | 29,981 | 1,261,808 |
| Attributable to: | | | |
| Equity holders of the Company | | 101,360 | 1,013,548 |
| Minority interests | | (71,379) | 248,260 |
| | | 29,981 | 1,261,808 |
| Dividends | 10 | 29,340 | 316,298 |
| Earnings per share (HK cents) | 11 | | |
| – basic | | 4.4 | 45.7 |
| – diluted | | 4.3 | 43.9 |

Consolidated Balance Sheet

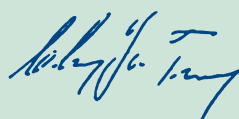
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| At 31 December | Note | 2008 (HK\$'000) | 2007 (HK\$'000) |
|--------------------------------------------------------|------|--------------------|--------------------|
| Non-current assets | | | |
| Property, plant and equipment | 12 | 2,031,911 | 1,252,893 |
| Investment properties | 13 | 3,164,103 | 3,311,364 |
| Leasehold land | 14 | 1,281,418 | 1,312,107 |
| Associates | 16 | 220,347 | 237,214 |
| Jointly controlled entities | 17 | 957,352 | 975,236 |
| Intangible assets | 18 | 363,393 | 366,685 |
| Available-for-sale investments | 19 | 999,394 | 1,530,894 |
| Mortgage loans receivable | 20 | 22,972 | 38,931 |
| Deferred tax assets | 9(c) | 57,252 | 9,526 |
| Other non-current assets | 21 | 822,079 | 573,159 |
| | | 9,920,221 | 9,608,009 |
| Current assets | | | |
| Properties for or under development | 22 | 8,067,373 | 10,775,322 |
| Inventories | 23 | 1,969,719 | 784,231 |
| Trade receivables, other receivables and deposits paid | 24 | 1,857,991 | 1,528,798 |
| Available-for-sale investments | 19 | 14 | 20,882 |
| Derivative financial instruments | 25 | 242 | 32,608 |
| Taxation recoverable | | 9,362 | 926 |
| Bank deposits, cash and bank balances | 26 | 2,736,636 | 3,564,534 |
| | | 14,641,337 | 16,707,301 |
| Current liabilities | | | |
| Bank borrowings | 27 | 1,994,000 | 3,216,982 |
| Trade and other payables | 28 | 816,312 | 1,065,379 |
| Deposits received on sale of properties | | 269,466 | 668,863 |
| Derivative financial instruments | 25 | 97,075 | — |
| Provision for employee benefits | 29 | 28,948 | 27,314 |
| Taxation payable | | 185,903 | 191,848 |
| | | 3,391,704 | 5,170,386 |
| Net current assets | | 11,249,633 | 11,536,915 |
| Total assets less current liabilities | | 21,169,854 | 21,144,924 |

| At 31 December | Note | 2008 (HK\$'000) | 2007 (HK\$'000) |
|-------------------------------------------------------------|------|--------------------|--------------------|
| Non-current liabilities | | | |
| Bank borrowings | 27 | 5,244,000 | 2,992,500 |
| Deferred tax liabilities | 9(c) | 1,048,555 | 1,253,499 |
| Loans from minority shareholders | 30 | 847,743 | 1,515,795 |
| | | 7,140,298 | 5,761,794 |
| Net assets | | 14,029,556 | 15,383,130 |
| Equity | | | |
| Share capital | 31 | 564,235 | 582,077 |
| Reserves | 33 | 11,222,649 | 12,292,356 |
| Proposed dividends | | 29,340 | 164,072 |
| Equity attributable to equity holders of the Company | | 11,816,224 | 13,038,505 |
| Minority interests | | 2,213,332 | 2,344,625 |
| Total equity | | 14,029,556 | 15,383,130 |



Stanley Ho
Director

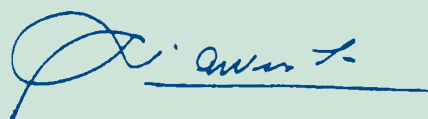


Cheng Yu Tung
Director

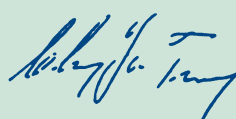
Balance Sheet

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| At 31 December | Note | 2008 (HK\$'000) | 2007 (HK\$'000) |
|-----------------------------------------|------|--------------------|--------------------|
| Non-current assets | | | |
| Property, plant and equipment | 12 | 1,515 | 1,099 |
| Subsidiaries | 15 | 24,200 | 24,200 |
| Associates | 16 | 250 | 250 |
| Jointly controlled entities | 17 | — | 7,803 |
| Available-for-sale investments | 19 | 234,723 | 234,723 |
| Other non-current assets | 21 | 9,855,880 | 11,298,719 |
| | | 10,116,568 | 11,566,794 |
| Current assets | | | |
| Debtors, deposits and prepayments | 24 | 33,241 | 54,538 |
| Bank deposits, cash and bank balances | 26 | 233,960 | 1,130,118 |
| | | 267,201 | 1,184,656 |
| Current liabilities | | | |
| Creditors, deposits and accrued charges | 28 | 2,307,147 | 4,317,569 |
| Provision for employee benefits | 29 | 7,255 | 7,127 |
| | | 2,314,402 | 4,324,696 |
| Net current liabilities | | (2,047,201) | (3,140,040) |
| Net assets | | 8,069,367 | 8,426,754 |
| Equity | | | |
| Share capital | 31 | 564,235 | 582,077 |
| Reserves | 33 | 7,475,792 | 7,680,605 |
| Proposed dividends | | 29,340 | 164,072 |
| Total equity | | 8,069,367 | 8,426,754 |



Stanley Ho
Director



Cheng Yu Tung
Director

Consolidated Statement of Changes in Equity

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| | 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) | Special reserve (HK\$'000) | Asset revaluation reserve (HK\$'000) | Investment 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) |
| For the year ended 31 December 2008 | | | | | | | | | | | | | | | |
| At 1 January 2008 | 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 |
| Fair value changes | — | — | — | — | — | — | — | (342,266) | (42,549) | — | — | — | (384,815) | (57,330) | (442,145) |
| Realised upon sale of properties | — | — | — | — | — | — | (303,102) | — | — | — | — | — | (303,102) | — | (303,102) |
| Write-down of inventories of properties | — | — | — | — | — | — | (75,850) | — | — | — | — | — | (75,850) | — | (75,850) |
| Valuation adjustment upon transfer of properties under development to investment properties | — | — | — | — | — | — | (1,979) | — | — | — | — | — | (1,979) | — | (1,979) |
| Reserve released to profit for the year upon derecognition of available-for-sale investments | — | — | — | — | — | — | — | (49,666) | — | — | — | — | (49,666) | — | (49,666) |
| Reserve released to profit for the year upon derecognition of derivative financial instruments (note 25) | — | — | — | — | — | — | — | — | (11,722) | — | — | — | (11,722) | (15,794) | (21,516) |
| Deferred tax credited for the year | — | — | — | — | — | — | 44,449 | — | 9,084 | — | — | — | 53,533 | 12,239 | 65,772 |
| Exchange translation differences | — | — | — | — | — | — | — | — | — | 11,621 | — | — | 11,621 | 11,034 | 22,655 |
| Released upon disposal of a jointly controlled entity | — | — | — | — | — | — | — | — | — | 115 | — | — | 115 | — | 115 |
| Share of reserves of associates | — | — | — | — | 450 | — | — | — | — | — | (450) | — | — | — | — |
| Share of reserves of jointly controlled entities | — | — | — | — | 271 | — | — | — | — | — | (271) | — | — | — | — |
| Income and expense recognised directly in equity | — | — | — | — | 721 | — | (336,482) | (391,932) | (45,187) | 11,736 | (721) | — | (761,865) | (49,851) | (811,716) |
| Profit for the year | — | — | — | — | — | — | — | — | — | — | 101,360 | — | 101,360 | (71,379) | 29,981 |
| Total recognised income and expense for the year | — | — | — | — | 721 | — | (336,482) | (391,932) | (45,187) | 11,736 | 100,639 | — | (660,505) | (121,230) | (781,735) |
| Exercise of share options | 8,492 | 66,853 | — | — | — | — | — | — | — | — | — | — | 75,345 | — | 75,345 |
| Expenses on issue of shares | — | (57) | — | — | — | — | — | — | — | — | — | — | (57) | — | (57) |
| Repurchase of shares | (26,334) | — | 26,334 | — | — | — | — | — | — | — | (320,359) | — | (320,359) | — | (320,359) |
| Expenses on repurchase of shares | — | — | — | — | — | — | — | — | — | — | (1,220) | — | (1,220) | — | (1,220) |
| Disposal of a subsidiary | — | — | — | — | — | — | — | — | — | — | — | — | — | 34 | 34 |
| Acquisition of additional interest in a subsidiary | — | — | — | — | — | (151,413) | — | — | — | — | — | — | (151,413) | 13,393 | (138,020) |
| Dividends to minority shareholders | — | — | — | — | — | — | — | — | — | — | — | — | — | (23,490) | (23,490) |
| 2007 final dividend | — | — | — | — | — | — | — | — | — | — | — | (164,072) | (164,072) | — | (164,072) |
| 2008 final dividend | — | — | — | — | — | — | — | — | — | — | (29,340) | 29,340 | — | — | — |
| At 31 December 2008 | (17,842) | 66,796 | 26,334 | — | 721 | (151,413) | (336,482) | (391,932) | (45,187) | 11,736 | (250,280) | (134,732) | (1,222,281) | (131,293) | (1,353,574) |
| | 564,235 | 6,802,141 | 34,254 | 5 | 11,862 | (151,413) | 1,404,192 | (20,770) | (34,531) | 39,089 | 3,137,820 | 29,340 | 11,816,224 | 2,213,332 | 14,029,556 |
| At 31 December 2008 | | | | | | | | | | | | | | | |

consolidated statement of changes in equity

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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 profits (HK\$'000) | Proposed dividends (HK\$'000) | Total (HK\$'000) | Minority interests (HK\$'000) | Total equity (HK\$'000) |
|----------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|------------------------------------------|-------------------------------|-----------------------------|-----------------------------------------|----------------------------------------------|-------------------------------|--------------------------------|--------------------------------|----------------------------------|---------------------|----------------------------------|----------------------------|
| For the year ended 31 December 2007 | | | | | | | | | | | | | | |
| 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 | — | — | — | — | — | — | 217,700 | 34,026 | — | — | — | 251,726 | 45,847 | 297,573 |
| Fair value adjustment upon acquisition of a subsidiary | — | — | — | — | — | 1,778,462 | — | — | — | — | — | 1,778,462 | — | 1,778,462 |
| Realised upon sale of properties | — | — | — | — | — | (42,771) | — | — | — | — | — | (42,771) | — | (42,771) |
| Reserve released to profit for the year upon derecognition of available-for-sale investments | — | — | — | — | — | — | (13,669) | — | — | — | — | (13,669) | — | (13,669) |
| Reserve released to profit for the year upon derecognition of derivative financial instruments (note 25) | — | — | — | — | — | — | — | (13,331) | — | — | — | (13,331) | (17,963) | (31,294) |
| Deferred tax credited / (charged) for the year | — | — | — | — | — | 4,983 | — | (3,622) | — | — | — | 1,361 | (4,879) | (3,518) |
| Exchange translation differences | — | — | — | — | — | — | — | — | 15,629 | — | — | 15,629 | 10,104 | 25,733 |
| Share of reserves of associates | — | — | — | 5 | 1,551 | — | — | — | — | (1,551) | — | 5 | — | 5 |
| Share of reserves of jointly controlled entities | — | — | — | — | 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 | 34,449 | 1,669,318 | 1,975 | 5 | 2,236 | 1,740,674 | 204,031 | 17,073 | 15,629 | 611,146 | (11,169) | 4,285,367 | 360,990 | 4,646,357 |
| | 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 |

Consolidated Cash Flow Statement

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| For the year ended 31 December | 2008 (HK\$'000) | 2007 (HK\$'000) |
|----------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| Operating activities | | |
| Profit before taxation | 9,780 | 1,361,087 |
| Adjustments for: | | |
| Depreciation and amortisation | 153,959 | 140,551 |
| Finance costs | 157,888 | 61,145 |
| Interest income | (62,117) | (144,992) |
| Dividend income from investments | (91,571) | (76,564) |
| Share of results of associates | (38,481) | (283,298) |
| Share of results of jointly controlled entities | (13,997) | (22,533) |
| Profits on sales of properties | (303,102) | (42,771) |
| (Gain) / loss on disposal of property, plant and equipment | (8,814) | 860 |
| Loss on disposal of interests in subsidiaries | 1,758 | — |
| Net gain on disposal of interests in jointly controlled entities | (2,894) | — |
| Excess of interest in fair value of net assets acquired over cost of acquisition of subsidiaries | — | (291,177) |
| Gain on available-for-sale investments, structured notes and deposits and other financial instruments | (41,304) | (21,090) |
| Grant of share options | — | 694 |
| Impairment loss on franchises and royalties | 3,015 | — |
| Fair value changes on investment properties | 191,585 | (121,283) |
| Operating (loss) / profit before working capital changes | (44,295) | 560,629 |
| Decrease / (increase) in properties for or under development and inventories of properties, excluding net finance costs capitalised | 1,487,113 | (857,281) |
| Increase in other inventories | (32,703) | (11,358) |
| Increase in trade receivables, other receivables and deposits paid | (376,777) | (544,583) |
| Decrease in trade and other payables | (312,627) | (453,961) |
| (Decrease) / increase in deposits received on sale of properties | (399,397) | 668,863 |
| Increase / (decrease) in provision for employee benefits | 1,634 | (340) |
| Cash generated from / (used in) operations | 322,948 | (638,031) |
| Total income taxes paid | (184,002) | (43,051) |
| Net cash from / (used in) operating activities | 138,946 | (681,082) |

consolidated cash flow statement

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| For the year ended 31 December | Note | 2008 (HK\$'000) | 2007 (HK\$'000) |
|-----------------------------------------------------------------------------------------------------------------------------------------------|-------|--------------------|--------------------|
| Investing activities | | | |
| Purchase of property, plant and equipment | | (396,905) | (51,448) |
| Payment of lease premium for land | | (906) | (625) |
| Purchase of intangible assets | | — | (200) |
| Payment of costs and expenditure for properties under development, excluding net finance costs capitalised | | (494,634) | (340,691) |
| Capital contribution to jointly controlled entities | | — | (20,704) |
| Advances to jointly controlled entities | | (335,582) | (2,244) |
| Repayments from jointly controlled entities | | 14,517 | — |
| Acquisition of available-for-sale investments, structured notes and deposits and other financial instruments | | (53,928) | (220,828) |
| Advances from an investee company | | 51,196 | 60,543 |
| Repayments of mortgage loans | | 18,141 | 42,865 |
| Acquisition of interests in subsidiaries | 34(a) | — | (5,994,043) |
| Acquisition of additional interest in a subsidiary | | (238,020) | — |
| Proceeds on disposal of a jointly controlled entity | | 9,353 | — |
| Proceeds on disposal, redemption or maturity of available-for-sale investments, structured notes and deposits and other financial instruments | | 426,279 | 82,178 |
| Proceeds on disposal of property, plant and equipment | | 13,315 | 298 |
| Interest received | | 71,441 | 141,946 |
| Dividends received from investments | | 13,919 | 17,333 |
| Dividends received from associates | | 55,348 | 121,008 |
| Dividends received from jointly controlled entities | | 16,000 | 6,000 |
| Net cash used in investing activities | | (830,466) | (6,158,612) |

| For the year ended 31 December | Note | 2008 (HK\$'000) | 2007 (HK\$'000) |
|---------------------------------------------------------------|-------|--------------------|--------------------|
| Financing activities | | | |
| New loans | | 5,329,236 | 5,899,473 |
| Repayments of loans | | (4,781,486) | (105,147) |
| Proceeds from issue of shares | | 75,345 | 1,733,442 |
| Expenses paid on issue of shares | | (57) | (27,700) |
| Repurchase of shares | | (320,359) | (84,288) |
| Expenses paid on repurchase of shares | | (1,220) | (274) |
| Finance costs (including interests and bank charges) paid | | (262,902) | (58,684) |
| Dividends paid to shareholders | | (164,163) | (327,406) |
| Dividends paid to minority shareholders | | (33,930) | (58,410) |
| Net cash (used in) / from financing activities | | (159,536) | 6,971,006 |
| Net (decrease) / increase in cash and cash equivalents | | (851,056) | 131,312 |
| Effect of foreign exchange rates changes | | 2,290 | 1,330 |
| Cash and cash equivalents at 1 January | | 3,585,416 | 3,452,774 |
| Cash and cash equivalents at 31 December | 34(c) | 2,736,650 | 3,585,416 |

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 effective for accounting periods beginning on or after 1 January 2008:

| | |
|-------------------|-------------------------------------------------------------------------------------------|
| HK(IFRIC)-Int 11 | HKFRS 2 |
| | — Group and Treasury Share Transactions |
| HK(IFRIC)-Int 12 | Service Concession Arrangements |
| HK(IFRIC)-Int 14 | HKAS 19 |
| | — The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction |
| HKAS 39 & HKFRS 7 | Reclassification of Financial Assets |
| (Amendments) | |

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) Acquisition of additional interest in a subsidiary

Goodwill arising on acquisition of additional interest in a subsidiary represents the excess of the cost of the acquisition over the fair value of the net assets attributable to the additional interest in a subsidiary. If, after reassessment, the fair value of the net assets attributable to the additional interest in a subsidiary by the Group exceeds the cost of the acquisition, the excess is recognised immediately in the consolidated income statement. The difference between the fair value and the carrying value of the underlying assets and liabilities attributable to the additional interest in a subsidiary is debited directly to special reserve. This special reserve is recognised in the consolidated income statement upon the earlier of the disposal of the subsidiary or the disposal by the subsidiary of the assets to which it relates.

Note 2 Principal Accounting Policies (Continued)

d) 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.

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 and loss on disposal.

e) 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.

f) 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.

Note 2 Principal Accounting Policies (Continued)

g) 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.

(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.

Note 2 Principal Accounting Policies (Continued)

h) 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. Revenue from hotel operation is recognised on a basis that reflects the timing, nature and value when the relevant services are provided. Rental income is recognised on a straight-line basis over 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.

i) 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. The cost of self constructed items of property, plant and equipment includes the aggregate cost of development, construction expenditure incurred and attributable finance costs capitalised during the development period. 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:

| | |
|----------------------|---------------------------------------------------------|
| Hotel buildings | 2% or over the remaining lease terms, if shorter |
| 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.

Note 2 Principal Accounting Policies (Continued)

j) 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.

k) 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 at fair value on acquisition dates and amortised over the period of the leases on a straight-line basis to the income statement.

l) 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 selling the property.

m) 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.

n) 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)

o) 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. 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. 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.

Note 2 Principal Accounting Policies (Continued)

o) Investments (Continued)

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.

p) 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.

q) 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.

Note 2 Principal Accounting Policies (Continued)

q) Derivative financial instruments (Continued)

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.

r) 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.

s) 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.

t) 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.

Note 2 Principal Accounting Policies (Continued)

u) 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.

v) 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.

w) 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.

Note 2 Principal Accounting Policies (Continued)

x) 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.

y) 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.

z) 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.

aa) 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.

Note 2 Principal Accounting Policies (Continued)

bb) 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, 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.

cc) 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.

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.

Note 2 Principal Accounting Policies (Continued)

dd) 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 and Revised Hong Kong Financial Reporting Standards

- a) The adoption of the new and revised HKFRSs had no material effect on how the Group's results of operations and financial position for the current or prior accounting periods have been prepared and presented.
- b) The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective.

| | |
|----------------------------------------|--------------------------------------------------------------------------------------------|
| HKAS 1 (Revised) | Presentation of Financial Statements ¹ |
| HKAS 23 (Revised) | Borrowing Costs ¹ |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements ² |
| HKAS 32 & HKAS 1 (Amendments) | Puttable Financial Instruments and Obligations Arising on Liquidation ¹ |
| HKAS 39 (Amendments) | Eligible Hedged Items ² |
| HKFRS 1 & HKAS 27 (Amendments) | Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ¹ |
| HKFRS 1 (Revised) | First-time Adoption of Hong Kong Financial Reporting Standards ² |
| HKFRS 2 (Amendment) | Vesting Conditions and Cancellations ¹ |
| HKFRS 3 (Revised) | Business Combinations ² |
| HKFRS 7 (Amendments) | Improving Disclosures about Financial Instruments ¹ |
| HKFRS 8 | Operating Segments ¹ |
| HK(IFRIC)-Int 9 & HKAS 39 (Amendments) | Embedded Derivatives ³ |
| HK(IFRIC)-Int 13 | Customer Loyalty Programmes ⁴ |
| HK(IFRIC)-Int 15 | Agreements for the Construction of Real Estate ¹ |
| HK(IFRIC)-Int 16 | Hedges of a Net Investment in a Foreign Operation ⁵ |
| HK(IFRIC)-Int 17 | Distributions of Non-cash Assets to Owners ² |
| HK(IFRIC)-Int 18 | Transfers of Assets from Customers ⁶ |
| HKFRSs (Amendments) | Improvements to HKFRSs ⁷ |

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 July 2009

³ Effective for annual periods ending on or after 30 June 2009

⁴ Effective for annual periods beginning on or after 1 July 2008

⁵ Effective for annual periods beginning on or after 1 October 2008

⁶ Effective for transfer of assets from customers received on or after 1 July 2009

⁷ Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. An improvement to HKFRSs requires property being constructed or developed for future use as investment property to classify as investment property for annual period beginning on or after 1 January 2009. It is anticipated that the adoption of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

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 | |
|------------------------------------------------|----------------------------------|----------------------------------|
| | 2008 (HK\$'000) | (Restated) 2007 (HK\$'000) |
| Turnover | | |
| Revenue from sale of properties | 1,806,168 | 587,782 |
| Revenue from passenger transportation services | 1,964,240 | 2,152,299 |
| Revenue from sale of fuel | 23,422 | 22,950 |
| Revenue from travel agency services | 90,003 | 99,494 |
| Revenue from hotel operation | 3,385 | — |
| Rental income | 162,514 | 164,650 |
| Dividends from investments | 91,571 | 76,564 |
| Interest income from mortgage loans receivable | 2,256 | 5,680 |
| Management fees and others | 207,289 | 208,718 |
| | 4,350,848 | 3,318,137 |
| Other revenues | | |
| Interest income | 59,861 | 139,312 |
| Claims received | 3,533 | 1,420 |
| Others | 60,195 | 24,780 |
| | 123,589 | 165,512 |
| | 4,474,437 | 3,483,649 |

notes to the financial statements

Note 5 Other Net (Loss) / Income

| | Group | |
|------------------------------------------------------------------|--------------------|--------------------|
| | 2008 (HK\$'000) | 2007 (HK\$'000) |
| Net gain / (loss) on disposal of property, plant and equipment | 8,814 | (860) |
| Net loss on financial assets designated as at FVTPL | (13,001) | (716) |
| Net (loss) / gain on derivative financial instruments | | |
| – fuel derivatives | (84,528) | — |
| – others | 5,147 | 5,305 |
| Net gain / (loss) on disposal of available-for-sale investments | | |
| – listed investments | 49,003 | 13,632 |
| – unlisted investments | (78) | 37 |
| Loss on disposal of interests in subsidiaries | (1,758) | — |
| Net gain on disposal of interests in jointly controlled entities | 2,894 | — |
| Others | 4,619 | 6,160 |
| | (28,888) | 23,558 |

Note 6 Operating Profit

| | Group | |
|--------------------------------------------------------------------|--------------------|----------------------------------|
| | 2008 (HK\$'000) | (Restated) 2007 (HK\$'000) |
| After crediting: | | |
| Interest income | | |
| – unlisted investments | 696 | 1,047 |
| – bank deposits and others | 58,635 | 139,439 |
| Total interest income on financial assets not at FVTPL | 59,331 | 140,486 |
| Bank interest income from financial assets designated as at FVTPL | 2,786 | 4,506 |
| | 62,117 | 144,992 |
| Rental income from investment properties | 146,008 | 141,405 |
| Less: Direct operating expenses arising from investment properties | (12,745) | (11,257) |
| | 133,263 | 130,148 |
| Dividend income from listed investments | 12,159 | 14,311 |
| Dividend income from unlisted investments | | |
| – Sociedade de Turismo e Diversões de Macau, S.A. (STDM) | 78,311 | 60,859 |
| – others | 1,101 | 1,394 |
| Exchange gain | 2,486 | 6,283 |
| After charging: | | |
| Cost of inventories | | |
| – properties | 1,442,783 | 341,529 |
| – fuel | 757,515 | 589,136 |
| – others | 84,463 | 74,659 |
| | 2,284,761 | 1,005,324 |
| Depreciation of property, plant and equipment | | |
| – held for rental income under operating leases | 2,369 | 2,458 |
| – others | 137,727 | 124,223 |
| Amortisation | | |
| – leasehold land | 13,586 | 13,574 |
| – intangible assets | 277 | 296 |
| Audit fee | 5,653 | 5,174 |
| Minimum lease payments of properties under operating leases | 20,975 | 11,501 |
| Impairment losses on intangible assets | 3,015 | — |
| Impairment losses on receivables | 227 | 733 |
| Write-down of inventories | 24,065 | — |
| Provident fund contribution | 33,240 | 23,750 |

Note 7 Directors' Emoluments and Five Highest Paid Individuals

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

Group

2008

| | Fees (HK\$'000) | Salaries, allowances and benefits (HK\$'000) | Performance bonus (HK\$'000) | Provident fund contributions (HK\$'000) | Total (HK\$'000) |
|--------------------------------------------|--------------------|-------------------------------------------------------|------------------------------------|--------------------------------------------------|---------------------|
| Executive Directors | | | | | |
| Dr. Stanley Ho | 65 | — | — | — | 65 |
| Ms. Pansy Ho | 65 | 8,562 | 504 | 445 | 9,576 |
| Ms. Daisy Ho | 65 | 5,269 | — | 243 | 5,577 |
| Dr. Ambrose So | 5 | 1,337 | — | 62 | 1,404 |
| Mr. Patrick Huen | 65 | 1,710 | — | 78 | 1,853 |
| Mr. Anthony Chan | 5 | 1,698 | — | 78 | 1,781 |
| Ms. Maisy Ho | 5 | 3,799 | — | 175 | 3,979 |
| Mr. David Shum | 5 | 1,806 | — | 84 | 1,895 |
| Non-Executive Directors | | | | | |
| Dato' Dr. Cheng Yu Tung | 5 | — | — | — | 5 |
| Mrs. Louise Mok | 5 | 100 | — | — | 105 |
| Independent Non-Executive Directors | | | | | |
| Sir Roger Lobo | 200 | 100 | — | — | 300 |
| Mr. Norman Ho | 200 | 100 | — | — | 300 |
| Mr. Charles Ho | 200 | — | — | — | 200 |
| Mr. Yeh V-Nee | 200 | 100 | — | — | 300 |
| | 1,090 | 24,581 | 504 | 1,165 | 27,340 |

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

2007

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

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

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

Among the five highest paid individuals in the Group, three (2007: three) are Directors of the Company and the details of their emoluments have been disclosed above. The emoluments of the remaining two (2007: two) individuals during the year not included above were salaries, allowances and benefits of HK\$5,378,000 (2007: HK\$9,121,000), no performance bonus (2007: HK\$369,000) and provident fund contributions of HK\$190,000 (2007: HK\$222,000).

The emoluments paid to the abovementioned two (2007: two) individuals are within the following bands:

| | Number of persons | |
|-------------------------------|-------------------|------|
| | 2008 | 2007 |
| HK\$2,500,001 - HK\$3,000,000 | 2 | — |
| HK\$3,500,001 - HK\$4,000,000 | — | 1 |
| HK\$5,500,001 - HK\$6,000,000 | — | 1 |

Details of the basis of determining Directors' emoluments are disclosed in the Report on Corporate Governance Practices on page 65. 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 55 to 58.

Note 8 Finance Costs

| | Group | |
|----------------------------------------------------------------------|--------------------|--------------------|
| | 2008 (HK\$'000) | 2007 (HK\$'000) |
| Interest on bank loans and overdraft wholly repayable within 5 years | 166,092 | 62,391 |
| Interest on bank loans not wholly repayable within 5 years | 16,246 | 6,287 |
| Interest on loans from minority shareholders | 8,266 | 7,423 |
| Other finance costs | 7,940 | — |
| Total interest expenses on financial liabilities not at FVTPL | 198,544 | 76,101 |
| Less: Amount capitalised in properties under development | (40,656) | (14,956) |
| | 157,888 | 61,145 |

Note 9 Taxation

a) Taxation in the consolidated income statement represents:

| | Group | |
|------------------------------------------------------------------------------------|--------------------|--------------------|
| | 2008 (HK\$'000) | 2007 (HK\$'000) |
| Current tax – Hong Kong | | |
| Tax for the year | 26,852 | 66,168 |
| Benefit of previously unrecognised tax losses and deductible temporary differences | (341) | (4,614) |
| Under / (over)-provision in respect of prior years | 4,261 | (401) |
| | 30,772 | 61,153 |
| Current tax - Overseas | | |
| Tax for the year | 141,115 | 32,956 |
| Benefit of previously unrecognised tax losses and deductible temporary differences | (534) | (172) |
| Over-provision in respect of prior years | (3,854) | (3,452) |
| | 136,727 | 29,332 |
| Deferred tax | | |
| Origination and reversal of temporary differences | (174,643) | 18,201 |
| Benefit of previously unrecognised tax losses and deductible temporary differences | (6,790) | (287) |
| Effect of change in tax rate | (8,389) | (11,335) |
| | (189,822) | 6,579 |
| Other taxes – Overseas | | |
| Taxation charged to revenues | 2,122 | 2,215 |
| Taxation attributable to the Company and its subsidiaries | (20,201) | 99,279 |

Hong Kong profits tax is provided for at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits for the year. On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the year ended 31 December 2008. 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.

notes to the financial statements

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 | |
|------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| | 2008 (HK\$'000) | 2007 (HK\$'000) |
| Profit before taxation | 9,780 | 1,361,087 |
| Tax at the applicable tax rate of 16.5% (2007: 17.5%) | 1,614 | 238,190 |
| Tax effect of net income that is not taxable in determining taxable profit | (20,169) | (65,468) |
| Tax effect of utilisation of previously unrecognised tax losses and deductible temporary differences | (7,665) | (5,077) |
| Tax effect of unrecognised tax losses and deductible temporary differences in the year | 28,509 | 19,254 |
| Tax effect of shares of results of associates and jointly controlled entities | (8,659) | (53,520) |
| Effect on opening deferred tax balances resulting from change in tax rate | (8,389) | (11,335) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | (7,971) | (21,127) |
| Under / (over)-provision in respect of prior years | 407 | (3,853) |
| Income tax (income) / expense for the year | (22,323) | 97,064 |
| Other taxes | 2,122 | 2,215 |
| Total tax (income) / expenses | (20,201) | 99,279 |

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) |
|-------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------|-----------------------------|-----------------------------------|----------------------|---------------------|
| Group | | | | | | |
| At 1 January 2007 | (495) | (29,482) | (13,033) | (3,195) | (1,139) | (47,344) |
| Exchange adjustment | — | — | (75) | — | — | (75) |
| Charge / (credit) to income statement for the year | 69 | 3,174 | 1,271 | — | (36) | 4,478 |
| Charge to equity for the year | — | — | — | 3,195 | — | 3,195 |
| At 31 December 2007 | (426) | (26,308) | (11,837) | — | (1,175) | (39,746) |
| Credit to income statement for the year | (128) | (791) | (81,933) | — | (3) | (82,855) |
| Credit to equity for the year | — | — | — | (16,017) | — | (16,017) |
| Effect on change in tax rate | 19 | 1,499 | 667 | — | 74 | 2,259 |
| At 31 December 2008 | (535) | (25,600) | (93,103) | (16,017) | (1,104) | (136,359) |
| Company | | | | | | |
| At 1 January 2007 | | | (195) | | | |
| Charge to income statement for the year | | | 13 | | | |
| At 31 December 2007 | | | (182) | | | |
| Credit to income statement for the year | | | (43) | | | |
| Effect on change in tax rate | | | 10 | | | |
| At 31 December 2008 | | | (215) | | | |

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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) |
|-------------------------------------------------------|-------------------------------------------------------------------------------------|-----------------------------------------------|------------------------------------------------------------------------|-----------------------------------|---------------------------------------------------------------|---------------------|
| Group | | | | | | |
| At 1 January 2007 | 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) |
| At 31 December 2007 | 75,464 | 120,422 | 54,939 | 5,306 | 1,027,588 | 1,283,719 |
| Exchange adjustment | 1,454 | 1,470 | — | — | — | 2,924 |
| Charge / (credit) to income statement for the year | 36,440 | (30,532) | 4,421 | — | (108,907) | (98,578) |
| Credit to equity for the year | — | — | — | (5,003) | (44,449) | (49,452) |
| Effect on change in tax rate | (2,937) | (4,572) | (3,139) | (303) | — | (10,951) |
| At 31 December 2008 | 110,421 | 86,788 | 56,221 | — | 874,232 | 1,127,662 |
| Company | | | | | | |
| At 1 January 2007 | 195 | | | | | |
| Credit to income statement for the year | (13) | | | | | |
| At 31 December 2007 | 182 | | | | | |
| Charge to income statement for the year | 43 | | | | | |
| Effect on change in tax rate | (10) | | | | | |
| At 31 December 2008 | 215 | | | | | |

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 | |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2008 (HK\$'000) | 2007 (HK\$'000) | 2008 (HK\$'000) | 2007 (HK\$'000) |
| Deferred tax assets recognised | (57,252) | (9,526) | — | — |
| Deferred tax liabilities recognised | 1,048,555 | 1,253,499 | — | — |
| | 991,303 | 1,243,973 | — | — |

d) Deferred tax assets unrecognised

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

| | Group | | Company | |
|----------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2008 (HK\$'000) | 2007 (HK\$'000) | 2008 (HK\$'000) | 2007 (HK\$'000) |
| Tax losses | 585,408 | 469,191 | 287,182 | 228,154 |
| Deductible temporary differences | 73,550 | 63,404 | — | — |
| | 658,958 | 532,595 | 287,182 | 228,154 |

Included in the unrecognised tax losses of the Group are losses of HK\$3,873,000 (2007: HK\$8,448,000) 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.

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Note 10 Dividends

| | 2008 (HK\$'000) | 2007 (HK\$'000) |
|-----------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| Interim dividend per share : nil (2007: HK 7.0 cents on 2,183,112,064 shares) | — | 152,818 |
| Proposed final dividend of HK 1.3 cents on 2,256,941,300 shares (2007: HK 7.0 cents on 2,343,879,300 shares) | 29,340 | 164,072 |
| 2006 final dividend of HK 8.0 cents on 500,000 shares issued upon exercise of share options | — | 40 |
| 2006 final dividend of HK 8.0 cents on 7,902,000 shares repurchased | — | (632) |
| | 29,340 | 316,298 |

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\$101,360,000 (2007: HK\$1,013,548,000) and the weighted average number of 2,320,189,585 shares (2007: 2,218,420,201 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\$101,360,000 (2007: HK\$1,013,548,000) and the weighted average number of 2,372,131,777 shares (2007: 2,306,385,218 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 | |
|--------------------------------------------------------------------------|------------------------------------------------------|--------------------|-----------------------------------|---------------|
| | 2008 (HK\$'000) | 2007 (HK\$'000) | 2008 | 2007 |
| Profit/number of shares for the purpose of basic earnings per share | 101,360 | 1,013,548 | 2,320,189,585 | 2,218,420,201 |
| Effect of dilutive potential ordinary shares – share options | — | — | 51,942,192 | 87,965,017 |
| Profit/number of shares for the purpose of diluted earnings per share | 101,360 | 1,013,548 | 2,372,131,777 | 2,306,385,218 |

Note 12 Property, Plant and Equipment

Group

| | Hotel buildings (HK\$'000) | Leasehold buildings (HK\$'000) | Properties under development (HK\$'000) | Vessels and pontoon (HK\$'000) | Other assets (HK\$'000) | Total (HK\$'000) |
|-----------------------------|----------------------------------|--------------------------------------|--------------------------------------------------|--------------------------------------|-------------------------------|---------------------|
| Cost | | | | | | |
| At 1 January 2007 | — | 229,025 | 71,700 | 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 | — | 229,025 | 427,287 | 1,969,105 | 746,773 | 3,372,190 |
| Exchange adjustment | — | — | — | — | 573 | 573 |
| Additions/transfers | — | — | 526,520 | 302,034 | 94,871 | 923,425 |
| Disposals/transfers | — | — | — | (43,760) | (16,894) | (60,654) |
| Reclassification | 800,528 | — | (920,286) | — | 119,758 | — |
| At 31 December 2008 | 800,528 | 229,025 | 33,521 | 2,227,379 | 945,081 | 4,235,534 |
| Depreciation | | | | | | |
| At 1 January 2007 | — | 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 |
| Exchange adjustment | — | — | — | — | 383 | 383 |
| Charge for the year | 864 | 3,024 | — | 90,044 | 46,164 | 140,096 |
| Write-back on disposal | — | — | — | (41,490) | (14,663) | (56,153) |
| At 31 December 2008 | 864 | 125,888 | — | 1,466,934 | 609,937 | 2,203,623 |
| Net book value | | | | | | |
| At 31 December 2008 | 799,664 | 103,137 | 33,521 | 760,445 | 335,144 | 2,031,911 |
| At 31 December 2007 | — | 106,161 | 427,287 | 550,725 | 168,720 | 1,252,893 |

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Note 12 Property, Plant and Equipment (Continued)

Company

| | Other assets (HK\$'000) |
|----------------------------|----------------------------|
| Cost | |
| At 1 January 2007 | 3,456 |
| Additions | 415 |
| Disposals | (415) |
| At 31 December 2007 | 3,456 |
| Additions | 1,043 |
| Disposals | (1,011) |
| At 31 December 2008 | 3,488 |
| Depreciation | |
| At 1 January 2007 | 2,228 |
| Charge for the year | 470 |
| Write-back on disposal | (341) |
| At 31 December 2007 | 2,357 |
| Charge for the year | 499 |
| Write-back on disposal | (883) |
| At 31 December 2008 | 1,973 |
| Net book value | |
| At 31 December 2008 | 1,515 |
| At 31 December 2007 | 1,099 |

Other assets of the Group comprised mainly furniture, fixtures and office equipment, plant and machinery of the hotel, operating supplies and equipment of the hotel and repairable spare parts of vessels.

The gross carrying amounts of vessels held for rental income under operating leases were HK\$55,426,000 (2007: HK\$98,994,000) and the related accumulated depreciation charges were HK\$49,633,000 (2007: HK\$88,754,000).

Pursuant to an Agreement for Sub-lease (the "Sub-lease Agreement") dated 26 June 2006, the Airport Authority Hong Kong has granted a subsidiary the right to construct a hotel on the land adjacent to the Asia World-Expo located next to the Hong Kong International Airport. Upon the completion of the construction, the Airport Authority Hong Kong is to grant the subsidiary the right to have the possession and enjoyment of the hotel up to the year of 2047. Under the Sub-lease Agreement, upon expiry of the sub-lease term in the year of 2047, the ownership of the hotel will be transferred to the Airport Authority Hong Kong.

Note 12 Property, Plant and Equipment (Continued)

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

| | Group | |
|------------------------------|----------------------------------|----------------------------------|
| | 2008 (HK\$'000) | 2007 (HK\$'000) |
| Hong Kong | | |
| Long lease | | |
| Leasehold buildings | 10,924 | 11,281 |
| Medium-term lease | | |
| Hotel buildings | 799,664 | — |
| Leasehold buildings | 83,170 | 85,616 |
| Properties under development | — | 418,029 |
| | 893,758 | 514,926 |
| Outside Hong Kong | | |
| Medium-term lease | | |
| Leasehold buildings | 9,043 | 9,264 |
| Properties under development | 33,521 | 9,258 |
| | 42,564 | 18,522 |
| | 936,322 | 533,448 |

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Note 13 Investment Properties

| | Group | |
|-----------------------------|--------------------|--------------------|
| | 2008 (HK\$'000) | 2007 (HK\$'000) |
| Valuation | | |
| At 1 January | 3,311,364 | 2,988,264 |
| Exchange adjustment | 27,324 | 31,734 |
| Acquisition of a subsidiary | — | 164,700 |
| Transfers | 17,000 | 320 |
| Cost adjustments | — | 5,063 |
| Fair value changes | (191,585) | 121,283 |
| At 31 December | 3,164,103 | 3,311,364 |

An analysis of investment properties is as follows:

| | Group | |
|--------------------------|--------------------|--------------------|
| | 2008 (HK\$'000) | 2007 (HK\$'000) |
| Hong Kong | | |
| Long lease | 309,000 | 309,000 |
| Medium-term lease | 2,046,003 | 2,215,852 |
| | 2,355,003 | 2,524,852 |
| Outside Hong Kong | | |
| Medium-term lease | 659,100 | 636,512 |
| Freehold | 150,000 | 150,000 |
| | 809,100 | 786,512 |
| | 3,164,103 | 3,311,364 |

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

A revaluation of all investment properties was performed at 31 December 2008 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.

Note 14 Leasehold Land

| | Group | |
|----------------------------------------------------------|--------------------|--------------------|
| | 2008 (HK\$'000) | 2007 (HK\$'000) |
| Cost | | |
| At 1 January | 1,514,191 | 777,566 |
| Acquisition of a subsidiary | — | 736,000 |
| Additions | 906 | 625 |
| At 31 December | 1,515,097 | 1,514,191 |
| Amortisation | | |
| At 1 January | 202,084 | 179,378 |
| Amortisation for the year | 13,586 | 13,574 |
| Amortisation capitalised in properties under development | 18,009 | 9,132 |
| At 31 December | 233,679 | 202,084 |
| Net book value at 31 December | 1,281,418 | 1,312,107 |
| An analysis of leasehold land is as follows: | | |
| | Group | |
| | 2008 (HK\$'000) | 2007 (HK\$'000) |
| Hong Kong | | |
| Long lease | 3,163 | 3,189 |
| Medium-term lease | 132,466 | 135,641 |
| | 135,629 | 138,830 |
| Outside Hong Kong | | |
| Medium-term lease | 1,145,789 | 1,173,277 |
| | 1,281,418 | 1,312,107 |

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Note 15 Subsidiaries

| | Company | |
|--------------------------|--------------------|--------------------|
| | 2008 (HK\$'000) | 2007 (HK\$'000) |
| Unlisted shares, at cost | 24,200 | 24,200 |

Particulars regarding the principal subsidiaries are set out on pages 155 to 157.

Note 16 Associates

| | Group | | Company | |
|--------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2008 (HK\$'000) | 2007 (HK\$'000) | 2008 (HK\$'000) | 2007 (HK\$'000) |
| Unlisted shares, at cost | — | — | 250 | 250 |
| Share of net assets | 220,210 | 237,077 | — | — |
| Goodwill | 137 | 137 | — | — |
| | 220,347 | 237,214 | 250 | 250 |

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

| | 2008 (HK\$'000) | 2007 (HK\$'000) |
|---------------------|--------------------|--------------------|
| Total assets | 1,082,502 | 1,152,609 |
| Total liabilities | (519,609) | (571,017) |
| Revenue | 622,807 | 2,251,447 |
| Profit for the year | 95,997 | 1,037,423 |

Particulars regarding the principal associates are set out on pages 155 to 157.

Subsequent to the balance sheet date, on 20 January 2009, the Group entered into a conditional agreement to dispose its 50% equity interest in Excelsior-Hoteis e Investimentos, Limitada as further discussed in note 43.

Note 17 Jointly Controlled Entities

| | Group | | Company | |
|-------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2008 (HK\$'000) | 2007 (HK\$'000) | 2008 (HK\$'000) | 2007 (HK\$'000) |
| Capital contribution, at cost | — | — | — | 7,803 |
| Share of net assets | 957,352 | 975,236 | — | — |
| | 957,352 | 975,236 | — | 7,803 |

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

| | 2008 (HK\$'000) | 2007 (HK\$'000) |
|------------------------------------------------------------------|--------------------|--------------------|
| Share of assets and liabilities attributable to the Group | | |
| Non-current assets | 994,756 | 773,399 |
| Current assets | 2,061,413 | 1,886,312 |
| Current liabilities | (1,336,517) | (1,241,342) |
| Non-current liabilities | (762,300) | (443,133) |
| Net assets | 957,352 | 975,236 |
| Share of income and expenses attributable to the Group | | |
| Income | 142,132 | 119,375 |
| Expenses | (128,135) | (96,842) |
| Profit for the year | 13,997 | 22,533 |

Particulars regarding the principal jointly controlled entities are set out on pages 155 to 157.

Note 18 Intangible Assets

Group

| | Goodwill (HK\$'000) | Franchises and royalties (HK\$'000) | Total (HK\$'000) |
|------------------------------------------|------------------------|-------------------------------------------|---------------------|
| Cost | | | |
| At 1 January 2007 | 2,275 | 4,417 | 6,692 |
| Acquisition of subsidiaries | 362,453 | — | 362,453 |
| Additions | — | 200 | 200 |
| At 31 December 2007 and 31 December 2008 | 364,728 | 4,617 | 369,345 |
| Amortisation and impairment loss | | | |
| At 1 January 2007 | 2,275 | 89 | 2,364 |
| Amortisation for the year | — | 296 | 296 |
| At 31 December 2007 | 2,275 | 385 | 2,660 |
| Amortisation for the year | — | 277 | 277 |
| Impairment loss recognised in the year | — | 3,015 | 3,015 |
| At 31 December 2008 | 2,275 | 3,677 | 5,952 |
| Net book value | | | |
| At 31 December 2008 | 362,453 | 940 | 363,393 |
| At 31 December 2007 | 362,453 | 4,232 | 366,685 |

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 2008 has been allocated to the cash generating unit (CGU) of properties for development in Macau.

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 (2007: 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.

Note 19 Available-for-sale Investments

| | Group | | Company | |
|-------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2008 (HK\$'000) | 2007 (HK\$'000) | 2008 (HK\$'000) | 2007 (HK\$'000) |
| Equity securities | | | | |
| Unlisted | | | | |
| Cost | 894,104 | 895,400 | 234,723 | 234,723 |
| Impairment losses | (74,166) | (75,345) | — | — |
| | 819,938 | 820,055 | 234,723 | 234,723 |
| Listed in Hong Kong, at market value | 152,904 | 630,228 | — | — |
| Listed outside Hong Kong, at market value | 2,578 | 40,771 | — | — |
| | 975,420 | 1,491,054 | 234,723 | 234,723 |
| Debt securities | | | | |
| Unlisted, at fair value | 9,540 | 28,527 | — | — |
| Investment funds | | | | |
| Listed outside Hong Kong, at market value | 14 | 20,723 | — | — |
| Unlisted, at fair value | 14,434 | 11,472 | — | — |
| | 14,448 | 32,195 | — | — |
| | 999,408 | 1,551,776 | 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.

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Note 19 Available-for-sale Investments (Continued)

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

| | Equity securities | | Debt securities | | Investment funds | | Total | |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2008 (HK\$'000) | 2007 (HK\$'000) | 2008 (HK\$'000) | 2007 (HK\$'000) | 2008 (HK\$'000) | 2007 (HK\$'000) | 2008 (HK\$'000) | 2007 (HK\$'000) |
| Group | | | | | | | | |
| Non-current assets | 975,420 | 1,491,054 | 9,540 | 28,527 | 14,434 | 11,313 | 999,394 | 1,530,894 |
| Current assets | — | — | — | — | 14 | 20,882 | 14 | 20,882 |
| | 975,420 | 1,491,054 | 9,540 | 28,527 | 14,448 | 32,195 | 999,408 | 1,551,776 |
| Company | | | | | | | | |
| Non-current assets | 234,723 | 234,723 | — | — | — | — | 234,723 | 234,723 |

Note 20 Mortgage Loans Receivable

| | Group | |
|---------------------------|--------------------|--------------------|
| | 2008 (HK\$'000) | 2007 (HK\$'000) |
| Mortgage loans receivable | 24,824 | 42,965 |
| Less: Current portion | (1,852) | (4,034) |
| Non-current portion | 22,972 | 38,931 |

Mortgage loans receivable are secured by second mortgage of properties and interest bearing at prime rate plus 1.75% to prime rate plus 2.75% (2007: 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 2.75% (2007: prime rate plus 1.75% to prime rate plus 3.75%) per annum.

Note 21 Other Non-current Assets

| | Group | | Company | |
|--------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2008 (HK\$'000) | 2007 (HK\$'000) | 2008 (HK\$'000) | 2007 (HK\$'000) |
| Amounts due by subsidiaries less provision | — | — | 9,855,755 | 11,220,574 |
| Amounts due by associates less provision | 11,136 | 11,136 | — | — |
| Amounts due by jointly controlled entities | 774,863 | 435,061 | — | — |
| Amounts due by investee companies | 28,190 | 28,190 | 125 | 125 |
| Structured notes and deposits | 7,750 | 91,208 | — | 78,020 |
| Equity-linked notes, at fair value | — | 7,424 | — | — |
| Club debentures | 140 | 140 | — | — |
| | 822,079 | 573,159 | 9,855,880 | 11,298,719 |

Amounts due by subsidiaries are unsecured and with no fixed term of repayment. Amount of HK\$208,985,000 (2007: HK\$408,471,000) is interest bearing at prime rate (2007: 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.

Amounts due by jointly controlled entities are unsecured. Amount of HK\$659,940,000 (2007: HK\$333,540,000) is repayable by 5 December 2010, amount of HK\$30,489,000 (2007: HK\$30,487,000) is repayable upon notice of either party and amount of HK\$9,128,000 (2007: nil) is repayable by seven instalments while the remaining balances have no fixed term of repayment. Amounts of HK\$659,940,000 (2007: HK\$333,540,000), HK\$9,128,000 (2007: nil) and HK\$2,196,000 (2007: HK\$2,196,000) are interest bearing at HIBOR plus 3% (2007: HIBOR plus 3%), base lending rates promulgated by the People's Bank of China in PRC and 4% (2007: 6%) per annum respectively 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/or commodities etc.

For equity-linked notes of 2007, the redemption amounts and/or interest rates were linked to equity securities. The Group used the market values determined by independent financial institutions to estimate their fair values.

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Note 22 Properties for or under Development

| | Group | |
|----------------------------------------------|--------------------|--------------------|
| | 2008 (HK\$'000) | 2007 (HK\$'000) |
| Properties for or under development, at cost | 8,067,373 | 10,775,322 |

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

| | Group | |
|--------------------------|--------------------|--------------------|
| | 2008 (HK\$'000) | 2007 (HK\$'000) |
| Hong Kong | | |
| Medium-term lease | 1,878,180 | 1,878,180 |
| Outside Hong Kong | | |
| Medium-term lease | 5,728,893 | 7,978,673 |
| | 7,607,073 | 9,856,853 |

Note 23 Inventories

| | Group | |
|-------------|--------------------|--------------------|
| | 2008 (HK\$'000) | 2007 (HK\$'000) |
| Properties | 1,797,071 | 644,286 |
| Spare parts | 164,556 | 128,962 |
| Others | 8,092 | 10,983 |
| | 1,969,719 | 784,231 |

The carrying amount of properties for 2008 is after write-down of certain properties amounted to HK\$99,727,000 (2007: nil) to their net realisable value.

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

| | Group | |
|--------------------------|--------------------|--------------------|
| | 2008 (HK\$'000) | 2007 (HK\$'000) |
| Hong Kong | | |
| Long lease | 22,380 | 29,840 |
| Medium-term lease | 23,579 | 29,743 |
| Outside Hong Kong | | |
| Medium-term lease | 1,284,082 | 392,510 |
| | 1,330,041 | 452,093 |

Note 24 Trade Receivables, Other Receivables and Deposits Paid

| | Group | | Company | |
|----------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2008 (HK\$'000) | 2007 (HK\$'000) | 2008 (HK\$'000) | 2007 (HK\$'000) |
| Amount due by a jointly controlled entity | — | 9,200 | — | — |
| Current portion of mortgage loans receivable | 1,852 | 4,034 | — | — |
| Equity-linked notes, at fair value | 6,455 | 14,743 | — | — |
| Structured notes and deposits | — | 90,211 | — | 39,010 |
| Deposits for acquisitions of interests in land development rights | 814,542 | 772,942 | — | — |
| Trade and other debtors, deposits and prepayments | 1,035,142 | 637,668 | 33,241 | 15,528 |
| | 1,857,991 | 1,528,798 | 33,241 | 54,538 |

In 2007, amount due by a jointly controlled entity was unsecured and repayable on demand. Amount to the extent of HK\$7,200,000 was interest bearing at the interest rate of 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 | |
|--------------|--------------------|--------------------|
| | 2008 (HK\$'000) | 2007 (HK\$'000) |
| 0 - 30 days | 690,405 | 144,702 |
| 31 - 60 days | 23,374 | 67,928 |
| 61 - 90 days | 7,851 | 131,052 |
| over 90 days | 21,475 | 22,002 |
| | 743,105 | 365,684 |

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

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

| | Group | |
|-----------------|--------------------|--------------------|
| | 2008 (HK\$'000) | 2007 (HK\$'000) |
| Past due up to: | | |
| 0 - 30 days | 44,398 | 52,804 |
| 31 - 60 days | 11,888 | 12,890 |
| 61 - 90 days | 4,103 | 3,512 |
| over 90 days | 15,233 | 21,463 |
| | 75,622 | 90,669 |

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

| | Group | |
|--------------------------------------------|--------------------|--------------------|
| | 2008 (HK\$'000) | 2007 (HK\$'000) |
| At 1 January | 5,575 | 5,677 |
| Impairment loss recognised during the year | 227 | 733 |
| Impairment loss reversed during the year | (35) | (391) |
| Uncollectible amounts written off | (109) | (444) |
| At 31 December | 5,658 | 5,575 |

Note 25 Derivative Financial Instruments

| | Group | |
|----------------------------------------|--------------------|--------------------|
| | 2008 (HK\$'000) | 2007 (HK\$'000) |
| Current assets | | |
| Fuel swap contracts | — | 30,319 |
| Other derivative financial instruments | 242 | 2,289 |
| | 242 | 32,608 |
| Current liabilities | | |
| Fuel swap contracts | 97,075 | — |

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 cost of inventories in the income statement when the forecast purchases occur, at various dates between 1 month to 12 months (2007: 1 month to 12 months) from the balance sheet date.

Note 26 Bank Deposits, Cash and Bank Balances

| | Group | | Company | |
|------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2008 (HK\$'000) | 2007 (HK\$'000) | 2008 (HK\$'000) | 2007 (HK\$'000) |
| Bank deposits | 2,011,110 | 3,048,848 | 198,520 | 1,114,146 |
| Cash and bank balances | 725,526 | 515,686 | 35,440 | 15,972 |
| | 2,736,636 | 3,564,534 | 233,960 | 1,130,118 |

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 | |
|---------------------------------------------|--------------------|--------------------|
| | 2008 (HK\$'000) | 2007 (HK\$'000) |
| Bank loans repayable within a period | | |
| Not exceeding 1 year | 1,994,000 | 3,216,982 |
| More than 1 year but not exceeding 2 years | 1,271,800 | 200,000 |
| More than 2 years but not exceeding 5 years | 3,582,200 | 2,671,232 |
| More than 5 years | 390,000 | 121,268 |
| | 7,238,000 | 6,209,482 |
| Less: Current portion | (1,994,000) | (3,216,982) |
| Non-current portion | 5,244,000 | 2,992,500 |

Bank loans to the extent of HK\$206,000,000 (2007: HK\$154,982,000) are secured by charges on certain vessels of the Group of HK\$296,740,000 (2007: HK\$361,818,000). Bank loans to the extent of HK\$600,000,000 (2007: HK\$142,500,000) are secured by charges on property, plant and equipment of HK\$939,174,000 (2007: HK\$418,059,000), bank deposits, cash and bank balances of HK\$99,575,000 (2007: HK\$7,960,000) and other assets of HK\$32,214,000 (2007: HK\$11,740,000) of the Group. Bank loans to the extent of HK\$1,250,000,000 (2007: nil) are secured by corporate guarantee of the Company and minority shareholders of a subsidiary on a pro-rata basis in accordance with their shareholding in the subsidiary. The balance is secured by corporate guarantee of the Company or subsidiaries.

Bank loans to the extent of HK\$806,000,000 (2007: HK\$297,482,000) are repayable by instalments.

Bank loans to the extent of HK\$7,176,000,000 (2007: HK\$6,209,482,000) are interest bearing at HIBOR plus 0.37% to HIBOR plus 1.5% (2007: HIBOR plus 0.3% to HIBOR plus 1.5%) per annum. The balance is interest bearing at bankers' funding rate (BFR) plus 0.6% to BFR plus 1% per annum.

The carrying amount of bank borrowings approximates their fair value based on cash flows discounted using effective interest rates of HIBOR plus 0.37% to HIBOR plus 1.5% or BFR plus 0.6% to BFR plus 1% (2007: HIBOR plus 0.3% to HIBOR plus 1.5%) per annum.

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Note 28 Trade and Other Payables

| | Group | | Company | |
|------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2008 (HK\$'000) | 2007 (HK\$'000) | 2008 (HK\$'000) | 2007 (HK\$'000) |
| Amounts due to subsidiaries | — | — | 2,271,120 | 4,282,207 |
| Amount due to an associate | 2,846 | 2,846 | — | — |
| Loan | 5,000 | 5,000 | — | — |
| Trade and other creditors, deposits and accrued charges | 808,466 | 1,057,533 | 36,027 | 35,362 |
| | 816,312 | 1,065,379 | 2,307,147 | 4,317,569 |

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 | |
|--------------|--------------------|--------------------|
| | 2008 (HK\$'000) | 2007 (HK\$'000) |
| 0 - 30 days | 359,555 | 505,465 |
| 31 - 60 days | 6,113 | 7,712 |
| 61 - 90 days | 1,513 | 1,367 |
| over 90 days | 3,522 | 26,923 |
| | 370,703 | 541,467 |

Note 29 Provision for Employee Benefits

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

| | Group | | Company | |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2008 (HK\$'000) | 2007 (HK\$'000) | 2008 (HK\$'000) | 2007 (HK\$'000) |
| At 1 January | 27,314 | 27,654 | 7,127 | 7,338 |
| Net amount provided during the year | 3,255 | 1,258 | 684 | 321 |
| Amount paid during the year | (1,621) | (1,598) | (556) | (532) |
| At 31 December | 28,948 | 27,314 | 7,255 | 7,127 |

Note 30 Loans from Minority Shareholders

Loans from minority shareholders are unsecured, non-interest bearing (2007: amount to the extent of HK\$516,950,000 was interest bearing at HIBOR plus 0.58% per annum while the balance was non-interest bearing) 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. 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

| | 2008 | | 2007 | |
|----------------------------------|----------------------|------------------|------------------|------------|
| | Number of shares | (HK\$'000) | Number of shares | (HK\$'000) |
| Authorised | | | | |
| 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 |
| Issued and fully paid | | | | |
| Ordinary shares of HK\$0.25 each | | | | |
| At 1 January | 2,328,309,734 | 582,077 | 2,190,514,064 | 547,628 |
| Placement of shares | — | — | 140,000,000 | 35,000 |
| Exercise of share options | 33,969,566 | 8,492 | 5,697,670 | 1,424 |
| Repurchase of shares | (105,338,000) | (26,334) | (7,902,000) | (1,975) |
| At 31 December | 2,256,941,300 | 564,235 | 2,328,309,734 | 582,077 |

During the year, share options were exercised to subscribe for 33,969,566 (2007: 5,697,670) ordinary shares in the Company at total consideration of HK\$75,345,000 (2007: HK\$18,442,000) of which HK\$8,492,000 (2007: HK\$1,424,000) was credited to the share capital and the balance of HK\$66,853,000 (2007: HK\$17,018,000) was credited to the share premium.

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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 of repurchases | Number of shares repurchased | Highest price paid per share (HK\$) | Lowest price paid per share (HK\$) | Aggregate price paid (HK\$'000) |
|----------------------|------------------------------|-------------------------------------|------------------------------------|---------------------------------|
| 2008 | | | | |
| February 2008 | 300,000 | 10.50 | 10.38 | 3,136 |
| April 2008 | 418,000 | 9.90 | 9.73 | 4,137 |
| June 2008 | 1,718,000 | 7.37 | 7.13 | 12,501 |
| July 2008 | 16,612,000 | 7.03 | 5.37 | 100,433 |
| August 2008 | 11,300,000 | 6.00 | 4.69 | 57,270 |
| September 2008 | 5,354,000 | 2.79 | 1.90 | 13,765 |
| October 2008 | 69,636,000 | 2.49 | 1.30 | 130,337 |
| | 105,338,000 | | | 321,579 |
| 2007 | | | | |
| 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 |

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\$26,334,000 (2007: HK\$1,975,000) was transferred from retained profits to capital redemption reserve. The premium and expenses paid on the repurchase of the shares of HK\$295,245,000 (2007: HK\$82,587,000) was charged to retained profits.

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 55 to 58.

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

2008

| Date of grant | Exercise price | Number of options | | | | | Note |
|---------------------------------|----------------|-------------------|-------------------------|---------------------------|---------------------------|---------------------|------|
| | | At 1 January 2008 | Granted during the year | Exercised during the year | Cancelled during the year | At 31 December 2008 | |
| The 1993 share option scheme | | | | | | | (i) |
| 3 January 2000 | HK\$1.15 | 15,869,566 | — | (15,869,566) | — | — | |
| The 2002 share option scheme | | | | | | | (i) |
| 25 May 2004 | HK\$3.15 | 92,297,130 | — | (18,000,000) | — | 74,297,130 | |
| 8 July 2004 | HK\$3.95 | 300,000 | — | (100,000) | — | 200,000 | (ii) |
| 22 September 2004 | HK\$4.20 | 5,000,000 | — | — | — | 5,000,000 | (i) |
| | | 97,597,130 | — | (18,100,000) | — | 79,497,130 | (iv) |
| | | 113,466,696 | — | (33,969,566) | — | 79,497,130 | |
| Weighted average exercise price | | HK\$2.92 | — | HK\$2.22 | — | HK\$3.22 | |

Note 32 Share Option Schemes (Continued)

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

2007

| Date of grant | Exercise price | Number of options | | | | At 31 December 2007 | Note |
|---------------------------------|----------------|-------------------|-------------------------|---------------------------|---------------------------|---------------------|-------|
| | | At 1 January 2007 | Granted during the year | Exercised during the year | Cancelled during the year | | |
| 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 | (iv) |
| Weighted average exercise price | | | | | | | |
| | | HK\$2.93 | HK\$11.84 | HK\$3.24 | HK\$11.84 | HK\$2.92 | |

Notes:

- (i) The share options outstanding at 31 December 2008 and 31 December 2007 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 2008 and 31 December 2007 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) No share options were granted or cancelled during the year. In 2007, 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. The total expenses recognised in profit or loss for the year 2007 arising from share options was HK\$694,000.
- (iv) The weighted average remaining contractual life for the share options outstanding at 31 December 2008 is 5.40 years (2007: 5.78 years).
- (v) During 2008, 33,969,566 (2007: 5,697,670) share options were exercised under the 2002 share option scheme. The weighted average share price at the dates of exercise was HK\$6.79 (2007: HK\$12.75).

Note 32 Share Option Schemes (Continued)

(b) Fair value of share options and assumptions

In 2007, the fair value of those options on the date of grant was HK\$694,000, calculated using the Black-Scholes option pricing model. The inputs into the model were 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 were 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

| | 2008 (HK\$'000) | 2007 (HK\$'000) |
|--------------------------------|--------------------|--------------------|
| Share premium | 6,802,141 | 6,735,345 |
| Capital redemption reserve | 34,254 | 7,920 |
| Capital reserve | 5 | 5 |
| Legal reserve | 11,862 | 11,141 |
| Special reserve | (151,413) | — |
| Asset revaluation reserve | 1,404,192 | 1,740,674 |
| Investment revaluation reserve | (20,770) | 371,162 |
| Hedging reserve | (34,531) | 10,656 |
| Exchange reserve | 39,089 | 27,353 |
| Retained profits | 3,137,820 | 3,388,100 |
| | 11,222,649 | 12,292,356 |

Note 33 Reserves (Continued)

a) Group (Continued)

The movements of the Group's reserves for the years ended 31 December 2008 and 31 December 2007 are presented in the consolidated statement of changes in equity on pages 75 to 76 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, associates and jointly controlled entities which is set aside from the profits of these companies in accordance with the Commercial Code of Macau Special Administrative Region.

Special reserve represents the difference between the fair value and the carrying amount of the underlying assets and liabilities attributable to the additional interest in a subsidiary being acquired from minority shareholders.

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(o) 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(q) 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(y) 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 2007 | 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) |
| At 31 December 2007 | 6,735,345 | 7,920 | — | 937,340 | 7,680,605 |
| Profit for the year | — | — | — | 52,976 | 52,976 |
| Exercise of share options | 66,853 | — | — | — | 66,853 |
| Expenses on issue of shares | (57) | — | — | — | (57) |
| Repurchase of shares | — | 26,334 | — | (320,359) | (294,025) |
| Expenses on repurchase of shares | — | — | — | (1,220) | (1,220) |
| Dividends | — | — | — | (29,340) | (29,340) |
| At 31 December 2008 | 6,802,141 | 34,254 | — | 639,397 | 7,475,792 |

Distributable reserves of the Company as at 31 December 2008 amounted to HK\$668,737,000 (2007: HK\$1,101,412,000) of which HK\$29,340,000 (2007: HK\$164,072,000) has been proposed as final dividend.

The consolidated profit attributable to equity holders of the Company includes a loss of HK\$15,897,000 (2007: profit of HK\$402,765,000) which has been dealt with in the financial statements of the Company.

Note 34 Consolidated Cash Flow Statement

a) Acquisition of interests in subsidiaries

| | 2008 (HK\$'000) | 2007 (HK\$'000) |
|----------------------------------------------------------------------------------|--------------------|--------------------|
| Net assets acquired | | |
| 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 |
| Trade receivable, other receivables and deposits paid | — | 16,325 |
| Bank deposits, cash and bank balances | — | 1,084,421 |
| Trade and other payables | — | (868,942) |
| Taxation payable | — | (109,620) |
| Deferred tax liabilities | — | (1,066,045) |
| | — | 9,343,210 |
| Interests in associates originally held by the Group | — | (2,173,235) |
| Minority interests | — | (137,211) |
| | — | 7,032,764 |
| Excess of interest in fair value of net assets acquired over cost of acquisition | — | (291,177) |
| Goodwill | — | 362,453 |
| | — | 7,104,040 |
| Satisfied by | | |
| 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 |
| Cash outflow on acquisition of interests in subsidiaries | | |
| Cash consideration paid | — | (7,069,666) |
| Direct costs relating to the acquisitions | — | (8,798) |
| Cash and cash equivalents acquired | — | 1,084,421 |
| | — | (5,994,043) |

Details of the acquisition of interests in subsidiaries in 2007 were disclosed in note 35 to the financial statements of the Company's annual report 2007.

Note 34 Consolidated Cash Flow Statement (Continued)**b) Disposal of interests in subsidiaries**

| | 2008 (HK\$'000) | 2007 (HK\$'000) |
|-------------------------------------------------------------|--------------------|--------------------|
| Net assets disposed | | |
| Trade receivable, other receivables and deposits paid | 1,758 | — |
| Loss on disposal | (1,758) | — |
| | — | — |
| Satisfied by | | |
| Cash consideration received | — | — |
| Cash inflow on disposal of interests in subsidiaries | — | — |

c) Analysis of cash and cash equivalents

| | 2008 (HK\$'000) | 2007 (HK\$'000) |
|-------------------------------------------------------------------|--------------------|--------------------|
| Investment funds (note 19) | 14 | 20,882 |
| Bank deposits, cash and bank balances (note 26) | 2,736,636 | 3,564,534 |
| Cash and cash equivalents in the consolidated cash flow statement | 2,736,650 | 3,585,416 |

Cash and cash equivalents at the balance sheet date include cash and bank balances of HK\$67,607,000 (2007: HK\$39,436,000) held by subsidiaries which are not freely remissible to the Group because of currency exchange restrictions.

d) Major non-cash transaction

During the year, no dividend income (2007: dividend income of HK\$59,268,000) from investments was settled through the current account with an investee company.

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Note 35 Segment Information

Business segments

Group

2008

| | Property (HK\$'000) | Transportation (HK\$'000) | Hospitality (HK\$'000) | Investment and others (HK\$'000) | Eliminations (HK\$'000) | Consolidated (HK\$'000) |
|----------------------------------------------------|------------------------|------------------------------|---------------------------|----------------------------------------|----------------------------|----------------------------|
| Turnover and revenue | | | | | | |
| External turnover | 2,045,640 | 1,842,031 | 345,528 | 117,649 | — | 4,350,848 |
| Inter-segment turnover | 3,304 | 188,348 | 34,145 | — | (225,797) | — |
| Other revenues | 11,017 | 40,208 | 8,100 | 4,403 | — | 63,728 |
| | 2,059,961 | 2,070,587 | 387,773 | 122,052 | (225,797) | 4,414,576 |
| Segment results | 369,808 | (149,634) | 4,359 | 113,699 | — | 338,232 |
| Fair value changes on investment properties | (191,585) | — | — | — | — | (191,585) |
| Unallocated income | | | | | | 3,449 |
| Unallocated expense | | | | | | (94,767) |
| Interest income | | | | | | 59,861 |
| Operating profit | | | | | | 115,190 |
| Finance costs | | | | | | (157,888) |
| Share of results of associates | 15 | — | 36,655 | 1,811 | — | 38,481 |
| Share of results of jointly controlled entities | 1,239 | 6,599 | 6,159 | — | — | 13,997 |
| Profit before taxation | | | | | | 9,780 |
| Taxation | | | | | | 20,201 |
| Profit after taxation | | | | | | 29,981 |

Note 35 Segment Information (Continued)**Business segments** (Continued)**Group****2008**

| | Property (HK\$'000) | Transportation (HK\$'000) | Hospitality (HK\$'000) | Investment and others (HK\$'000) | Eliminations (HK\$'000) | Consolidated (HK\$'000) |
|-----------------------------|------------------------|------------------------------|---------------------------|----------------------------------------|----------------------------|----------------------------|
| Assets | | | | | | |
| Segment assets | 17,486,595 | 2,868,031 | 1,652,140 | 1,067,355 | (38,904) | 23,035,217 |
| Associates | 2,689 | — | 217,055 | 603 | — | 220,347 |
| Jointly controlled entities | 925,361 | 13,432 | 18,559 | — | — | 957,352 |
| Unallocated assets | | | | | | 348,642 |
| Total assets | | | | | | 24,561,558 |
| Liabilities | | | | | | |
| Segment liabilities | 762,639 | 415,782 | 140,041 | 9,794 | (38,904) | 1,289,352 |
| Unallocated liabilities | | | | | | 9,242,650 |
| Total liabilities | | | | | | 10,532,002 |
| Other information | | | | | | |
| Capital expenditure | 57,149 | 341,280 | 524,461 | 34 | | |
| Depreciation | 15,164 | 114,990 | 5,336 | 2,879 | | |
| Amortisation | | | | | | |
| – leasehold land | 182 | 2,976 | 10,428 | — | | |
| – intangible assets | — | — | — | 277 | | |
| Impairment losses on | | | | | | |
| – intangible assets | — | — | — | 3,015 | | |
| – receivables | 96 | — | 131 | — | | |

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Note 35 Segment Information (Continued)

Business segments (Continued)

Group

2007 (Restated)

| | Property (HK\$'000) | Transportation (HK\$'000) | Hospitality (HK\$'000) | Investment and others (HK\$'000) | Eliminations (HK\$'000) | Consolidated (HK\$'000) |
|--------------------------------------------------------------------------------------------------------------|------------------------|------------------------------|---------------------------|----------------------------------------|----------------------------|----------------------------|
| Turnover and revenue | | | | | | |
| External turnover | 846,425 | 2,011,135 | 367,939 | 92,638 | — | 3,318,137 |
| Inter-segment turnover | 2,880 | 208,186 | 38,243 | — | (249,309) | — |
| Other revenues | 1,266 | 18,870 | 2,532 | 3,532 | — | 26,200 |
| | 850,571 | 2,238,191 | 408,714 | 96,170 | (249,309) | 3,344,337 |
| Segment results | 286,881 | 259,177 | 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 | 224,980 | 1,545 | 54,834 | 1,939 | — | 283,298 |
| Share of results of jointly controlled entities | 18,881 | 4,455 | (803) | — | — | 22,533 |
| Profit before taxation | | | | | | 1,361,087 |
| Taxation | | | | | | (99,279) |
| Profit after taxation | | | | | | 1,261,808 |

Note 35 Segment Information (Continued)**Business segments** (Continued)**Group**

2007

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

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Note 35 Segment Information (Continued)

Geographical segments

Group

| | Hong Kong (HK\$'000) | Macau (HK\$'000) | Others (HK\$'000) | Consolidated (HK\$'000) |
|------------------------|-------------------------|---------------------|----------------------|----------------------------|
| 2008 | | | | |
| Turnover and revenue | 1,342,924 | 2,880,974 | 190,678 | 4,414,576 |
| Segment assets | 9,685,001 | 14,125,050 | 751,507 | 24,561,558 |
| Capital expenditure | 897,251 | 26,287 | 497 | |
| 2007 (Restated) | | | | |
| Turnover and revenue | 1,734,614 | 1,378,101 | 231,622 | 3,344,337 |
| Segment assets | 10,876,022 | 14,696,038 | 743,250 | 26,315,310 |
| Capital expenditure | 385,800 | 12,016 | 194 | |

Note 36 Significant Related Party Transactions

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

| | Note | 2008 (HK\$'000) | 2007 (HK\$'000) |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|--------------------|--------------------|
| STDM Group | (i) | | |
| Dividend income from STDM | | 78,311 | 60,859 |
| Ferry tickets sold (after discount) to STDM Group | * | 284,438 | 402,198 |
| Commission paid to STDM Group on ferry tickets sold by STDM Group | * | 20,476 | 20,471 |
| Fees received from STDM for management of hotels and Macau Tower Convention & Entertainment Centre | * | 32,819 | 34,874 |
| Fuel purchased from STDM Group for Macau shipping operations | * | 416,983 | 323,591 |
| Amount collected by STDM Group for sale of ferry tickets and related services in Macau | | 455,725 | 472,705 |
| Amount reimbursed to STDM Group for expenses incurred in respect of shipping operations in Macau | | 151,488 | 160,966 |
| Amount reimbursed by STDM Group for staff expenses and administrative resources shared | | 19,878 | 24,904 |
| Revenue of duty free goods sold on board collected for STDM | | 11,900 | 14,768 |
| Acquisition of Nova Taipa-Urbanizações Limitada and assignment of related shareholder's loan from STDM Group | * | — | 2,290,000 |
| Acquisition of the remaining 20% interest in Shun Tak, Serviços Recreativos, S.A. (STSR) and assignment of related shareholder's loan from STDM Group | (ii)* | 238,000 | — |
| Associates | | | |
| Insurance premium paid to an associate | | 39,238 | 32,593 |
| Jointly controlled entities | | | |
| Ferry passengers handling fees received on behalf of a jointly controlled entity | | 48,905 | 47,772 |

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Note 36 Significant Related Party Transactions (Continued)

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

| | Note | 2008 (HK\$'000) | 2007 (HK\$'000) |
|-------------------------------------------------------------------------------------------------------------------------------------------|--------|--------------------|--------------------|
| Key management personnel | | | |
| Fees received under Ferry Services Co-operation Agreement with a jointly controlled entity of New World Development Company Limited (NWD) | (iii)* | — | 22,500 |
| Ferry tickets sold (after discount) to a jointly controlled entity of NWD | (iii)* | 32,605 | — |
| Amount collected on behalf of a jointly controlled entity of NWD for sale of ferry tickets | (iii) | 18,434 | 7,397 |
| Acquisitions of two passenger vessels from a jointly controlled entity of NWD | (iii)* | 294,800 | — |
| Ferry tickets sold (after discount) to MGM Grand Paradise Limited (MGM) | (iv)* | 10,108 | — |
| Fees received from MGM for laundry, decoration, travel and other services rendered | (iv)* | 23,517 | — |
| Directors' emoluments | (v) | | |
| Salaries and other short-term employee benefits | | 26,175 | 29,834 |
| Post-employment benefits | | 1,165 | 1,062 |
| Other related parties | | | |
| Commission to China Travel Service (Hong Kong) Limited (CTSHK) for sale of ferry tickets | (vi)* | 34,145 | 38,143 |
| Net income collected by CTSHK for sale of ferry tickets and related services | (vi) | 157,205 | 205,871 |
| Design and construction fee paid to Dragages Hong Kong Limited (DHK) | (vii) | 472,248 | 329,672 |

Note 36 Significant Related Party Transactions (Continued)**b) At the balance sheet date, the Group had the following balances with related parties:**

| | Note | 2008 (HK\$'000) | 2007 (HK\$'000) |
|-------------------------------------------------------------------------------------------------|---------|--------------------|--------------------|
| STDM Group | (i) | | |
| Net receivable from / (payable to) STDM Group | (viii) | 36,569 | (8,508) |
| Minority shareholder's loan from STDM to a subsidiary | (ii) | — | 100,000 |
| Jointly controlled entities | | | |
| Amounts due by jointly controlled entities | (ix) | 774,863 | 444,261 |
| Construction costs payable to a jointly controlled entity | | 35,685 | 28,983 |
| Key management personnel | | | |
| Minority shareholder's loans from NWD to subsidiaries | (x) | 123,917 | 248,195 |
| Minority shareholder's loan from a company beneficially owned by Dr. Stanley Ho to a subsidiary | (xi) | 91,707 | 104,747 |
| Bank accounts maintained with Seng Heng Bank Limited (SHB) | (xii) | 30,440 | 26,938 |
| Refundable deposit paid by a subsidiary to Sai Wu Investimento Limitada (Sai Wu) | (xiii)* | 500,000 | 500,000 |
| Other related parties | | | |
| Minority shareholder's loan from Dragages Investments Limited (DI) to a subsidiary | (vii) | 120,000 | 66,000 |
| Minority shareholder's loans from Sun Hung Kai Properties Limited (SHK) to subsidiaries | (x) | 359,359 | 721,553 |
| Accounts receivable from CTS HK | (vi) | 7,943 | 15,265 |
| Design and construction fee payable to DHK | (vii) | 51,906 | 71,808 |

Note 36 Significant Related Party Transactions (Continued)

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 STD. Dr. Stanley Ho, Mrs. Louise Mok, Ms. Pansy Ho and Ms. Daisy Ho (as appointed representative of the Company) are directors of STD. STD is a substantial shareholder of the Company.
- (ii) The subsidiary, STSR, holds site development rights in Macau and is wholly owned by the Group upon completion of the acquisition of remaining 20% interests in STSR from STD Group in June 2008 (2007: owned as to 80% by the Group and 20% by STD). The consideration of HK\$238,000,000 comprises HK\$137,800,000 for the 20% equity interest and HK\$100,200,000 for the shareholder's loan. The minority shareholder's loan as at 31 December 2007 was unsecured, non-interest bearing and with no fixed term of repayment.
- (iii) Dato' Dr. Cheng Yu Tung is chairman of NWD.
- (iv) Ms. Pansy Ho has beneficial interest in MGM. Ms. Pansy Ho and Ms. Daisy Ho are directors of MGM.
- (v) Further details of Directors' emoluments are disclosed in note 7 to the financial statements.
- (vi) CTSHK is a subsidiary of China Travel International Investment Hong Kong Limited which is a minority shareholder of a subsidiary.
- (vii) The subsidiary, Union Sky Holdings Limited, holds the hotel operation and development projects 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.
- (viii) Net receivable from / (payable to) STD Group comprises unsecured, non-interest bearing current account, trade and other receivable and payable.
- (ix) Amounts due by jointly controlled entities are unsecured. Amount of HK\$659,940,000 is repayable by 5 December 2010, amount of HK\$30,489,000 is repayable upon notice of either party and amount of HK\$9,128,000 is repayable by seven instalments (2007: amount of HK\$9,200,000 was repayable on demand, amount of HK\$333,540,000 was repayable by 5 December 2010 and amount of HK\$30,487,000 was repayable upon notice of either party) while the remaining balances have no fixed term of repayment. Amounts of HK\$659,940,000, HK\$9,128,000 and HK\$2,196,000 are interest bearing at HIBOR plus 3%, base lending rates promulgated by the People's Bank of China in PRC and 4% per annum respectively (2007: amounts of HK\$7,200,000, HK\$333,540,000 and HK\$2,196,000 were interest bearing at 5%, HIBOR plus 3% and 6% per annum respectively) while the remaining balances are non-interest bearing. The related interest income for the year amounted to HK\$23,262,000 (2007: HK\$24,547,000). At the balance sheet date, interest receivable of HK\$60,098,000 (2007: HK\$41,431,000) remained unsettled.
- (x) The subsidiaries, Ranex Investments Limited (Ranex) and Treasure Peninsula Limited (TPL), hold the property development projects 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, non-interest bearing (2007: amount to the extent of HK\$411,450,000 was interest bearing at HIBOR plus 0.58% per annum while the balance was non-interest bearing) and with no fixed term of repayment. The minority shareholders' loans to TPL from NWD and SHK as at 31 December 2007 were unsecured, non-interest bearing and with no fixed term of repayment. The minority shareholders' loan to TPL were fully repaid during the year.

As at 31 December 2007, SHK also provided 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 was unsecured, non-interest bearing and with no fixed term of repayment. The minority shareholder's loan was fully repaid during the year.
- (xi) 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.
- (xii) On 28 January 2008, STD disposed of its entire interest in SHB to Industrial and Commercial Bank of China Limited. Prior to the disposal, SHB was a subsidiary of STD. Mr. Patrick Huen has beneficial interest and is a director of SHB.
- (xiii) 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. The refundable deposit 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 27 May 2008, the completion date of the acquisition was further extended from 30 June 2008 to on or before 30 June 2009.

* These related party transactions also constitute or constituted 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 37 Provident Fund Scheme

The Group provides defined contribution provident fund schemes for its eligible employees in Hong Kong, including the Occupational Retirement (ORSO) scheme and the Mandatory Provident Fund (MPF) schemes.

Under the MPF schemes, the Group and its employee's contributions to the MPF schemes are ranging from 5% to 10% 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% to 10% 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 2008 were HK\$33,240,000 (2007: HK\$23,750,000). Under the provident fund schemes other than MPF schemes, 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\$18,916,000 (2007: HK\$28,982,000) were available to the Group to reduce the contributions to the schemes in future years.

Note 38 Commitments

a) Capital commitments

| | Group | |
|-----------------------------------|--------------------|--------------------|
| | 2008 (HK\$'000) | 2007 (HK\$'000) |
| Contracted but not provided for | 118,420 | 506,010 |
| Authorised but not contracted for | 3,809 | 4,557 |
| | 122,229 | 510,567 |

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

- (i) the payment of HK\$3,080 million (2007: HK\$523 million) in cash and the issue of 148,883,374 (2007: 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\$1,171.7 million (2007: HK\$1,535 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 | |
|---------------------------------------|--------------------|--------------------|
| | 2008 (HK\$'000) | 2007 (HK\$'000) |
| Within one year | 23,258 | 25,621 |
| In the second to fifth year inclusive | 22,219 | 35,622 |
| Over five years | — | 50 |
| | 45,477 | 61,293 |

Pursuant to the Sub-lease Agreement as detailed in note 12, the subsidiary has to pay a contingent rent to the Airport Authority Hong Kong, commencing from 15 December 2008, computed at a rate of 0.1% per annum on gross sales receipts of the subsidiary for the first two years, 3% per annum for the third to fifth years, 4.4% per annum for the sixth year and 5.8% per annum for the remaining period until expiry of the sub-lease term.

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.

Note 38 Commitments (Continued)**c) Future minimum lease payments receivable**

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

| | Group | |
|---------------------------------------|----------------------------|----------------------------|
| | 2008 (HK\$'000) | 2007 (HK\$'000) |
| Within one year | 92,882 | 101,452 |
| In the second to fifth year inclusive | 105,086 | 140,521 |
| Over five years | 8,597 | 31,140 |
| | 206,565 | 273,113 |

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

d) Property development commitments

The Group had commitments of HK\$598,979,000 (2007: HK\$1,926,078,000) under various contracts to complete property development projects, out of which HK\$460,092,000 (2007: HK\$1,376,002,000) represents the Group's share of such commitments of a jointly controlled entity.

Note 39 Contingent Liabilities

| | Group | | Company | |
|-----------------------------------------------------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | 2008 (HK\$'000) | 2007 (HK\$'000) | 2008 (HK\$'000) | 2007 (HK\$'000) |
| Guarantees issued by the Company for credit facilities granted to subsidiaries | — | — | 5,619,500 | 5,912,000 |
| Guarantees issued by the Company for bank guarantees issued for the Group | 10,000 | 60,547 | 10,000 | 60,547 |
| Letters of credit outstanding | 272 | — | — | — |

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\$2,411,000 (2007: HK\$2,716,000).

Note 40 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 | |
|--------------------------------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2008 (HK\$'000) | 2007 (HK\$'000) | 2008 (HK\$'000) | 2007 (HK\$'000) |
| Available-for-sale investments | 9,540 | 28,527 | — | — |
| Mortgage loans receivable | 22,972 | 38,931 | — | — |
| Other non-current assets | 821,939 | 573,019 | 9,855,880 | 11,298,719 |
| Trade receivables and other receivables deposits paid (excluding deposits and prepayments) | 865,404 | 532,612 | 32,951 | 54,538 |
| Derivative financial instruments | 242 | 32,608 | — | — |
| Bank deposits, cash and bank balances | 2,736,636 | 3,564,534 | 233,960 | 1,130,118 |
| | 4,456,733 | 4,770,231 | 10,122,791 | 12,483,375 |

The Group has concentration of credit risk on amount due by a jointly controlled entity of HK\$724 million (2007: HK\$375 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 39) 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.

Note 40 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 years (HK\$'000) | More than 5 years (HK\$'000) | Over 1 year but no fixed repayment term (HK\$'000) | Carrying amount and contractual undiscounted cash flows (HK\$'000) |
|----------------------------------|-----------------------------------|---------------------------------------------------------------------|------------------------------------|----------------------------------------------------------------|-----------------------------------------------------------------------------------|
| 2008 | | | | | |
| Bank borrowings | 1,994,000 | 4,854,000 | 390,000 | — | 7,238,000 |
| Trade and other payables | 816,312 | — | — | — | 816,312 |
| Loans from minority shareholders | — | — | — | 847,743 | 847,743 |
| Derivative financial instruments | 97,075 | — | — | — | 97,075 |
| | 2,907,387 | 4,854,000 | 390,000 | 847,743 | 8,999,130 |
| 2007 | | | | | |
| 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 |
| | 4,282,361 | 2,871,232 | 121,268 | 1,515,795 | 8,790,656 |

Note 40 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

| | 2008 (HK\$'000) | 2007 (HK\$'000) |
|-------------------------------------------------------|--------------------|--------------------|
| Variable-rate financial assets / (liabilities) | | |
| Available-for-sale investments | 3,590 | 18,791 |
| Mortgage loans receivable | 24,824 | 42,965 |
| Amounts due by jointly controlled entities | 669,068 | 333,540 |
| Structured notes and deposits | — | 78,020 |
| Bank balances and deposits | 2,489,377 | 3,415,342 |
| Bank borrowings | (7,238,000) | (6,209,482) |
| Loans from minority shareholders | — | (516,950) |
| | (4,051,141) | (2,837,774) |
| Fixed-rate financial assets | | |
| Available-for-sale investments | 5,950 | 9,736 |
| Amount due by a jointly controlled entity | 2,196 | 7,200 |
| Structured notes and deposits | 7,750 | 85,822 |
| | 15,896 | 102,758 |
| Net interest-bearing liabilities | (4,035,245) | (2,735,016) |

Note 40 Financial Instruments (Continued)**c) Market risk** (Continued)*i) Interest rate risk* (Continued)**Company**

| | 2008 (HK\$'000) | 2007 (HK\$'000) |
|---------------------------------------|--------------------|--------------------|
| Variable-rate financial assets | | |
| Amounts due by subsidiaries | 208,985 | 408,471 |
| Structured notes and deposits | — | 78,020 |
| Bank balances and deposits | 227,932 | 1,121,409 |
| | 436,917 | 1,607,900 |
| Fixed-rate financial assets | | |
| Structured notes and deposits | — | 39,010 |
| Interest-bearing assets | 436,917 | 1,646,910 |

Sensitivity analysis

At 31 December 2008, if interest rates had been 50 basis points (2007: 100 basis points) lower with all other variables held constant, the Group's profit after taxation and equity would have been HK\$23.2 million (2007: HK\$ 27.2 million) higher, arising mainly as a result of lower net interest expenses on net variable-rate financial liabilities.

At 31 December 2008, if interest rates had been 50 basis points (2007: 100 basis points) higher with all other variables held constant, the Group's profit after taxation and equity would have been HK\$17.2 million (2007: HK\$27.2 million) lower arising mainly as a result of higher net interest expenses on net variable-rate financial liabilities.

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 changes in interest rates represent management's assessment of a reasonably possible change at that date over the period until the next annual balance sheet date.

The analysis is prepared on the same basis for 2007.

Note 40 Financial Instruments (Continued)

c) Market risk (Continued)

ii) Currency risk

The Group is exposed to currency risk on financial assets and liabilities 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 and liabilities 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 and liabilities 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.

Note 40 Financial Instruments (Continued)**c) Market risk** (Continued)*ii) Currency risk* (Continued)**Summary quantitative data****Group**

| | USD (HK\$'000) | MOP (HK\$'000) | RMB (HK\$'000) | Total (HK\$'000) |
|-------------------------------------------|-------------------|-------------------|-------------------|---------------------|
| 2008 | | | | |
| Available-for-sale investments | 32,172 | — | — | 32,172 |
| Amount due by a jointly controlled entity | 9,128 | — | — | 9,128 |
| Structured notes and deposits | 7,750 | — | — | 7,750 |
| Equity-linked notes | 6,455 | — | — | 6,455 |
| Bank deposits | 223,891 | 530 | — | 224,421 |
| Cash and bank balances | 6,918 | 37,430 | 67,648 | 111,996 |
| Trade and other receivables | 1,066 | 54,001 | 4,925 | 59,992 |
| Trade and other payables | (21,936) | (55,785) | (10,924) | (88,645) |
| Derivative financial instruments | (96,833) | — | — | (96,833) |
| | 168,611 | 36,176 | 61,649 | 266,436 |
| 2007 | | | | |
| 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) |
| Derivative financial instruments | 32,608 | — | — | 32,608 |
| | 931,311 | 18,736 | 34,800 | 984,847 |

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Note 40 Financial Instruments (Continued)

c) Market risk (Continued)

ii) Currency risk (Continued)

Company

| | USD (HK\$'000) | MOP (HK\$'000) | RMB (HK\$'000) | Total (HK\$'000) |
|-------------------------------|-------------------|-------------------|-------------------|---------------------|
| 2008 | | | | |
| Bank deposits | 124,794 | — | — | 124,794 |
| Cash and bank balances | 2,406 | 116 | — | 2,522 |
| | 127,200 | 116 | — | 127,316 |
| 2007 | | | | |
| Structured notes and deposits | 117,030 | — | — | 117,030 |
| Bank deposits | 310,688 | — | — | 310,688 |
| Cash and bank balances | 246 | 116 | — | 362 |
| | 427,964 | 116 | — | 428,080 |

Sensitivity analysis

At 31 December 2008, if the HKD weakened 10% (2007: 10%) against the RMB with all other variables held constant, the Group's exchange reserve would have been HK\$6 million (2007: HK\$3.5 million) higher. Conversely, if the HKD had strengthened 10% (2007: 10%) against the RMB with all other variables held constant, the Group's exchange reserve would have been HK\$6 million (2007: HK\$3.5 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 and liabilities 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 2007.

Note 40 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 and equity-linked notes.

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 | |
|----------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2008 (HK\$'000) | 2007 (HK\$'000) | 2008 (HK\$'000) | 2007 (HK\$'000) |
| Financial assets, at fair value | | | | |
| Available-for-sale investments | 169,930 | 703,194 | — | — |
| Equity-linked notes | 6,455 | 22,167 | — | — |
| | 176,385 | 725,361 | — | — |
| Financial assets, at cost | | | | |
| less impairment losses | | | | |
| Available-for-sale investments | 819,938 | 820,055 | 234,723 | 234,723 |
| | 996,323 | 1,545,416 | 234,723 | 234,723 |

Note 40 Financial Instruments (Continued)

c) Market risk (Continued)

iii) Equity price risk (Continued)

Sensitivity analysis

The Group's equity investments amounting to 88.1% (2007: 92.5%) 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% (2007: 10%) increase in stock prices at 31 December 2008 would have increased equity by HK\$15.5 million (2007: HK\$67.1 million); an equal change in the opposite direction would have decreased equity by HK\$15.5 million (2007: HK\$67.1 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 at that date over the period until the next annual balance sheet date.

The analysis is prepared on the same basis for 2007.

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) Fuel price risk

The Group is exposed to fuel price risk on fuel swap contracts. It's the Group's policy to limit the exposure by hedging a percentage of its anticipated fuel consumption using fuel derivatives. Around 32% of the anticipated fuel consumption for 2009 was hedged at the balance sheet date.

Summary quantitative data

| | Group | |
|--------------------------------------------------------|--------------------|--------------------|
| | 2008 (HK\$'000) | 2007 (HK\$'000) |
| Financial (liabilities) / assets, at fair value | | |
| Fuel swap contracts | (97,075) | 30,319 |

Note 40 Financial Instruments (Continued)

c) Market risk (Continued)

iv) Fuel price risk (Continued)

Sensitivity analysis

At 31 December 2008, if the fuel price increased by 10% (2007: 10%) with all other variables held constant, the Group's equity would have been HK\$9.6 million (2007: HK\$8.3 million) higher, representing the after-tax effect of change in fair value of fuel derivatives at the balance sheet date. Conversely, if the fuel price decreased by 10% (2007: 10%) with all other variables held constant, the Group's equity would have been HK\$9.6 million (2007: HK\$8.4 million) lower.

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

The analysis is prepared on the same basis for 2007.

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 | |
|------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2008 (HK\$'000) | 2007 (HK\$'000) | 2008 (HK\$'000) | 2007 (HK\$'000) |
| Financial assets | | | | |
| Financial assets | | | | |
| – designated as at FVTPL | 6,455 | 39,744 | — | — |
| – held for trading | 242 | 2,289 | — | — |
| Loan and receivables (including cash and cash equivalents) | 4,440,496 | 4,669,352 | 10,122,791 | 12,477,357 |
| Available-for-sale financial assets | 999,408 | 1,551,776 | 234,723 | 234,723 |
| Financial liabilities | | | | |
| Financial liabilities measured at amortised cost | 8,902,055 | 8,790,656 | 2,307,147 | 4,317,569 |

Note 41 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, issue new shares or repurchase of own 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 2008, the Group's strategy, which was unchanged from 2007, was to maintain a healthy net debt-to-adjusted capital ratio.

The net debt-to-adjusted capital ratio at 31 December 2008 and 2007 was as follows:

| | Group | |
|------------------------------------------------------|--------------------|--------------------|
| | 2008 (HK\$'000) | 2007 (HK\$'000) |
| Bank borrowings | 7,238,000 | 6,209,482 |
| Less: Cash and cash equivalents | (2,736,650) | (3,585,416) |
| Net debts | 4,501,350 | 2,624,066 |
| Equity attributable to equity holders of the Company | 11,816,224 | 13,038,505 |
| Less: Hedging reserve | 34,531 | (10,656) |
| Adjusted capital | 11,850,755 | 13,027,849 |
| Net debt-to-adjusted capital ratio | 38.0% | 20.1% |

The increase in the net debt-to-adjusted capital ratio during 2008 was mainly due to the increase in bank borrowings and decrease in bank deposits for financing property projects and repurchase of the Company's own ordinary shares.

Note 42 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(d). 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 42 Critical Accounting Estimates and Judgements (Continued)

(f) Estimated net realisable value on inventories of properties and properties for or under development

In determining whether allowances should be made to the Group's inventories of properties and 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 in the case of properties for or under development. An allowance is made if the estimated market value is less than the carrying amount.

Note 43 Events after the Balance Sheet Date

On 20 January 2009, Florinda Hotel Investment Limited (FHIL), a wholly-owned subsidiary of the Company entered into a conditional agreement (SPA) with Current Time Limited (CTL), a wholly-owned subsidiary of STDM for the disposal of its entire equity interest in and loan to Skamby Limited (Skamby), a wholly-owned subsidiary of FHIL, for a total consideration of HK\$740 million (subject to adjustment). The principal asset of Skamby is 50% equity interest in Excelsior – Hoteis e Investimentos, Limitada (EHIL) which owns Mandarin Oriental Macau (the Hotel), together with the piece of land on which the Hotel is erected. It is estimated that the Group will recognize a profit of approximately HK\$696 million from the disposal of interests in Skamby. The amount of actual profit will be determined after the Skamby Completion Account and the EHIL Completion Account (as defined in the Company's announcement on 21 January 2009) have been issued.

On 21 January 2009, STDM and Bluebell Assets Limited (Bluebell), a wholly-owned subsidiary of STDM, executed a deed of undertaking in favour of the Company, conditionally undertaking to enter into a repurchase contract relating to an off-market share repurchase by the Company of its 263,667,107 shares held by STDM and Bluebell.

Completion of the repurchase contract is subject inter alia to completion of SPA taking place simultaneously. The parties to the repurchase contract agree that the Company's payment obligations in respect of the repurchase consideration, upon simultaneous completion of the SPA and the repurchase contract, shall be set-off against the payment obligation of such part of the consideration owed by CTL to the Group under the SPA.

Note 44 Comparatives

Certain comparative figures have been reclassified in order to conform with the current year's presentation. Revenue of HK\$26,953,000 and the related cost of HK\$18,493,000 in connection with the disposal of certain available-for-sale investments and other financial instruments previously shown separately in the consolidated income statement have been netted off. The cumulative gain of HK\$31,294,000 on fuel swap contracts designated as cash flow hedges, previously used to reduce other costs, and other revenue of HK\$60,892,000 have been reclassified as cost of inventories sold or consumed.

Note 45 Approval of Financial Statements

The financial statements were approved by the Board of Directors on 2 April 2009.

Principal Subsidiaries, Associates and Joint Ventures

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| | Place of incorporation/ Principal place of operation | Issued and paid up ordinary share capital/ registered capital | Percentage held by the Group | Principal activities |
|-------------------------------------------------------|---------------------------------------------------------------|---------------------------------------------------------------------------|------------------------------------|-----------------------------|
| TRANSPORTATION | | | | |
| 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 |
| Tai Tak Hing Shipping Company Limited | Hong Kong/ Hong Kong-Macau | HK\$200 HK\$5,200,000+ | 42.6 | shipping |
| Wealth Trump Limited | Hong Kong/ Hong Kong-Macau | HK\$1 | 42.6 | shipping |
| Sunrise Field Limited | Hong Kong/ Hong Kong-Macau | HK\$1 | 42.6 | shipping |

principal subsidiaries, associates and joint ventures

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| | Place of incorporation/ Principal place of operation | Issued and paid up ordinary share capital/ registered capital | Percentage held by the Group | Principal activities |
|---------------------------------------------------------------|---------------------------------------------------------------|---------------------------------------------------------------------------|------------------------------------|----------------------------------------|
| PROPERTY – HONG KONG | | | | |
| 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 |
| PROPERTY – MACAU | | | | |
| Eversun Company Limited | Hong Kong/Macau | HK\$200 | 100 | property investment |
| Shun Tak Nam Van Investimento Limitada | Macau | MOP25,000 | 100 | property development |
| Companhia De Investimento Shun Tak South Lake, Limitada | Macau | MOP25,000 | 100 | property development |
| Basecity Investments Limited** | British Virgin Islands/ Macau | US\$10,000^ | 51 | property development |
| Ace Wonder Limited | British Virgin Islands/ Macau | US\$1 | 100 | investment holding and treasury |
| 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 |

| | Place of incorporation/ Principal place of operation | Issued and paid up ordinary share capital/ registered capital | Percentage held by the Group | Principal activities |
|-------------------------------------------------------------|---------------------------------------------------------------|---------------------------------------------------------------------------|------------------------------------|------------------------------------|
| PROPERTY – MAINLAND CHINA | | | | |
| 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 |
| HOSPITALITY | | | | |
| 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 | 100 | property holding |
| Union Sky Holdings Limited** | Hong Kong | HK\$10,000 | 70 | hotel development and operation |
| 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 |
| FINANCE | | | | |
| 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 |

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

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| | 2008 (HK\$ million) | 2007 (HK\$ million) | 2006 (HK\$ million) | 2005 (HK\$ million) | 2004 (HK\$ million) |
|-----------------------------------------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Consolidated Income Statement | | | | | |
| Turnover | 4,351 | 3,318 | 2,509 | 2,489 | 3,749 |
| Profit attributable to equity holders of the Company | 101 | 1,014 | 664 | 364 | 480 |
| Total dividends | 29 | 316 | 279 | 146 | 231 |
| Consolidated Balance Sheet | | | | | |
| Non-current assets | 9,920 | 9,608 | 7,919 | 6,388 | 6,595 |
| Current assets | 14,641 | 16,707 | 5,622 | 5,468 | 5,548 |
| Current liabilities | (3,392) | (5,170) | (814) | (780) | (1,421) |
| Non-current liabilities | (7,140) | (5,762) | (1,990) | (2,113) | (2,197) |
| Net assets | 14,029 | 15,383 | 10,737 | 8,963 | 8,525 |
| Share capital | 564 | 582 | 548 | 520 | 520 |
| Reserves | 11,223 | 12,292 | 8,030 | 6,530 | 6,220 |
| Proposed dividends | 29 | 164 | 175 | 94 | 135 |
| Equity attributable to equity holders of the Company | 11,816 | 13,038 | 8,753 | 7,144 | 6,875 |
| Minority interests | 2,213 | 2,345 | 1,984 | 1,819 | 1,650 |
| Total equity | 14,029 | 15,383 | 10,737 | 8,963 | 8,525 |
| Number of issued and fully paid shares (million) | 2,257 | 2,328 | 2,191 | 2,082 | 2,080 |
| Performance Data | | | | | |
| Earnings per share (HK cents) | | | | | |
| – basic | 4.4 | 45.7 | 31.0 | 17.5 | 23.7 |
| – diluted | 4.3 | 43.9 | 29.7 | 16.8 | 22.7 |
| Dividends per share (HK cents) | | | | | |
| – interim | — | 7.0 | 4.5 | 2.5 | 4.5 |
| – final | 1.3 | 7.0 | 8.0 | 4.5 | 6.5 |
| Dividend cover | 3.4 | 3.3 | 2.5 | 2.5 | 2.2 |
| Current ratio | 4.3 | 3.2 | 6.9 | 7.0 | 3.9 |
| Gearing (%) | 38.1 | 20.1 | — | — | — |
| Return on equity attributable to equity holders of the Company (%) | 0.9 | 7.8 | 7.6 | 5.1 | 7.0 |
| Net asset value per share (HK\$) | 6.2 | 6.6 | 4.9 | 4.3 | 4.1 |

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.

| | 2008 | 2007 | 2006 | 2005 | 2004 |
|------------------------------|-------|-------|-------|-------|-------|
| Headcount by Division | | | | | |
| Head Office | 206 | 174 | 161 | 137 | 146 |
| Transportation | 1,844 | 1,796 | 1,759 | 1,741 | 1,669 |
| Property | 362 | 328 | 294 | 245 | 230 |
| Hospitality | 441 | 143 | 121 | 125 | 72 |
| Investment and others | 27 | 89 | 86 | 1 | 1 |

