SHUN TAK

Shun Tak Holdings Limited
信 德 集 團 有 限 公 司

Stock Code 股份代號: 242

2009
ANNUAL REPORT
年 報

Contents

Horses

Horses are majestic animals with adventurous souls. They gallop freely across fields and valleys; bold, liberal and zealous.

An upright standing stallion can be recognized as the leader of its herd, possessing unparalleled strengths that impress even the strongest of rivals.

Cover design depicts the solid foundation and exceptional business acumen of the Group, capitalizing upon opportunities with impeccable foresight and versatility in its expansion strategies, exhibiting the charisma of a leader in every way.

Corporate Information

Board of Directors

Dr. Stanley Ho
Group Executive Chairman

Sir Roger Lobo
Independent Non-Executive Director

Mr. Norman Ho
Independent Non-Executive Director

Mr. Charles Ho
Independent Non-Executive Director

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

Ms. Maisy Ho
Executive Director

Mr. David Shum
Executive Director

Mr. Michael Ng
Executive Director

Audit Committee

Mr. Norman Ho *(Chairman)*

Sir Roger Lobo

Mrs. Louise Mok

Remuneration Committee

Ms. Pansy Ho *(Chairman)*

Sir Roger Lobo

Mr. Norman Ho

Mr. Charles Ho

Ms. Daisy Ho

Nomination Committee

Ms. Pansy Ho *(Chairman)*

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

Solicitor

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

Share Registrar

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

PROPERTY

© Grischa Guschendorf / Kohn Pedersen Fox Associates

TRANSPORTATION

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. One Central Residences, the project's residential portion comprising 7 prestigious towers, has commenced handover to homeowners in August 2009. The shopping mall opened for business in December 2009, and has successfully established its position as the flagship luxury retail destination of Macau.

Nova City in Taipa, in which the Group holds a 100% stake, is one of the largest luxury developments in Macau. The project comprises of upscale residential units, world-class landscaping and clubhouse facilities. Sales of the first three phases have generated strong public response. Foundation works for Phase 4 will commence in the 3rd quarter of 2010, and that of Phase 5 is scheduled in the 4th quarter of 2010.

The Group holds a 79% interest in a Columbarium project in Taipa, Macau. The project is tentatively scheduled for completion in the 2nd quarter of 2011.

Harbour Mile, a luxurious mixed-use complex at the largest prime site in Nam Van Macau, is currently under review by the Macau SAR Government as part of the overall Nam Van Lakefront development plan.

The Group 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 Garden, another residential property development project of the Group consisting approximately 370,000 square feet of residential and retail space, is expected to complete in 2012.

The Group currently provides property management services to 14 million square feet of residential, commercial and industrial properties across Hong Kong and Macau.

Transportation

The Group's origin dates back to 1961 with the inauguration of a passenger ferry service between Hong Kong and Macau. 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, Nansha and Shekou.

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

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

HOSPITALITY

INVESTMENT

Sea Express". The bonded service connects air transit passengers of the Hong Kong International Airport with Macau and various destinations in the PRD region, further strengthening connectivity amongst PRD cities and world destinations. In order to better reflect the nature of this service, the routes were later renamed "TurboJET Airport Routes" in 2007.

TurboJET introduced Premier Jetfoil in 2009, the market's most exclusive high-speed ferry service. Premier Jetfoil is TurboJET's newest step forward to offer an enhanced travel experience to its top class customers, catering to increasing demand from corporate business and MICE travelers from around the world.

On land, the Group's joint venture company, Shun Tak & CITS Coach (Macao) Limited, has an operating fleet of over 120 vehicles, providing local and cross-boundary coach services between various cities in the Guangdong province and 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 the former Mandarin Oriental Macau and Westin Resort Macau in the late 1980s.

As part of the Group's One Central development project, 92 luxury serviced apartment units and the new Mandarin Oriental Hotel comprising 213 guest rooms are set to inaugurate in mid-2010.

Another ultra-luxurious hotel, the Jumeirah Macau Hotel, will be built in the Cotai tourism epicenter by 2013.

The award-winning Macau Tower Convention & Entertainment Centre managed by the Group, is a major MICE venue and tourist destination in Macau. Apart from MICE business, it offers eclectic dining choices, the best observation spot in town, shopping attractions, as well as the world's highest Bungy Jump.

In December 2009, the Group secured a management contract for the Guangzhou New TV Tower. With its soft opening due in June 2010, the tower will provide an alternative MICE venue complemented by a variety of dining, entertainment and retail attractions.

The Group holds a 70% interest in the Hong Kong SkyCity Marriott Hotel, a 658-room facility located minutes away from the Hong Kong International Airport and AsiaWorld-Expo.

The Group obtained a full MICE license in China in April 2009, paving its way to capture a variety of mega event opportunities in the mainland.

In partnership with Shanghai International Port (Group) Co. Limited, the Group holds interest in the Sea Palace Floating Restaurant in Shanghai, the largest floating restaurant in the city with a capacity of 1,100 seats.

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 approximately 61% 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.

Macau Matters Company Limited, the Group's retail arm, operates the "Toys"R"Us" and "Kidz n Joy" brands, with both operations catering to the demand of local youngsters and tourists.

Management Profile

Dr. Stanley Ho

G.B.S.
Group Executive Chairman
aged 88

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

Dr. Stanley 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 is listed on the Main Board of The Stock Exchange of Hong Kong Limited), 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. Stanley Ho was the chairman of Value Convergence Holdings Limited (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited) up to 29 April 2008.

Dr. Stanley Ho is currently the president of The Real Estate Developers Association of Hong Kong. He is also the 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 the founding honorary life chairman and a director of the PolyU Development Foundation.

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

In Macau, Dr. Stanley Ho is the managing director of both Sociedade de Turismo e Diversões de Macau, S.A. and Sociedade de Jogos de Macau, S.A., co-chairman of the advisory committee of Industrial and Commercial Bank of China (Macau) Limited, 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, a trustee of Macau Foundation, a member of the University Assembly of the University of Macau, a founding member and the chair of the Trustees Committee of the University of Macau Development Foundation, and the president of the Chamber of Macau Casino Gaming Concessionaires and Sub-concessionaires.

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

Dr. Stanley 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 and Alpha Davis Investments Limited are companies which have an interest in the shares and underlying shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.*

Sir Roger Lobo

C.B.E., L.L.D., J.P.
Independent Non-Executive Director
aged 86

Sir Rogerio Hyndman Lobo (also known as Sir Roger Lobo) ("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 (both of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited), a director of Johnson & Johnson (Hong Kong) Limited and Kjeldsen & Co. (Hong Kong) Limited.

Mr. Norman Ho

F.C.P.A.
Independent Non-Executive Director
aged 54

Mr. Ho Hau Chong, Norman ("Mr. Norman Ho") has been an independent non-executive director of the Company since 2004. He is also the chairman of the audit committee and a member of the remuneration committee and nomination committee of the Company.

Mr. Norman 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 and Vision Values Holdings Limited (formerly known as New World Mobile Holdings Limited) (all of which are listed on the Main Board of The Stock Exchange of Hong Kong 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. In the past three years, Mr. Norman Ho was a non-executive director and a member of the audit committee of Taifook Securities Group Limited until his resignation with effect from 1 July 2009.

Mr. Charles Ho

Independent Non-Executive Director
aged 60

Mr. Ho Tsu Kwok, Charles ("Mr. Charles Ho") was appointed an independent non-executive director of the Company with effect from 10 November 2006. He is also a member of the remuneration committee and nomination committee of the Company.

Mr. Charles Ho is the chairman and an executive director of Sing Tao News Corporation Limited (which is listed on the Main Board of The Stock Exchange of Hong Kong Limited). He is also the chairman of Hong Kong Tobacco Company Limited. Mr. Charles 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.

Dato' Dr. Cheng Yu Tung

G.B.M., D.P.M.S., L.L.D. (Hon),
D.B.A. (Hon), D.S.Sc. (Hon)
Non-Executive Director
aged 84

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

Dato' Dr. Cheng Yu Tung is also a director of Shun Tak Shipping Company, Limited*.

Dato' Dr. Cheng Yu Tung is the chairman of New World Development Company Limited and Melbourne Enterprises Limited, the non-executive chairman of Lifestyle International Holdings Limited and a non-executive director of SJM Holdings Limited (all of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited). He is also the chairman of Chow Tai Fook Enterprises Limited.

** Shun Tak Shipping Company, Limited is a company which has an interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.*

Mrs. Louise Mok

Non-Executive Director
aged 81

Mrs. Mok Ho Yuen Wing, Louise ("Mrs. Louise Mok") has been a non-executive director of the Company since 1999. She is also a member of the audit committee of the Company.

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

Ms. Pansy Ho

Managing Director
aged 47

Ms. Ho Chiu King, Pansy Catilina ("Ms. Pansy Ho") 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, remuneration committee and nomination committee of the Company; and a director of a number of subsidiaries of the Company.

Ms. Pansy 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* and Alpha Davis Investments Limited*, the chairman of Macau Tower Convention & Entertainment Centre, an executive director of Air Macau Company Limited and vice-chairman of Macau International Airport Co. Ltd. She is also an independent non-executive director of Sing Tao News Corporation Limited and a non-executive director of Qin Jia Yuan Media Services Company Limited (both of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited).

In China, Ms. Pansy Ho is a standing committee member of Beijing Municipal Committee of the Chinese People's Political Consultative Conference, a standing committee member of All-China Federation of Industry & Commerce and a vice president of the Chamber of Tourism, and a vice chair-person of China Society for Promotion of the Guangcai Program. In Macau, she is a member of Macau SAR Tourism Development Committee. Internationally, she is also an executive committee member of World Travel and Tourism Council.

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

Ms. Pansy 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 the deputy managing director and an executive director of the Company respectively. She is also a niece of Mrs. Louise Mok, a non-executive director of the Company.

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Ms. Daisy Ho

Deputy Managing Director
aged 45

Ms. Ho Chiu Fung, Daisy ("Ms. Daisy Ho") joined the Group in 1994 and was appointed an executive director of the Company that year. She became the Group's deputy managing director and chief financial officer in 1999. Ms. Daisy 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. Daisy Ho is also responsible for the Group's overall financial activities, as well as property sales and investments.

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

Ms. Daisy Ho is an executive committee member of The Real Estate Developers Association of Hong Kong, a member of the Hong Kong Institute of Real Estate Administrators and Macao Chamber of Commerce, a member of the Board of Directors of Macao Association of Building Contractors and Developers, Chairman 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. Daisy Ho has been appointed as a committee member of the Chinese People's Political Consultative Conference of Tianjin in 2008.

Ms. Daisy 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. Daisy 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.

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Ms. Maisy Ho

Executive Director
aged 42

Ms. Ho Chiu Ha, Maisy ("Ms. Maisy Ho") joined the Group in 1996 and has been an executive director of the Company since 2001. She is also a member of the executive committee of the 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. Maisy Ho is honorary vice chairman 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. Maisy Ho is also a holder of Estate Agent's Licence (Individual).

In Macau, Ms. Maisy Ho is an executive vice president of Property Management Business Association Macao, vice president of Macao International Brand Association, member of Ladies Committee of Macao Chamber of Commerce and honorary president of Care Action Macao.

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. Maisy Ho holds a Bachelor's degree in mass communication and psychology from Pepperdine University, the United States.

Ms. Maisy 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 55

Mr. Shum Hong Kuen, David ("Mr. David Shum") joined the Group in 1992 and has been an executive director of the Company since 2004. He is also a member of the executive committee of the Company and a director of a number of the Company's subsidiaries. He is responsible for the investment activities of the Group.

Mr. David Shum is an executive director of SJM Holdings Limited (which is listed on the Main Board of The Stock Exchange of Hong Kong Limited).

Mr. David Shum holds a Master's degree in business administration from the University of California, Berkeley, the United States.

Mr. Michael Ng

Executive Director
aged 51

Mr. Ng Chi Man, Michael ("Mr. Michael Ng") 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. Michael 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, U.S.A.

Mr. Michael 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 had 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

	2009 (HK$'000)	2008 (HK$'000)
Turnover	**3,229,250**	4,350,848
Profit attributable to owners of the Company	**2,873,928**	101,360
Total equity	**16,417,514**	14,029,556
Earnings per share *(HK cents)*		
– basic	**134.4**	4.4
– diluted	**132.0**	4.3
Dividends per share *(HK cents)*	**22.5**	1.3
Net asset value per share *(HK$)*	**8.1**	6.2

The calculation of basic earnings per share is based on the weighted average number of 2,138,331,844 shares (2008: 2,320,189,585 shares) in issue during the year. The calculation of diluted earnings per share is based on the weighted average number of 2,188,248,658 shares (2008: 2,372,131,777 shares) in issue after adjusting for the effects of all dilutive potential ordinary shares.

Dividend Schedule

Announcement of final dividend	21 April 2010
Deadline for lodgement of all transfers	4:30 p.m. on 2 June 2010
Closure of register of members	3 June to 10 June 2010
Annual General Meeting	10 June 2010
Posting of dividend warrants to shareholders	On or around 18 June 2010

Significant Events

2009

JANUARY

- The SkyCity Marriott Hotel officially opened on January 22, 2009, marking the Group's foray in the Hong Kong hotel scene.

- TurboJET clinched two major industrial awards: "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 Awards for Industries: Productivity and Quality Certificate of Merit" conferred by the Hong Kong Productivity Council.

MARCH

- TurboJET launched the first Premier Jetfoil, a refurbished vessel with upgraded interior and service offerings catered for the luxury travel market.

JUNE

- The Group concluded the disposal of its 50% equity interest in the former Mandarin Oriental Hotel.

- The Group completed the repurchase of 263,667,107 shares held by STDM and its subsidiary at a price of HK$2.20 per share.

- TurboJET and Zhuhai High-Speed Passenger Ferry Company Limited signed MOU to co-operate in the development of ferry service between Zhuhai and Macau.

- TurboJET launched the new Guangzhou (Nansha) – Hong Kong International Airport ferry service.

MAY

澳門旅遊塔2009

- Macau Tower kick-started a series of festive events under the theme "Love China, Love Macau" in celebration of the dual occasion of the 60th Anniversary of the People's Republic of China and the 10th Anniversary of Macau SAR.

AUGUST

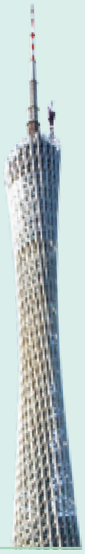
- Handover of One Central Residences commenced with all units taken up by homeowners by January 2010.

OCTOBER

- Issuance of 5-year 3.3% guaranteed convertible bonds for general working capital purpose and to finance new investment opportunities. The issue size was HK$1,550 million and was met with positive market response.

DECEMBER

- The Group was awarded the management right of the Guangzhou New TV Tower.



- Tower 4 of One Central Residences was re-launched with overwhelming response.

- One Central Shopping Mall opened for business and successfully established its position as the only luxury flagship retail destination in Macau.

- TurboJET was conferred the Macau SAR Medal of Merit in Tourism.

Kidz n Joy

- Macau Matters launched a new store, Kidz n Joy, at Macau Tower.

- TurboJET launched the new Taipa Provisional Ferry Terminal – Hong Kong International Airport route.

- Hong Kong International Airport Ferry Terminal Services Ltd., a joint venture of the Group, continues to be appointed to manage ferry operations at the newly opened SkyPier.

Chairman's Statement

The Group's solid fundamentals have enabled it to navigate a steady course through challenges presented by the global financial crisis. Going forward, the Group will continue to fortify its competitive strengths, with various projects set for launch in the resurging economy and buoyant real estate market.

Profit attributable to owners of the Company for the year ended 31 December 2009 was HK$2,874 million (2008: HK$101 million). Basic earnings per share were HK 134.4 cents (2008: HK 4.4 cents). Subject to approval by our shareholders at the Annual General Meeting scheduled for 10 June 2010, the Directors recommend a final dividend of HK 18.7 cents per share (2008: HK 1.3 cents per share). In addition to the interim dividend of HK 3.8 cents per share paid previously, total dividends for the year amounted to HK 22.5 cents per share (2008: HK 1.3 cents per share).

Profit attributable to owners of the Company for the year would be HK$1,193 million, an increase of approximately 510% compared with last year (2008: HK$196 million), after excluding the effect of attributable revaluation surplus (net of deferred tax) of HK$1,001 million (2008: HK$95 million revaluation deficit) arising from investment properties held by the Group and a jointly controlled entity, holding 51% interest in One Central, and recognition of net gain of HK$680 million on disposal of a subsidiary, holding 50% interest in the former Mandarin Oriental Hotel in Macau. The profit increase was mainly attributable to the share of profit from the sales of One Central Residences.

The last 12 months have been a challenging period for nearly every business around the globe. The financial crisis, which started as a loss of confidence within the finance sector, soon permeated the mainstream economy, and has driven many countries into a recession with its effect still evident by the end of year.

Throughout this period, management took resolute actions and effectively adapted the business in a number of ways. With a focused approach in nurturing distinctive advantages, improving efficiency and exercising cost discipline along with the diligent support from all staff, the Group experienced an upturn in business over the later half of year, and has gained a much stronger strategic footing. Together with our balanced portfolio of businesses, we managed to navigate a steady course, and have emerged from this period with our capacity to compete, our brand values and our team spirit intact.

The Group continues to lead the Macau property development sector and commands one of the largest premium land banks amongst Hong Kong based developers. In spite of the weak economic conditions, we have demonstrated strong capabilities and resilience. Booking of revenue from the sales of One Central Residences underpinned the impressive balance sheet, with handover of pre-sold units completed as of January 2010. Over 90% of the Nova City Phase 3 units are also handed over by the end of 2009. In addition, capturing opportunities from a niche window during the crisis, the Group successfully sold all units held at Monmouth Place. In Macau, continuous marketing of the remaining units of Nova City Phase 3 and the re-launch of One Central Residences Tower 4 in a buoyant real estate market would contribute to commendable performance of the division in the coming year.

Shun Tak is expecting an exciting year ahead with various key projects ready for launch. With the sustained recovery prevailing into 2010, the Group will ride on the established momentum and commence sales of One Central serviced apartments at an appropriate time. The columbarium project in Taipa, comprising approximately 50,000 niches, is progressing well according to the construction schedule, and will be marketed at the optimal opportunity. In Hong Kong, pre-sale of Chatham Garden Redevelopment Project, consisting of approximately 370,000 square feet of residential and retail space, is planned to take place within the next 12 months. Moreover, as a result of various acquisitions carried out in 2008, the Group now holds a number of sizeable projects including Nova City, Harbour Mile and the Cotai Site Development. These pipeline projects are expected to contribute significantly to the Group's future income.

Our ferry passenger business continued to operate under a strenuous environment with the combined effects of contracted tourism demand and aggressive pricing from competitors, exacerbated by an outbreak of Swine Flu in May 2009. In order to streamline our operation, route rationalization was carried out so that resources can be channeled to areas with high growth potentials. Two new routes, both operating out of the newly completed SkyPier servicing Nansha and Taipa Macau respectively, were introduced in 2009. The Group continues to be involved in the managing of ferry operations at the new SkyPier, which is set to offer travelers with an enhanced inter-modal transit experience with its upgraded facilities.

Gearing up for ever-heightening demand from corporate travelers, MICE groups and affluent visitors, two vessels have undergone interior overhaul to offer an unprecedented class of luxury sea travel under the brand "Premier Jetfoil". The first was launched in March 2009, and another soon followed suit in February 2010 given the product's initial success.

These initiatives have resulted in TurboJET being well placed to withstand the challenging market conditions and to capitalize upon opportunities that are beginning to emerge. The division was able to turnaround from a deficit position to a marginal profit by the end of year.

As with transportation, tourism and hospitality business is another hard hit sector under the recession. Visitor arrivals to Macau and Hong Kong experienced double-digit setback in the first half of 2009 and only stabilized in the later months to narrow the annual year-on-year decline.

The Group made its foray into the Hong Kong hotel scene with the opening of SkyCity Marriott Hotel in January 2009. Launched at the trough of the recession, the hotel suffered a loss from the sharp decline in visitor numbers and decreased room rates. Management implemented a series of turnaround measures and successfully narrowed the deficit by year end. Despite so, we remain confident that the hotel will generate solid return in the long run, leveraging upon its strategic location at the heart of the future Pearl River Delta mega transportation network.

The hospitality division made some exciting strides forward in Macau and China.

In June 2009, the Group concluded the disposal of its 50% equity interest in the former Mandarin Oriental Hotel to STDM, with the right to gain from future appreciation in the asset value if it is to be redeveloped or resold to a third party. The new Mandarin Oriental Hotel, as part of the One Central Macau development, is set for opening in the 2nd quarter of 2010.

In China, the Group secured the management contract of the Guangzhou New TV Tower, a new landmark of the vibrant city. Soaring approximately 600m aboveground, it is poised to become the tallest TV tower in the world upon its opening in June 2010. This is a milestone development for the Group's hospitality division, with the appointment testifying to the superb and impressive track record established through its management of the Macau Tower.

In April 2009, the division obtained a full MICE license in China, paving its way to capture opportunities arising out of the variety of global events in different Mainland regions, including the Shanghai Expo and the 16th Asian Games to be held in Guangzhou in 2010.

The Group's strategic investment in STDM continued to generate satisfactory dividends in 2009, allowing Shun Tak to gain from a balanced portfolio of investments in Macau.

Following the issuance of 5-year 3.3% guaranteed convertible bonds in October 2009, the Company successfully raised HK$1,550 million under favorable market responses, placing the Group in a solid financial position to capitalize upon new opportunities ahead.

The Group has proven its resilience under adverse environments and will continue to build on the fundamentals that have served it well. I would like to take the opportunity to express my sincere gratitude to the management, our teams, business partners and shareholders for their hard work, faith and loyalty, in navigating through with us this challenging yet rewarding year of 2009.

By order of the Board

Stanley Ho
Group Executive Chairman
21 April 2010

Review of Operations

PROPERTY

Commanding a number of sizable prime sites across Macau, the Group is one of the leading property developers of the city. Constantly raising the industry's benchmark, it is the recognized brand behind some of the most deluxe mixed-use developments.

PROPERTY

The Group's property division reported record-breaking results with an operating profit of HK$352 million (2008: HK$370 million) and share of profits from a jointly controlled entity of HK$1,904 million (2008: HK$1 million) for the year ended 31 December 2009.

Successful handover and accrual of proceeds from the sale of One Central Residences and Nova City Phase 3 underpinned the impressive balance sheet. Subsequent to months of consolidation, the market has accumulated considerable purchasing power that resulted in a swift and dynamic rebound in the real estate market, driving the economic recovery into year 2010. Leveraging upon such positive sentiment, the Group is gearing towards opportunistic launches of One Central serviced apartments and the Chatham Garden Redevelopment Project.

In Macau

One Central

One Central is one of the newest additions to Macau's landscape on the NAPE waterfront, a creation under the strong partnership of Hongkong Land Holdings Limited and the Group. With direct access to MGM GRAND Macau, the internationally acclaimed development comprises 7 prestigious residential towers which commenced handover to homeowners in August 2009, an approximately 400,000 square feet luxurious flagship shopping mall that celebrated its opening in December 2009,

as well as 92 serviced apartment units and a five-star 213-room Mandarin Oriental Hotel to be launched in mid-2010. The premier retail mall has now established itself as the preferred destination for luxury flagship shopping in Macau. As of December 2009, 98% of residential units available during public pre-sale has been sold, and all individual homeowners have completed handover as of January 2010. In June 2009, the developers concluded a cancellation agreement with the original en bloc purchaser of Tower 4 under mutually agreeable terms. In December 2009, majority of the units were re-launched at a higher average selling price relative to the original terms agreed with the previous purchaser. The overwhelming response was mainly attributable to a strongly recovered real estate market. Riding on this momentum, the only serviced apartments, to be managed by an acclaimed international hotel group with transferable strata titles in Macau, are expected to be launched for sale in 2010.

Nova City

Upon consolidating 100% development rights of Nova City in December 2007, the Group continues its dedication towards forging the most integrated residential community in Macau. In its latest phases, new design elements are introduced to enhance convenience and lifestyle offerings, creating genuine value for local homeowners. In addition, a Central Garden, consisting of 8,300m^2 of leisure, cultural and art amenities located in the heart of Nova City, is currently under construction by the Macau Government.

Phase 4 of Nova City comprises three residential towers featuring over 680,000 square feet of gross floor area. The apartment units will have a range of layouts with most enjoying an open view of the Central Garden. Foundation works are scheduled for the 3rd quarter of 2010 with anticipated completion slated for the 4th quarter of 2013. Phase 5 encompasses over 2.3 million square feet of well-appointed residences in eight towers. Ample landscaping and green areas are incorporated to promote air quality and eco-friendliness. Below the apartment units will be a neighborhood shopping centre spanning approximately 650,000 square feet, housing a diversified range of tenants including supermarket, dining outlets, leisure retail and entertainment components to provide unparalleled convenience to residents. Foundation will commence in the 4th quarter of 2010 with handover expected by the end of 2014. The concerned draft land contract with lease modification was issued by the Macau Government in September 2009.

Columbarium

The Group holds a 79% interest in a columbarium project in Taipa, providing approximately 50,000 columbarium niches to the undersupplied Macau, Hong Kong and Zhuhai markets. Foundation works are completed and superstructure work is in progress with tentative completion before the 2nd quarter of 2011. Upscale and contemporary, the columbarium offers one-stop solutions to purchasers seeking an environment with a tranquil setting.

PROPERTY

Harbour Mile

Harbour Mile is the Group's upcoming flagship project adjacent to the iconic Macau Tower featuring 4.3 million square feet of gross floor area. This property will largely comprise residential apartments, complemented by commercial elements including retail facilities, serviced apartments and hotels, to be introduced according to market demands. The project is currently under review by the Macau SAR Government as part of the overall master plan for the Nam Van lakefront area.

Cotai Site Development

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 on this site. 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 5-star deluxe property.

In Hong Kong

Chatham Garden Redevelopment Project

One of the key projects of the Group in 2010 will be a deluxe development located in Central Kowloon adjacent to the Tsim Sha Tsui district, consisting of approximately 370,000 square feet of residential and retail space. Foundation works were completed in 2009, and scheduled completion is slated for the 1st quarter of 2012. Pre-sale of the development is expected to take place within the next 12 months. The Group holds a 51% interest in the project.

Radcliffe

Radcliffe, a luxury residential development featuring ten exclusive 3,620 square feet duplex boutique apartments, was completed in the 1st half of 2007. 8 of the 10 duplex units were sold as of 31 December 2009.

Monmouth Place

Monmouth Place is a residential apartment project in the mid-levels with a verdant surrounding. In an attempt to refocus sales and leasing efforts, the Group has started marketing all units held at the property since 1 November 2008. Taking advantage of a niche opportunity amidst the financial crisis when the market experienced an increase in demand on luxury properties, all 16 units were successfully sold as of December 2009, achieving satisfactory prices.

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. As of December 2009, the occupancy rate stood above 90%. Accessibility to The Westwood will be further enhanced when construction work of the MTR West Island Line is completed in 2014.

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 and from neighboring residential developments. The footbridge connection with the neighboring Banyan Garden facilitates customer traffic between the two developments, providing improved convenience to shoppers and business for tenants. Considerable surge in traffic is expected when the entrance to Lai Chi Kok MTR Station is completed in the 3rd quarter of 2010, whereupon rental return and occupancy will be further improved.

In China

In Guangzhou, the Shun Tak Business Centre, comprising a 32-storey office tower and a 6-storey shopping arcade, recorded satisfactory performance in leasing.

Property Services

Shun Tak Property Management Limited ("STPML"), a wholly owned subsidiary of the Group engaging in property management, has rapidly expanded its portfolio size and service scope beyond traditional property management to render complementary solutions such as cleaning and laundry services. As a result, the division anticipates stable and sustainable revenue growth in the long run.

Its diversified portfolio spans over 14 million square feet of residential, commercial and industrial space in Hong Kong and Macau. It is the appointed Manager of One Central Residences, and had focused its efforts over the year to the property's pre-occupation, handover and day-to-day management.

STPML received the Caring Company Award, and has won the Diamond Award for Highest Recyclables Quantity in the competition on separation of waste organized by the Environmental Protection Department, as well as a Merit Award in Horticultural Maintenance organized by the Leisure and Cultural Services Department.

Shun Tak Macau Services Limited, now a solely owned venture, provides a comprehensive range of cleaning services to commercial and residential developments with the objective of enhancing working and living environments for clients.

Clean Living (Macau) Limited provides professional laundry services to premier institutional clients in Macau. Its 30,000-square-feet plant is designed to support high-quality and efficient logistics, allowing it to harness the extensive potentials from hospitality establishments in Macau.

Review of Operations

TRANSPORTATION

Momentum

The Group has a long-rooted legacy in transportation operations. Growing in parallel with regional expansion and integration, it is consistently creating innovative products and offers to forge an ever-improving transportation network within the Pearl River Delta.

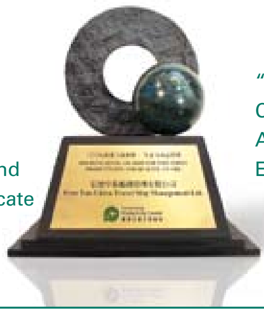
TRANSPORTATION

Suffering from the aftermath of the global financial crisis, the region's tourism industry was confronted with a tumultuous 2009, seeing the multiple effects of the recession, tightening of Mainland travel policy, stiff competition and Swine Flu pandemic, decimating consumer confidence and contracting demand for travel.

Passenger volume on TurboJET's flagship route servicing Hong Kong and Macau, which represents 90% of its shipping business, slipped 17% over the year. Under this climate, management effected responsive cost-saving measures; and with oil price receding from record high levels, performance of the division improved significantly, especially in the 2nd half of the year, to turnaround its balance sheet position and attain a marginal profit of HK$28 million as compared with a loss of HK$150 million in 2008.

Over the year, the division continued to engage in a combination of overhead control measures to tackle dampened demand. Such included sailing reduction, lay-up of spare capacity and managing operating costs. Moreover, with the aim of redirecting resources to products with sustainable potentials, "Medal of Merit in Tourism" by the Macau SAR Government

"Hong Kong Awards for Industries: Productivity and Quality Certificate of Merit"



"The Outstanding Corporate Strategy Awards 2009" by East Week

"The Hong Kong Classic Brand Award 2009" by East Week

route rationalization exercise was carried out. The result was the suspension of two routes connecting Shenzhen to Hong Kong, and Shenzhen to Hong Kong International Airport in April 2009. At the same time, the Group is strategically developing alliances with Mainland ferry operators to add new destinations and reinforce its Pearl River Delta network, which led to the launch of a new service between Nansha and Hong Kong International Airport in June 2009.

Passenger ferry service is extended to the Taipa Provisional Ferry Terminal, Macau in December 2009, linking transit passengers to and from the newly completed SkyPier at the Hong Kong International Airport. The SkyPier, which officially commenced operation on 15 December 2009, offers upgraded facilities, enhancing travelers' experiences and capacity for multimodal transit passengers.

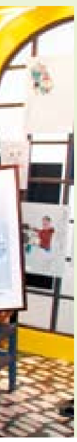
Hong Kong International Airport Ferry Terminal Services Limited, a joint venture of the Group, continues to manage ferry operations at SkyPier.

While tourism performance of the region has yet to recover to pre-crisis level, TurboJET is actively gearing up to engage travelers with a new level of convenience and top notch services.

In March 2009, a premium class service branded under "Premier Jetfoil" was introduced which offers a luxury class of sea travel in its own league. Upgraded cabin fittings, more spacious seating, internet Wi-Fi access and fine dining choices are designed to stay ahead of ever-heightening demand from travelers. Following the popularity of the first reengineered ferry, the second Premier Jetfoil was introduced in February 2010, with service frequency increasing to 16 trips per day.

Earlier this year, TurboJET clinched two major industrial awards, the "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 Awards for Industries: Productivity and Quality Certificate of Merit" from the Hong Kong Productivity Council. The year concluded on another positive note with the Company receiving the Medal of Merit in Tourism in recognition of its contribution to the development of Macau's tourism industry as conferred by the Macau SAR Government.

On land, Shun Tak & CITS Coach (Macao) Limited offers coach rental service within Macau and cross-boundary routes serving several major cities in the region. Its operating fleet expanded to 120 vehicles and registered HK$78 million in revenue in 2009.



Review of Operations

HOSPITALITY

Uniqueness

As a forerunner in operating premium hotels in Macau, the Group has established a comprehensive network of hospitality services over the years. Coupling it resourcefulness with professional MICE experiences, the Group is moving on to harness the wealth of opportunities arising in Mainland China.

Review of Operations

HOSPITALITY

Regional tourism industry has been hit with a challenging year from the recessionary downcycle, exacerbated by the threats of an outbreak of H1N1. Visitor arrivals to Macau and Hong Kong experienced double-digit setback in the 1st half of 2009 which only stabilized in the later months to narrow the annual year-on-year decline.

In spite of the adverse operating environment, the division implemented proactive promotional initiatives and cost-saving measures to stay ahead of the market, As a result, the hospitality division reported a final operating loss of HK$37 million at year end, improving from interim operating loss which registered at HK$34 million. Meanwhile, the Group recorded an exceptional profit of HK$680 million upon the disposal of the former Mandarin Oriental Hotel in Macau (currently re-branded as the Grand Lapa Hotel) during the year.

In June 2009, the Group has concluded the disposal of its 50% equity interest in the former Mandarin Oriental Hotel in Macau Sociedade de Turismo e Diversões de Macau, S.A. (“STDM”), with the right to gain from future appreciation in the asset value if it is to be redeveloped or resold to a third party. Sale of the hotel is part of the

overall development blueprint of the Group's hospitality portfolio in order to streamline product offerings and create brand differentiation. The new Mandarin Oriental at One Central is expected to be opened in the 2nd half of 2010. The consideration received for the disposal was partly set off by the consideration paid for the off-market repurchase of the Company's ordinary shares from STDM and its subsidiary.

The Group's other investments, the Westin Hotel and the adjacent Macau Golf and Country Club, have been operating in a challenging environment, aggravated in part by aggressive positioning of newly opened hotels in Cotai. Room rates and occupancy have contracted over the year.

The Group made its foray in the Hong Kong hotel scene through a 70% interest in the SkyCity Marriott Hotel, a 658-room facility which formally opened on 22 January 2009. Launched at the trough of the economic recession, it was running a significant deficit over the first six months into operation. Occupancy has been low, in part due to the constriction on Mainland tour group volume and an outbreak of Swine Flu in May 2009. With a series of cost-cutting measures and targeted sales programs, management made good improvements in bottom line results in the 2nd half of year, registering gradual improvements in room and occupancy rates from a growth in airline crew business and a rebounding tour group segment. Given its direct access to AsiaWorld-Expo and proximity to the Hong Kong International

Review of Operations

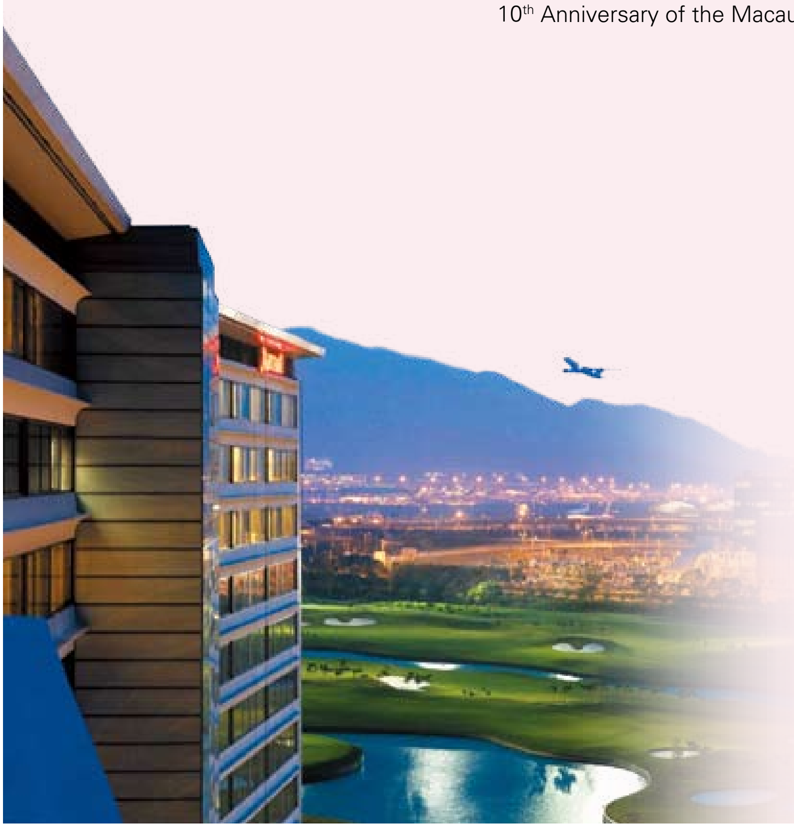
HOSPITALITY

Airport and SkyPier, the Group remains confident that the hotel will generate profitable returns in the future as the Chek Lap Kok area evolves into a transportation hub for the Pearl River Delta region.

Macau Tower Convention and Entertainment Centre ("Macau Tower") managed by the Group is a major MICE venue and tourist destination in Macau. Capitalized upon events and banquet opportunities derived from the dual occasions of the 60th Anniversary of the People's Republic of China and the 10th Anniversary of the Macau SAR, it was the selected venue for high-profile government events such as the Annual Marketing Press Conference of Macau Government Tourism Office, the Liaison Office Spring Dinner Cocktail and Welcome Reception for the 10th Anniversary of the Macau SAR.

Under the professional management of the Group, total sales grew by 3.7% year-on-year to MOP 153 million (2008: MOP 148 million). Unique urban adventures such as the world's highest Bungy Jump enlisted under Guinness World Records, operated by AJ Hackett Macau Tower Limited, a joint venture between AJ Hackett and the Group, continue to be widely popular amongst tourists and achieved sales of over HK$23.5 million. Paid visitors to the Observation Decks increased by 10% year-on-year to 517,000 (2008: 472,000).

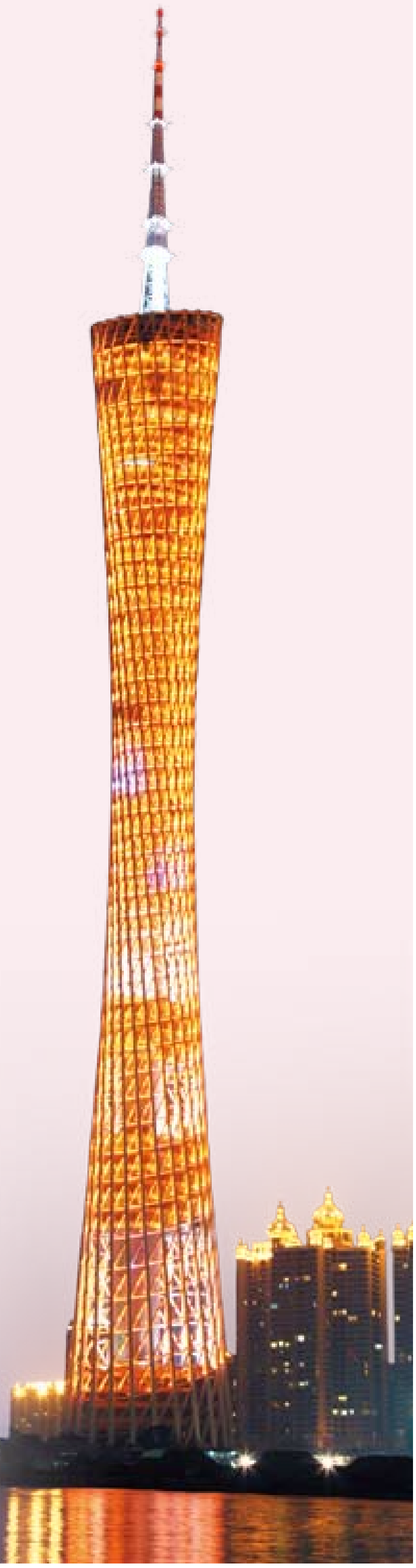
In China, the Group took significant strides forward to consolidate its foothold in the hospitality market. In December 2009, the Group was awarded a management contract for the Guangzhou New TV Tower based on its demonstrated track record in the successful management of the Macau Tower. The prominent architecture is



to become the tallest freestanding TV tower in the world rising approximately 600m aboveground. Soft opening in June 2010, the tower will provide an alternative MICE venue complemented by a variety of dining, entertainment and retail attractions. With the 16th Asian Games unveiling in Guangzhou in November 2010, the new tower is expected to generate major visitor numbers and considerable exposure throughout the region.

The newly structured hospitality services division obtained a full MICE license in China, paving its way to capture opportunities arising out of the variety of mega events in different Mainland regions, including the Shanghai Expo and the 16th Asian Games to be held in Guangzhou in 2010.

The Group's joint venture with Shanghai International Port (Group) Co. Limited, the Sea Palace Floating Restaurant, is the largest floating restaurant in Shanghai with a capacity of 1,100 seats. The restaurant has become one of the most popular restaurants for weddings and corporate gatherings, offering complementary sightseeing cruises for group bookings, and has generated stable profits for the Group since its opening.



Review of Operations

INVESTMENT

Precision

At the pulse of dynamic growth across the Pearl River Delta, the Group is investing in a balanced business portfolio with sharp acumen and prudent strategies in contribution to the region's development.

Review of Operations

INVESTMENT

Profit of the investment division amounted to HK$22 million (2008: HK$114 million) in 2009, representing a year-on-year decline of 81% primarily due to the reduction of dividend income received from STDM.

The Group owns directly and indirectly an effective interest in STDM of approximately 11.5%, with the latter holding an approximate 61% effective shareholding in Sociedade de Jogos de Macau S.A., one of six gaming concessionaires and sub-concessionaires licensed by the Macau SAR Government to operate casinos in Macau SAR. 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. In June 2009, the repurchase of 263,667,107 shares held by STDM and its subsidiary at a price of HK$2.20 per share was completed and the repurchased shares were cancelled accordingly.

Macau Matters Company Limited, the Group's retail arm, operates the "Toys"R"Us" licensed brand in Macau, with a store expansion plan scheduled for the 2nd quarter of 2010. In December 2009, a new business extension was launched at Macau Tower titled "Kidz n Joy", bringing in renowned brands which are entering the market for the first time lured by the total business solution offered by the Company.

Corporate Social Responsibility

The Group is a well respected corporate citizen in Hong Kong founded upon a long history of dedicated services in charitable deeds, promotion of education and environmental stewardship. In addition to philanthropic contributions, its corporate values are instilled across all levels of businesses and operations to ensure that workplace, health, environmental and social issues are respected and responsibly addressed.

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"Giving Back"

The Group has established solid partnership with many of Hong Kong's largest charity organizations, and advocates giving back to the community which has been instrumental in shaping the success of the Company. Our employees regularly participate in many charity events, including the Community Chest New Territories Walk for Millions, Girl Guides Celebrity Challenge, the Salvation Army "Hong Kong & Macau O! Day", Oxfam Trailwalker, CGCC Charity Walk in Celebration of PRC 60th Anniversary, and donations to the Children's Cancer Fund to list but a few. The Group successfully raised HK$700,000 for charities in 2009, with over 800 staff supporting one worthy cause or another.

"Reaching Out"

In addition to fund-raising activities, we believe it is important to reach out directly to the community. During Christmas 2009, a group of more than 40 Shun Tak volunteers visited the elderly at Tung Wah Group of Hospitals Jockey Club Rehabilitation Complex, and children under the care of Po Leung Kuk. Daily necessities, toys and stationeries were given out as staff share the joyous festive spirit with those in need.

"Promoting Education"

Knowledge and access to education are central to our CSR efforts. In 2009, TurboJET furthered its support for students in the maritime or transportation studies by raising the scale of a scholarship program it founded in 2008. A student was selected from the Hong Kong Polytechnic University, the Hong Kong Institute of Vocational Education, the Maritime Services Training Institute and the Hong Kong Sea School respectively, to share an annual scholarship fund of approximately HK$170,000. Moreover, work placement programs have been organized in association with the Hong Kong Institute of Vocational Education and the Hong Kong Travel & Tourism Training Centre, enabling 4 students to gain practical work experience prior to graduation.

"Environmental Stewardship"

Building environmental sustainability is of paramount importance to the Group. Each operational division is bound by a list of environmental objectives; apart from guiding internal processes, these objectives also set standards for external contractors and suppliers.

With full endorsement from management, the Group has been working with various external consultants to reduce carbon footprint, save resources and promote eco-friendly practices. Shipping division has renewed its Hong Kong Awards for Environmental Excellence Wastewi$e Label, while property management division worked with the Hong Kong Productivity Council to gradually phase out all fluorescent lightings in their properties. These divisions are also important participants in the Earth Hour campaign organized by World Wide Fund to promote energy conservation.

7

CAPTIONS

1 "Double Celebration Flower Boat Ride for Charity", sponsored by One Central Macau
2 Macau Tower celebrates Mother's Day with 130 single mothers and their children in Macau
3 Oxfam Trailwalker 2009
4 Girl Guides Celebrity Challenge 2009
5 The Community Chest New Territories Walk for Millions
6 The "Class of Good" Wastew$se Label of the Hong Kong Awards for Environmental Excellence
7 CGCC Charity Walk in Celebration of the 60th Anniversary of the People's Republic of China

Schedule of Major Properties

Properties for Development and/or Sale

	Approx. Total Gross Floor Area for the Project (Sq.m)	Approx. Total Site Area for the Project (Sq.m)	Primary Use	Group's Interest	Development Progress as of Dec 2009	Estimated Completion Date
Hong Kong						
Chatham Gardens	34,075	3,786	Residential/ Retail	51%	Superstructure works in progress	2012
Radcliffe (formerly 120 Pokfulam Road)	672	1,684	Residential	100%	Completed	—
YTM Lots 30 & 31, Yau Tong	—	1,802	—	50%	Land bank	—
Macau						
One Central		18,344		51%		
Phase I	9,336		Residential		Completed	—
Phase II	45,964		Residential/ Hotel		Superstructure works in progress	2010
Nova City			Residential/ Commercial	100%		
Phase II	1,393	8,881			Completed	—
Phase III	6,936	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%	Superstructure works in progress	2011

* 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 2009	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 2009	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 2009	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	2,894	—	Staff Quarters	100%	—	10 years commencing on 20 Mar 2006 and renewable for further terms until 2049
Flats E of 8-11/F, Block 13	473	—	Staff Quarters	42.6%	—	
Edificio Industrial Fu Tai, Macau Unit A4 on 4/F	350	—	Plant	100%	—	2013 renewable to 2049

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

	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
One Central Retail Complex, Macau	37,017	18,344	Commercial	51%	18,730	2031
One Central Retail Carpark, Macau	243 motor car parking spaces	—	Carpark	51%	—	2031
	102 motorcycle parking spaces	—	Carpark	51%	—	2031
One Central Residences Carpark, Macau	561 motor car parking spaces	—	Carpark	51%	—	2031
	141 motorcycle parking spaces	—	Carpark	51%	—	2031
Shun Tak House, 11 Largo do Senado, Macau	2,731	—	Commercial	100%	2,673	Freehold
The Westin Resort Macau and Macau Golf & Country Club, Hac Sa Beach, Coloane, Macau	42,285	767,373	Hotel/ Golf Course	34.9%	—	2013 renewable to 2049
Nova Taipa Gardens, Macau	3,463	—	Commercial	100%	3,463	2015
Nova City Phase I, Macau	727	—	Commercial	100%	727	2031
Nova City Phase III, Macau	507	—	Commercial	100%	507	2031
Shun Tak Business Centre, 246 Zhongshan Si Road, Guangzhou, PRC	28,453	—	Office	60%	28,453	2045
	5,801	—	Commercial Shopping Arcade	60%	5,801	2035
	51 parking	—	Carpark	60%	—	2035

Notes:
(1) Completion date of the acquisition is extended to on or before 31 December 2010 because additional time is needed for the Macau SAR Government to finalize the Master Plan for the Nam Van District and the site area for Harbour Mile first before the submitted development plans can be approved.
(2) Subject to agreement with the Macau SAR Government for replacement of another site, having the same gross floor area in Macau.

Group Financial Review

Turnover Analysis

Turnover by Division

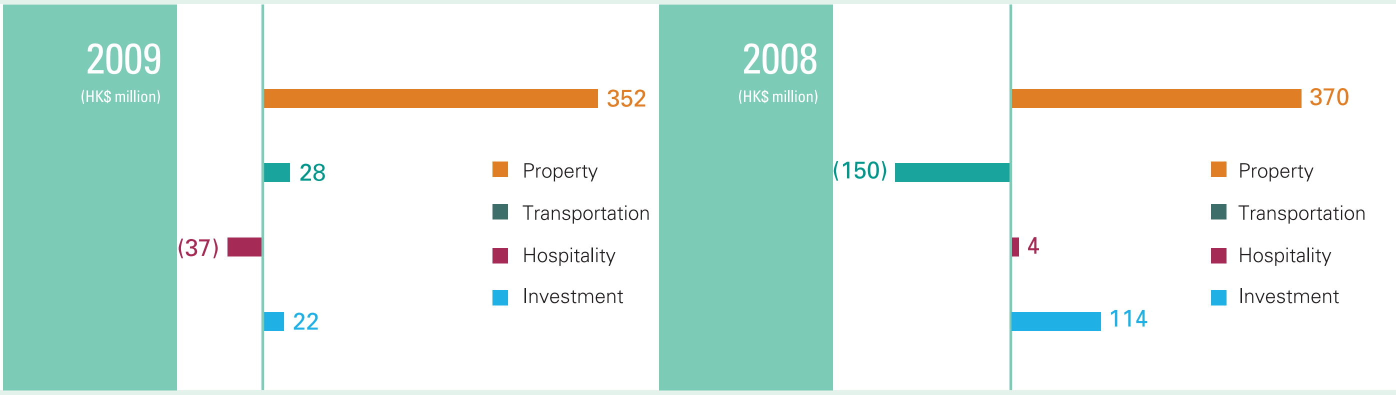
(HK$ million)	2009	2008	Variance	%	Remarks
Property	**1,285**	2,046	(761)	(37)	The decrease was mainly due to fewer residential units were recognised as property sales from Nova City in Macau.
Transportation	**1,456**	1,842	(386)	(21)	The decrease was primarily due to reduction in TurboJET passenger volume resulting from stiff competition, tightening of Mainland travel policy and swine flu pandemic.
Hospitality	**437**	345	92	27	The SkyCity Marriott Hotel at the Hong Kong International Airport was formally opened in January 2009 which mainly attributed to the increase of revenue for the year.
Investment	**51**	118	(67)	(57)	The variance was mainly due to decreased dividend income from STDM.
Total	**3,229**	4,351	(1,122)	(26)	

Turnover by Geographical Area

(HK$ million)	2009	2008	Variance	%	Remarks
Hong Kong	**1,284**	1,314	(30)	(2)	The decrease was mainly due to reduced ticket income of transportation division compensated by increase in sales of residential units of the Group's Hong Kong properties and revenue from hotel operation.
Macau	**1,849**	2,850	(1,001)	(35)	The decrease was mainly due to reduction in recognition of property sales from Nova City in Macau.
Others	**96**	187	(91)	(49)	The decrease was mainly due to reduced ticket income of transportation division and revenue from travel agency services.
Total	**3,229**	4,351	(1,122)	(26)	

Profit and Loss Analysis

Operating Profit by Division



(HK$ million)	2009	2008	Variance	%	Remarks
Property	**352**	370	(18)	(5)	The decrease was mainly due to less profit recognised from property sales at Nova City.
Transportation	**28**	(150)	178	119	The variance was largely attributable to reduced fuel costs and improved cost control measures.
Hospitality	**(37)**	4	(41)	(1,025)	The decrease was mainly attributable to the hit experienced by the tourism industry due to recessionary downcycle and concerns over threats of H1N1 in the earlier part of the year.
Investment	**22**	114	(92)	(81)	The decrease was mainly due to reduced dividend income from STDM.
Net gain on disposal of a subsidiary	**680**	—	680	n/a	It represented the net gain on disposal of the Group's 50% interest in Mandarin Oriental Hotel Macau (currently re-branded as the Grand Lapa Hotel) to STDM Group.
Impairment losses on amounts due by investee companies and other receivables	**(36)**	—	(36)	n/a	
Unallocated net expenses	**(62)**	(31)	(31)	(100)	The variance was largely due to reduced interest income.
Fair value changes on investment properties	**221**	(192)	413	215	The variance was mainly due to recovery of the property market.
Operating profit	**1,168**	115	1,053	916	
Finance costs	**(77)**	(157)	80	51	The decrease was principally due to lower effective interest rates and reduced outstanding bank loans.
Share of results of associates	**26**	38	(12)	(32)	The variance was mainly due to disposal of 50% interest in Mandarin Oriental Hotel Macau (currently re-branded as the Grand Lapa Hotel) in June 2009 and Westin Resort Macau continued to operate in a challenging environment.
Share of results of jointly controlled entities	**1,916**	14	1,902	13,586	The variance was mainly due to contribution from the 51% owned One Central property in Macau.
Profit before taxation	**3,033**	10	3,023	30,230	
Taxation	**(97)**	20	(117)	(585)	
Profit for the year	**2,936**	30	2,906	9,687	
(Profit) / Loss attributable to minority interests	**(62)**	71	(133)	(187)	The variance was mainly attributable to the profit shared by minority shareholders in property and transportation divisions.
Profit attributable to owners of the Company	**2,874**	101	2,773	2,746	

Profit and Loss Analysis (Continued)

Operating Profit by Geographical Area

(HK$ million)	2009	2008	Variance	%	Remarks
Hong Kong	**144**	(157)	301	192	The variance mainly represented fair value gain of investment properties in Hong Kong.
Macau	**1,006**	256	750	293	The increase was mainly due to net gain on disposal of the Group's 50% interest in Mandarin Oriental Hotel Macau (currently re-branded as the Grand Lapa Hotel) to STDM Group.
Others	**18**	16	2	13	
Total	**1,168**	115	1,053	916	

Liquidity, Financial Resources and Capital Structure

At 31 December 2009, the Group's total net assets increased by 17% over last year to HK$16,418 million. Cash and liquidity position remains strong and healthy. During the year, net cash from operating activities amounted to HK$1,248 million which was resulted mainly from settlement of sales receivable from Nova City in Macau. Major cash inflow for investing activities included HK$140 million proceeds on disposal of interest in a subsidiary after setting off the consideration for off-market share repurchase of the Company's shares and HK$118 million interest received principally from a jointly controlled entity. Net cash outflow for financing activities of HK$685 million is mainly attributable to the composite effect on repayment of loans and proceeds received from issue of convertible bonds.

Cash Flow Variance Analysis

(HK$ million)	2009	2008	Variance
Operating activities	**1,248**	139	1,109
Investing activities	**288**	(830)	1,118
Financing activities	**(685)**	(160)	(525)
Net increase/(decrease) in cash and cash equivalents	**851**	(851)	1,702

The Group's bank balances and deposits amounted to HK$3,587 million at 31 December 2009. 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 2009, total bank loan facilities available to the Group amounted to HK$8,730 million, of which HK$3,561 million remained undrawn. The Group's bank borrowings outstanding at the year end amounted to HK$5,169 million. The Group's borrowings also comprised the liability component of guaranteed convertible bonds of HK$1,442 million.

On 22 October 2009, Joyous King Group Limited, a wholly-owned subsidiary of the Group, issued guaranteed convertible bonds with an aggregate principal amount of HK$1,550 million (the "Bonds") to certain professional investors, pursuant to a convertible bond subscription agreement dated 17 September 2009. The Bonds bear an annual interest of 3.3% and will mature at the fifth anniversary of the issue date. The conversion price was set at HK$8.18 per share (subject to adjustment) of the Company and the outstanding principal amount of the convertible bonds, if not converted, will be repaid on the maturity date at 100% of the outstanding amount.

The Bonds are convertible on or after 22 October 2010 up to and including 15 October 2014 into fully paid ordinary shares with a par value of HK$0.25 each of the Company. The holder has the right to require the issuer to redeem the Bonds on 22 October 2012 and the issuer may, after certain conditions of the Bonds are fulfilled, redeem the Bonds at any time after 22 October 2012 and prior to the maturity date of the Bonds. Further details of the Bonds are set out in the Company's announcement dated 18 September 2009.

The maturity profile of the Group's borrowings is set out below:

Maturity Profile

	Within 1 year	1-2 years	2-5 years	Total
	22%	39%	39%	100%

Based on a net borrowings of HK$3,024 million at the year end, the Group's gearing ratio (expressed as a ratio of net borrowings to equity attributable to owners of the Company) was 21.4% (2008: 38.1%). The Group will continue to maintain a healthy gearing ratio and consider to reduce its finance costs.

During the year, 30,436,610 new shares were issued upon exercise of share options granted by the Company and 263,667,107 shares were repurchased in an off-market manner and cancelled. The Company incurred approximately HK$589 million including transaction costs for the said off-market share repurchase. 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.

Material Disposal

On 15 June 2009, the Group completed the disposal of Skamby Limited, a wholly-owned subsidiary of the Group, at a gross consideration of approximately HK$722 million pursuant to an agreement dated 20 January 2009 with Current Time Limited, a wholly-owned subsidiary of STDM. Accordingly, the Group recognised a net gain on disposal of approximately HK$680 million.

Charges on Assets

At the year end, bank loans to the extent of approximately HK$784 million (2008: HK$806 million) were secured with charges on certain assets of the Group amounting to an aggregate carrying value of HK$1,220 million (2008: HK$1,368 million).

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. Except for the Bonds, all 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 97% of the bank deposits, cash and bank balances are denominated in Hong Kong dollar and United States dollar with the remaining balance mainly in Renminbi and Macau pataca. The Group's principal operations are primarily conducted in Hong Kong dollar 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 2,900 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 employees and they 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 report together with the financial statements for the year ended 31 December 2009 of the Company.

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 159 to 161.

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

Group Financial Statements

The profit of the Group for the year ended 31 December 2009 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 161. Commentary on the 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 159 to 161.

Dividends

An interim dividend of HK 3.8 cents per share (2008: nil) was paid on 21 October 2009. The board of Directors (the "Board") has recommended a final dividend of HK 18.7 cents per share (2008: HK 1.3 cents per share) in respect of the year ended 31 December 2009. Subject to shareholders' approval at the forthcoming annual general meeting of the Company, the proposed final dividend will be paid on or around 18 June 2010 to shareholders of the Company whose names appear on the register of members of the Company on 10 June 2010.

Property, Plant and Equipment, Investment Properties and Leasehold Land

The movements in property, plant and equipment of the Group and of the Company and investment properties and leasehold land of the Group during the year are set out in notes 12, 13 and 14 to the financial statements respectively.

Particulars of Properties

Particulars regarding the properties and property interests held by the Group are shown in the schedule of major properties on pages 36 to 39.

Share Capital

The movements in share capital of the Company during the year are shown in note 32 to the financial statements.

Reserves

The movements in reserves of the Group and of the Company during the year are shown in note 34 to the financial statements and the consolidated statement of changes in equity on pages 76 to 77 respectively. Distributable reserves are disclosed in note 34 to the financial statements.

Donations

During the year, the Group made donations for charitable and community purposes of HK$914,000 (2008: HK$1,278,200).

Convertible Bonds

Details of convertible bonds of the Group are shown in note 30 to the financial statements.

Group Borrowings

Details of borrowings repayable within one year and long-term loans are shown in notes 28 and 31 to the financial statements.

Finance Costs Capitalised

Finance costs capitalised by the Group during the year amounted to HK$10,050,000 (2008: HK$40,656,000).

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, 17% of the Group's total turnover was attributable to the Group's five largest customers combined, with the largest customer accounting for 7% of the Group's total turnover. 63% of the Group's total purchases was attributable to the Group's five largest suppliers combined, with the largest supplier accounting for 26% 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 five largest suppliers of the Group. Prior to the off-market share repurchase by the Company on 24 June 2009, details of which are set out in the paragraph headed "Purchase, Sale or Redemption of Listed Securities" below, STDM was 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 five largest suppliers.

Directors

The Directors during the year and up to the date of this report are:

Executive Directors:

Dr. Stanley Ho *(Group Executive Chairman)*
Ms. Pansy Ho *(Managing Director)*
Ms. Daisy Ho *(Deputy Managing Director)*
Ms. Maisy Ho
Mr. David Shum
Mr. Michael Ng (appointed on 1 April 2009)
Dr. Ambrose So (resigned on 8 April 2009)
Mr. Patrick Huen (resigned on 8 April 2009)
Mr. Anthony Chan (resigned on 8 April 2009)

Non-Executive Directors:

Dato' Dr. Cheng Yu Tung
Mrs. Louise Mok

Independent Non-Executive Directors:

Sir Roger Lobo
Mr. Norman Ho
Mr. Charles Ho
Mr. Yeh V-Nee (resigned on 20 January 2009)

In accordance with Articles 77 and 79 of the Company's Articles of Association, Ms. Daisy Ho, Mr. David Shum and Mr. Charles Ho will retire from office by rotation but, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

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

Brief biographical details of the Directors as at the date of this report are set out on pages 4 to 8.

Service Contracts of Directors

None of the Directors proposed for re-election at the forthcoming annual general meeting of the Company has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Corporate Governance

The Company is committed to maintaining high standards of corporate governance. Information on the corporate governance practices adopted by the Company during the year ended 31 December 2009 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 had ceased to be a substantial shareholder of the Company after the off-market share repurchase by the Company from STDM and its subsidiary on 24 June 2009. STDM is an associate (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) of Dr. Stanley Ho. Dr. Stanley Ho is a director of STDM. Mrs. Louise Mok was a director of STDM up till 31 March 2010. Ms. Pansy Ho was a director of STDM up till 31 March 2010, and has thereafter become an appointed representative of the Company, which is a corporate director of STDM, since 1 April 2010. Ms. Daisy Ho was an appointed representative of the Company, which is a corporate director of STDM, up till 31 March 2010, and has thereafter become an appointed representative of Lanceford Company Limited, which is also a corporate director of STDM, since 1 April 2010. Mr. David Shum has been an appointed representative of Interdragon Limited, which is a corporate director of STDM, since 1 April 2010. Dr. Stanley Ho is a director of, and has beneficial interest in, SJM Holdings Limited ("SJM"), a non-wholly owned subsidiary of STDM. Dato' Dr. Cheng Yu Tung and Mr. David Shum are also directors of SJM. The shares of SJM are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung and Mr. David Shum are directors of Sociedade de Jogos de Macau, S.A., 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$26.3 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$241.7 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 supplied and loaded fuel into ST-CTSI vessels at the Macau Outer Harbour Terminal. The cost of fuel was its market price plus a small handling charge. On 12 November 2007, ST-CTSI signed an amendment agreement to the Fuel Agreement with STDM to continue the arrangement for 3 years from 1 January 2008 to 31 December 2010, which is thereafter renewable for an additional 3 years unless terminated by either party by giving specified period of prior written notice.

(c) Under an agency agreement between ST-CTSI and STDM (the "STDM Agency Agreement"), STDM acted as the agent of ST-CTSI for the sale of ferry tickets for which it received HK$17.2 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$200.5 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$9.3 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 agreement to the STDM Agency Agreement to extend the agreement for 3 years from 1 January 2008 to 31 December 2010, and is thereafter renewable for an additional 3 years unless terminated by either party by giving specified period of prior written notice.

(d) The Group received total fees of HK$8.8 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 paid Clean Living a monthly fee based on agreed unit prices for items cleaned which were determined on normal commercial basis with reference to market price and anticipated cleaning costs.

During the year, Pier 16 paid fees of HK$4.5 million under the Sofitel Agreement to Clean Living.

The Sofitel Agreement had expired on 15 January 2010 and has not been renewed.

(f) On 21 February 2008, the Company and STDM entered into a master leasing agreement (the "STDM Master Leasing Agreement") pursuant to which the Group rented various premises from the STDM Group. New leases made under the STDM Master Leasing Agreement were for fixed terms of not more than 3 years. The lease rental was determined with reference to open market rental.

During the year, the total rental and related expenses paid to the STDM Group under the STDM Master Leasing Agreement amounted to HK$6.8 million.

The STDM Master Leasing Agreement had expired on 31 December 2009. On 4 February 2010, the Company and STDM entered into a new master leasing agreement to continue the aforsaid leasing arrangements with STDM for an initial term of 3 years from 1 January 2010 to 31 December 2012 and is thereafter renewable for successive terms of 3 years unless being terminated by either party by prior written notice. Further details of such new master leasing agreement were disclosed in the Company's announcement dated 4 February 2010.

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 Co-operation Agreement, the Hong Kong Ferry Service (as defined in the Company's announcement dated 19 September 2007) between the Hong Kong Macau Ferry Terminal and Macau and the Kowloon Ferry Service (as defined in the Company's announcement dated 19 September 2007) 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 taxes 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 1-year period from 1 November 2008 and renewed for 1-year period to 31 October 2010.

   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.

   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$35.6 million and HK$2.2 million respectively.

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

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

For CTSHK's sales agency and business development services provided under the CTSHK Agreement, ST-CTSI paid 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).

During the year, ST-CTSI paid commission of HK$26.8 million under the CTSHK Agreement to CTSHK.

The CTSHK Agreement had expired on 31 December 2009. On 4 February 2010, ST-CTSI and CTSHK entered into a new agency agreement to continue with the aforesaid appointment of CTSHK for an initial term of 3 years from 1 January 2010 to 31 December 2012 and is thereafter renewable for further periods of 3 years unless being terminated by either party by giving specified period of prior written notice. Further details of such new agency agreement were disclosed in the Company's announcement dated 4 February 2010.

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 for appointing Wincent as a non-exclusive joint general sales agent for the sale of ferry tickets for ST-CTSI ferry services. Wincent promotes and markets at its own costs the ST-CTSI ferry services.

For Wincent's sales agency and business development services provided under the Wincent Agreement, ST-CTSI paid 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).

During the year, ST-CTSI paid commission of HK$26.8 million under the Wincent Agreement to Wincent.

The Wincent Agreement had expired on 31 December 2009. On 4 February 2010, ST-CTSI and Wincent entered into a new agency agreement to continue with the aforesaid appointment of Wincent for an initial term of 3 years from 1 January 2010 to 31 December 2012 and is thereafter renewable for further periods of 3 years unless being terminated by either party by giving specified period of prior written notice. Further details of such new agency agreement were disclosed in the Company's announcement dated 4 February 2010.

(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 paid 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).

During the year, ST-CTSI paid software fees of HK$2.0 million under the Software Agreement to Crown.

The Software Agreement had expired on 31 December 2009. On 4 February 2010, ST-CTSI entered into a new software agreement with Crown to continue with the provision by Crown of the aforesaid software and related services for 3 years from 1 January 2010 to 31 December 2012 unless terminated by either party by giving specified period of prior written notice. As the expected maximum annual fees payable to Crown under this new software agreement will fall within the de minimis thresholds under Rule 14A.33(3) of the Listing Rules, such new software agreement is exempt from any further reporting, announcement and/or independent shareholders' approval requirements.

5. On 12 November 2007, Shun Tak Properties Limited ("STP"), a wholly-owned subsidiary of the Company which manages 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 paid to Kiu Lok a consultancy fee based on 50% of its manager remuneration from Shun Tak Centre.

   During the year, STP paid consultancy fees of HK$5.4 million under the Consultancy Agreement to Kiu Lok.

   The Consultancy Agreement had expired on 31 December 2009. On 4 February 2010, STP and Kiu Lok entered into a new consultancy agreement to continue with the aforesaid appointment of Kiu Lok for the period from 1 January 2010 to 3 March 2011. Further details of such new consultancy agreement were disclosed in the Company's announcement dated 4 February 2010.

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, pursuant to which the Group rented premises at Shun Tak Centre from STC (including the lease of Hong Kong Macau Ferry Terminal). New leases made under the STC Master Leasing Agreement were for fixed terms of not more than 3 years. The lease rental was determined with reference to open market rental.

   During the year, the total rental and related expenses paid by the Group to STC under the STC Master Leasing Agreement amounted to HK$7.0 million.

   The STC Master Leasing Agreement had expired on 31 December 2009. On 4 February 2010, the Company and STC entered into a new master leasing agreement to continue the aforesaid leasing arrangements with STC for an initial term of 3 years from 1 January 2010 to 31 December 2012 and is thereafter renewable for successive terms of 3 years unless being terminated by either party by giving prior written notice. Further details of such new master leasing agreement were disclosed in the Company's announcement dated 4 February 2010.

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, pursuant to which the Group rented premises at Shun Tak Centre from STS. New leases made under the STS Master Leasing Agreement were for fixed terms of not more than 3 years. The lease rental was determined with reference to open market rental. The STS Master Leasing Agreement had expired on 31 December 2009 and has not been renewed.

   During the year, there was no rental or related expense payable under the STS Master Leasing Agreement by the Group to STS.

8. 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, are 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 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 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 is thereafter 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 made under the MGM Master Service Agreement amounted to HK$49.2 million and HK$3.0 million respectively.

Under Chapter 14A of the Listing Rules, the transactions mentioned in sub-paragraphs 1 to 8 above (except agreements and transactions entered into subsequent to year end) constituted continuing connected transactions of the Company for the year which require disclosures in the annual report of the Company.

The Independent Non-Executive Directors have confirmed that the continuing connected transactions mentioned in sub-paragraphs 1 to 8 above were entered into:

(a) in the ordinary and usual course of business of the Group;

(b) either on normal commercial terms or, if there were not sufficient comparable transactions to judge whether they were 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 sub-paragraphs 1 to 8 above:

(a) have received the approval of the 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 26 May 2009, the completion date of the acquisition was further extended from 30 June 2009 to on or before 31 December 2010.

10. On 20 January 2009, Florinda Hotel Investment Limited ("FHIL"), an indirect wholly-owned subsidiary of the Company, entered into a conditional agreement with Current Time Limited, a wholly-owned subsidiary of STDM, for the disposal (the "Disposal") by FHIL of the entire issued share capital of Skamby Limited ("Skamby") and the shareholder's loan owed by Skamby to FHIL at a consideration of HK$722,168,000. The principal asset of Skamby was a 50% equity interest in Excelsior-Hoteis e Investimentos, Limitada, which owned the entire interest in a 5-star hotel which was then operated under the name of Mandarin Oriental Macau (the "Hotel") together with the piece of land on which the Hotel was erected. The Disposal was completed on 15 June 2009.

    On 15 June 2009, the Company entered into a repurchase agreement with STDM and Bluebell Assets Limited ("Bluebell"), a wholly-owned subsidiary of STDM, for the off-market repurchase of 263,667,107 issued ordinary shares of the Company from STDM and Bluebell at a consideration of HK$580,067,635.40, equivalent to HK$2.20 per share. The consideration payable by the Company to STDM and Bluebell for the off-market repurchase of such shares was applied to set off part of the consideration for the Disposal.

Under Chapter 14A of the Listing Rules, the transactions mentioned in sub-paragraphs 9 to 10 above constituted connected transactions of the Company for the year which require disclosures 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 37 to the financial statements.

11. 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 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 2009, the total outstanding sum of the shareholders' loan was HK$219.2 million.

Save for the transactions mentioned in sub-paragraphs 1 to 11 above, there was 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.

Subsequent to year end, the Company also entered into a new master property services agreement on 4 February 2010 (the "STDM Master Property Services Agreement") with STDM pursuant to which the Group will provide property related services to the STDM Group, including but without limitation, sales, leasing, project management, property management, property cleaning and other property related services for the properties as designated by the STDM Group and agreed by the Group from time to time. The STDM Master Property Services Agreement is for a term of 3 years from 1 January 2010 to 31 December 2012, and is thereafter renewable under mutual agreement. The transactions contemplated under the STDM Master Property Services Agreement constitute continuing connected transactions of the Company. Further details of the STDM Master Property Services Agreement were disclosed in the Company's announcement dated 4 February 2010.

Directors' Interests in Competing Businesses

The Directors named in the paragraphs below have interests in businesses, which are considered to compete or likely to compete, either directly or indirectly, with the businesses of the Group during the year.

Dr. Stanley Ho has beneficial interests in Melco International Development Limited ("Melco"), STC and STDM, which are also engaged in the businesses of property investment, property development and/or hospitality; and SJM, a subsidiary of STDM listed on the Main Board of the Stock Exchange which is also engaged in the business of hospitality. Dr. Stanley Ho is a director of STC, STDM and SJM. Mrs. Louise Mok was a director of STDM up till 31 March 2010. Ms. Pansy Ho was a director of STDM up till 31 March 2010, and has thereafter become an appointed representative of the Company, which is a corporate director of STDM, since 1 April 2010. Ms. Daisy Ho was an appointed representative of the Company, which is a corporate director of STDM, up till 31 March 2010, and has thereafter become an appointed representative of Lanceford Company Limited, which is also a corporate director of STDM, since 1 April 2010. Mr. David Shum has been an appointed representative of Interdragon Limited, which is a corporate director of STDM, since 1 April 2010. Mr. David Shum is also 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 beneficial interest in, MGM Grand Paradise (HK) Limited ("MGMHK"), which is also engaged in the business of hospitality. Ms. Daisy Ho is a director of MGMHK.

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

(1) Disclosure of Directors' Interests

As at 31 December 2009, the interests or short positions of the Directors and chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and any of 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 of the Listing Rules, were as follows:

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

		Number of shares held				Approximate percentage of total issued shares
Name of Director	Nature of interests	Personal interests	Note	Corporate interests	Note	Note (i)
Dr. Stanley Ho	Interests in issued shares	250,936,160		39,021,590	(iv)	14.33%
	Interests in unissued shares	—		148,883,374	(v)	7.36%
	Interests in underlying shares	1,587,300	(ii)	—		0.08%
Sir Roger Lobo	—	—		—		—
Mr. Norman Ho	—	—		—		—
Mr. Charles Ho	—	—		—		—
Dato' Dr. Cheng Yu Tung	—	—		—		—
Mrs. Louise Mok	Interests in issued shares	342,627		—		0.02%
Ms. Pansy Ho	Interests in issued shares	47,087,604		191,931,661	(vi)	11.81%
	Interests in unissued shares	—		148,883,374	(v)	7.36%
	Interests in underlying shares	10,157,740	(ii)	—		0.50%
Ms. Daisy Ho	Interests in issued shares	45,301,811		97,820,707	(vii)	7.07%
	Interests in unissued shares	—		148,883,374	(v)	7.36%
	Interests in underlying shares	12,157,740	(ii)	—		0.60%
Ms. Maisy Ho	Interests in issued shares	11,680,435		23,066,918	(viii)	1.72%
	Interests in underlying shares	20,157,740	(ii)	—		1.00%
Mr. David Shum	Interests in underlying shares	5,000,000	(ii)	—		0.25%
Mr. Michael Ng	Interests in underlying shares	366,748	(iii)	—		0.02%

Notes:

(i) As at 31 December 2009, the total number of issued shares of the Company was 2,023,710,803.

(ii) These represented the interests in underlying shares in respect of share options granted by the Company, details of which are disclosed in sub-paragraph (2) headed "Share Options" below.

(iii) These interests in underlying shares represented the number of shares issuable to Mr. Michael Ng upon conversion of the convertible bonds for an aggregate nominal amount of HK$3,000,000 held by him and based on the initial conversion price of HK$8.18 per share. Further details are disclosed in sub-paragraph (c) headed "Interests of the Directors in Debentures of Subsidiaries of the Company" below.

(iv) These 39,021,590 shares, of which Dr. Stanley Ho was deemed to be interested by virtue of the SFO, comprised 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 all wholly owned by Dr. Stanley Ho.

(v) These 148,883,374 unissued shares, of which Dr. Stanley Ho, Ms. Pansy Ho and Ms. Daisy Ho were deemed to be interested by virtue of the SFO, were the same parcel of shares, and represented 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.

(vi) These 191,931,661 shares, of which Ms. Pansy Ho was deemed to be interested by virtue of the SFO, comprised 97,820,707 shares held by Beeston Profits Limited ("BPL") and 94,110,954 shares held by Classic Time Developments Limited ("CTDL"). Both BPL and CTDL are wholly owned by Ms. Pansy Ho.

(vii) These 97,820,707 shares, of which Ms. Daisy Ho was deemed to be interested by virtue of the SFO, were held by St. Lukes Investments Limited, which is wholly owned by Ms. Daisy Ho.

(viii) These 23,066,918 shares, of which Ms. Maisy Ho was deemed to be interested by virtue of the SFO, were 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 interests	Approximate percentage of total issued shares Note (i)
Dr. Stanley Ho	Shun Tak Cultural Centre Limited	4 ordinary shares	40%

Note:

(i) As at 31 December 2009, there was a total of 10 ordinary shares of Shun Tak Cultural Centre Limited in issue.

(c) Interests of the Directors in Debentures of Subsidiaries of the Company

Name of Director	Name of subsidiary	Personal interests	Approximate percentage of aggregate nominal amount of convertible bonds in issue Note (i)
Mr. Michael Ng	Joyous King Group Limited	HK$3,000,000 Note (ii)	0.19%

Notes:

(i) As at 31 December 2009, 3.3% guaranteed convertible bonds due 2014 for an aggregate nominal amount of HK$1,550,000,000 were issued by Joyous King Group Limited, a wholly-owned subsidiary of the Company.

(ii) These convertible bonds for an aggregate nominal amount of HK$3,000,000 held by Mr. Michael Ng are convertible into 366,748 shares of the Company, representing approximately 0.02% of its issued share capital as at 31 December 2009, at the initial conversion price of HK$8.18 per share during the period from 22 October 2010 to 15 October 2014 subject to the terms and conditions of the convertible bonds. These interests duplicate Mr. Michael Ng's interests in underlying shares of the Company disclosed in sub-paragraph (a) above.

(d) Interests of the Directors in Shares and Underlying Shares of Other Associated Corporations of the Company

Name of Director	Name of associated corporation	Corporate interests	Approximate percentage of total issued shares Note (i)
Ms. Pansy Ho	Shun Tak & CITS Coach (Macao) Limited	750 shares	15%

Note:

(i) As at 31 December 2009, there was a total of 5,000 shares of Shun Tak & CITS Coach (Macao) Limited in issue.

All the interests disclosed in sub-paragraphs (a) to (d) above represented long position interests in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

Save as disclosed in sub-paragraphs (a) to (d) 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 by the Company 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 2009.

(2) Share Options

Details of share options granted to the Directors and an employee under the share option scheme of the Company adopted on 31 May 2002 (the "Share Option Scheme") and outstanding share options as at the beginning and end of the year were as follows:

Grantee	Date of grant	Exercise period	Exercise price per share (HK$)	Number of share options	
				1 January 2009	31 December 2009
Directors					
Dr. Stanley Ho	25 May 2004	25 May 2004 to 24 May 2014	3.15	1,587,300	1,587,300
Ms. Pansy Ho	25 May 2004	25 May 2004 to 24 May 2014	3.15	10,157,740	10,157,740
Ms. Daisy Ho	25 May 2004	25 May 2004 to 24 May 2014	3.15	12,157,740	12,157,740
Ms. Maisy Ho	25 May 2004	25 May 2004 to 24 May 2014	3.15	20,157,740	20,157,740
Mr. David Shum	22 September 2004	22 September 2004 to 21 September 2014	4.20	5,000,000	5,000,000
Former Directors					
Dr. Ambrose So	25 May 2004	25 May 2004 to 24 May 2014	3.15	20,157,740	—
Mr. Patrick Huen	25 May 2004	25 May 2004 to 24 May 2014	3.15	10,078,870	—
Employee	8 July 2004	8 July 2004 to 7 July 2009	3.95	200,000	—

Notes:

(i) Movements in share options under the Share Option Scheme during the year were as follows:

- 20,157,740 share options of Dr. Ambrose So granted under the Share Option Scheme were exercised during the year. The weighted average closing price of the shares of the Company immediately before the date on which such share options were exercised was HK$4.34 per share. Dr. Ambrose So resigned as an Executive Director on 8 April 2009.

- 10,078,870 share options of Mr. Patrick Huen granted under the Share Option Scheme were exercised during the year. The weighted average closing price of the shares of the Company immediately before the date on which such share options were exercised was HK$4.10 per share. Mr. Patrick Huen resigned as an Executive Director on 8 April 2009.

- 200,000 share options granted to an employee of the Group under the Share Option Scheme were exercised during the year. The weighted average closing price of the shares of the Company immediately before the date on which such share options were exercised was HK$4.60 per share.

- No share option was granted, cancelled or lapsed during the year.

(ii) All the share options outstanding as at the beginning and end of the year granted to the existing and former Directors as shown in the above table are/were exercisable during a period of 10 years commencing from the respective dates of grant. These share options were all vested on their respective dates of grant.

(iii) All the share options outstanding as at the beginning of the year granted to an employee of the Group as shown in the above table were exercisable during a period of 5 years commencing from the date of grant. These share options were all vested on the date of grant.

Save as disclosed above, as at 31 December 2009, 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 Scheme.

A summary of the Share Option Scheme disclosed in accordance with the Listing Rules is set out below:

(i) Purpose of the Share Option Scheme	To attract and retain the best quality personnel; to provide additional incentives to participants; and to promote the long term financial success of the Company by aligning the interests of the option holders to shareholders.
(ii) Participants of the Share Option Scheme	(a) any employee or any business related consultant, agent, representative or advisor of the Company or any affiliate; (b) any person who provides goods or services to the Company or any affiliate; (c) any customer of the Company or any affiliate; (d) any business ally or joint venture partner of the Company or any affiliate; or (e) related trusts and companies of (a) to (d) above.

(iii) Total number of shares available for issue under the Share Option Scheme and percentage on issued share capital as at the date of this annual report	The Company had granted options in respect of 123,523,670 shares of the Company under the Share Option Scheme up to the date of this annual report. The total number of shares available for issue under the Share Option Scheme is 70,719,721, representing approximately 3.49% of the Company's issued share capital as at the date of this annual report.
(iv) Maximum entitlement of each participant under the Share Option Scheme	In any 12-month period: – 1% of the issued share capital (excluding substantial shareholders and Independent Non-Executive Directors) – 0.1% of the issued share capital and not exceeding HK$5 million in aggregate value (for substantial shareholders and Independent Non-Executive Directors)
(v) The period within which the shares must be taken up under an option	The Board may at its absolute discretion determine save that such period shall not expire later than 10 years from the date of grant.
(vi) The minimum period for which an option must be held before it can be exercised	There is no such minimum holding period prescribed in the Share Option Scheme, but the Board may at its absolute discretion impose a vesting period on an option.
(vii) 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	An offer for the grant of an option may be accepted within 28 days from the date of the offer and HK$1.00 is payable on acceptance of the grant of an option.
(viii) The basis of determining the subscription price	The subscription price is determined by the Board and shall be not less than the higher of: – the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of offer; – the average closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer; and – the nominal value of a share of the Company.
(ix) The remaining life of the Share Option Scheme	The Share Option Scheme shall remain in force until 31 May 2012.

(3) Substantial Shareholders and Other Persons

As at 31 December 2009, according to the register of interests or short positions in shares required to be kept by the Company under Section 336 of the SFO, other than the interests of the Directors and chief executive of the Company, 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	Long position/ Short position	Number of shares/ underlying shares held	Total	Approximate percentage of total issued shares Note (i)
Shun Tak Shipping Company, Limited ("STS") and its subsidiaries	(ii)	Interests in issued shares	Beneficial owner	Long position	308,057,215	308,057,215	15.22%
Alpha Davis Investments Limited ("ADIL")	(iii)	Interests in unissued shares	Beneficial owner	Long position	148,883,374	148,883,374	7.36%
Innowell Investments Limited ("IIL")	(iii)	Interests in unissued shares	Interests of controlled corporation	Long position	148,833,374	148,833,374	7.36%
Megaprosper Investments Limited ("MIL")	(iii)	Interests in unissued shares	Interests of controlled corporation	Long position	148,833,374	148,833,374	7.36%
JPMorgan Chase & Co.	(iv)	Interests in issued shares	Beneficial owner	Long position	3,362,446	101,338,431	5.01%
		Interests in issued shares	Investment manager	Long position	72,886,489		
		Interests in issued shares	Custodian corporation/ approved lending agent	Long position	25,089,496		
		Interests in issued shares	Beneficial owner	Short position	2,242,000	2,242,000	0.11%

Notes:

(i) As at 31 December 2009, the total number of issued shares of the Company was 2,023,710,803.

(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) ADIL is entitled to the 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.

(iv) According to the corporate substantial shareholder notice (the "Notice") submitted by JPMorgan Chase & Co. on 4 January 2010 (the date of relevant event being 30 December 2009), these long position interests in 101,338,431 shares (of which 25,089,496 shares were held in lending pool) and short position interests in 2,242,000 shares were held through certain subsidiaries of JPMorgan Chase & Co. as disclosed in the Notice.

Save as disclosed above, no other person (other than the Directors and chief executive of the Company) had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO as at 31 December 2009.

Purchase, Sale or Redemption of Listed Securities

During the year, the Company repurchased 263,667,107 of its own issued ordinary shares of HK$0.25 each from STDM and its subsidiary at the repurchase price of HK$2.20 per share in an off-market manner (the "Off-market Repurchase") pursuant to the repurchase agreement entered into between the Company and STDM and its subsidiary on 15 June 2009. Part of the consideration receivable by the Group from the STDM Group for the disposal of a subsidiary of the Group was applied to set off the consideration, in the aggregate amount of HK$580,067,635.40, payable by the Company to STDM and its subsidiary for the Off-market Repurchase. The Off-market Repurchase was approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 26 May 2009. Further details of the Off-market Repurchase are set out in the circular of the Company dated 24 April 2009.

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares.

The Off-market Repurchase was made as it presented an excellent opportunity for the Company to enhance its earnings per share and net asset value per share with a view to maximising the total return on shareholders' investment in the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2009.

Arrangement to Purchase Shares or Debentures

Save as disclosed in the above sub-paragraphs headed "Disclosure of Directors' Interests" and "Share Options", at no time during the year was the Company or any of its subsidiaries a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors or their nominees to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Management Contract

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

Sufficiency of Public Float

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

Summary of the Results, Assets and Liabilities

A summary of the results, and the assets and liabilities of the Group for the last five financial years is shown on pages 162 to 163.

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 of the Company to re-appoint H. C. Watt & Company Limited as the Company's auditor.

By order of the Board

Pansy Ho
Managing Director

Hong Kong, 21 April 2010

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 in applying the principles and complying with the code provisions in 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 Code Provisions in 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 the code provisions in the Code 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 the corporate governance practices of the Company to meet rising expectations of the shareholders of the Company (the "Shareholders") and comply with the increasingly stringent regulatory requirements. In the opinion of the directors of the Company (the "Directors"), the Company has applied the principles and complied with the code provisions in the Code throughout the year ended 31 December 2009.

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 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 Company has 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. Committees of the Board (the "Board Committees"), including a remuneration committee (the "Remuneration Committee"), a nomination committee (the "Nomination Committee"), an executive committee (the "Executive Committee") and an audit committee (the "Audit Committee"), have been established pursuant to the Articles of Association of the Company, each of which is to assist the Board in discharging its duties and making decisions in respect of a particular aspect of the affairs of the Company. Other Board Committees may also be formed from time to time to deal with and make decisions for particular transactions. Further details about the Board Committees are discussed in the later part of this report.

Changes in members of the Board and Board Committees during the year ended 31 December 2009 and up to the date of this annual report 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;

(ii) Mr. Michael Ng was appointed as an Executive Director and a member of the Executive Committee on 1 April 2009; and

(iii) Dr. Ambrose So, Mr. Patrick Huen and Mr. Anthony Chan resigned as Executive Directors on 8 April 2009 and Mr. Patrick Huen also ceased to act as a member of the Executive Committee on 8 April 2009.

As at the date of this annual report, the Board consists of a total of 11 members, including the Group Executive Chairman (the "Chairman"), the Managing Director, the Deputy Managing Director, three other Executive Directors, and five Non-Executive Directors of whom three are Independent Non-Executive Directors. Changes in Board members are further disclosed in the "Report of the Directors" in this annual report. The Board is well balanced between Executive and Non-Executive Directors who possess a diverse range of relevant skills to advance the interests of the Shareholders. Independent Non-Executive Directors possess a range of experience and are of high calibre to ensure that 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 the Directors and the relationship amongst them are set out in the "Management Profile" in this annual report.

The Company has received a confirmation from each of the Independent Non-Executive Directors confirming his independence pursuant to Rule 3.13 of the Listing Rules.

All the Non-Executive Directors (including all the Independent Non-Executive Directors) are appointed for a specific term of three years. In accordance with the Articles of Association of the Company, every Director, including those appointed for a specific term, is subject to retirement by rotation at least once every three years at the annual general meetings of the Company. Any Director appointed by the Board is subject to re-election by the Shareholders at the next following annual general meeting after his or her appointment. Those Directors who are subject to retirement and re-election at the forthcoming annual general meeting of the Company are set out in the "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 duty of preparing meeting agenda is delegated to the Company Secretary and each Director may request inclusion of items on the agenda. Information packages containing analysis and explanatory materials of the agenda items are circulated to each Director not less than three days in advance of a Board meeting to enable the Directors to make informed decisions. The Directors also have full access to the Company Secretary who has the responsibility to keep the Directors informed of corporate governance issues and changes in the regulatory environment and ensure that Board procedures follow the relevant code provisions in the Code and other applicable statutory requirements. The Board is provided with sufficient resources to discharge its duties and, if required, individual Director may engage outside advisers at the Company's expenses to provide advice on any specific matter. If Directors have a conflict of interest in any matter 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 and not be counted in the quorum for any Board resolution in which they have a material interest.

An open atmosphere exists for the Directors to contribute alternative views at meetings and major decisions are taken after a full discussion at meetings. Minutes of Board meetings and Board Committee meetings are recorded in detail with draft minutes being circulated to all Directors and all Board Committee members respectively for comment before approval. Minutes of meetings and written resolutions of the Board and Board Committees are kept by the Company Secretary and open for inspection by Directors. Such minutes of meetings and written resolutions will also be circulated to the Directors at regular Board meetings. 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 the Directors to participate in relevant professional development courses to continually enhance their relevant knowledge and skills.

The roles of the Chairman and the Managing Director are distinct and separate, and are taken by Dr. Stanley Ho and Ms. Pansy Ho respectively. 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 and its subsidiaries (the "Group").

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 with authority by the Board and is principally responsible for the day-to-day operations of the Group. 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 Group; (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 Group. The Executive Directors conduct regular meetings with the senior management of the Group and associated companies during which operational issues and financial performance are reviewed. The Executive Directors report back to the Board regularly and on ad hoc basis as appropriate.

Regular Board meetings are held at least four times every year. Additional Board meetings are held when required by circumstances. During the year ended 31 December 2009, five Board meetings were held. All Directors have fully and actively participated in the affairs of the Board.

Attendance by Directors at meetings of the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee during the year is shown below:

Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee
	(Number of Meetings Attended / Entitled to Attend)			
Group Executive Chairman				
Dr. Stanley Ho	3/5	n/a	n/a	n/a
Non-Executive Directors				
Dato' Dr. Cheng Yu Tung	3/5	n/a	n/a	n/a
Mrs. Louise Mok	5/5	2/2	n/a	n/a
Independent Non-Executive Directors				
Sir Roger Lobo	5/5	2/2	3/3	1/1
Mr. Norman Ho	3/5	2/2	3/3	1/1
Mr. Charles Ho	2/5	n/a	2/3	1/1
Mr. Yeh V-Nee (resigned on 20 January 2009)	n/a	n/a	n/a	n/a
Managing Director				
Ms. Pansy Ho	5/5	n/a	3/3	1/1
Deputy Managing Director				
Ms. Daisy Ho	5/5	n/a	3/3	1/1
Executive Directors				
Ms. Maisy Ho	5/5	n/a	n/a	n/a
Mr. David Shum	5/5	n/a	n/a	n/a
Mr. Michael Ng (appointed on 1 April 2009)	5/5	n/a	n/a	n/a
Dr. Ambrose So (resigned on 8 April 2009)	0/2	n/a	n/a	n/a
Mr. Patrick Huen (resigned on 8 April 2009)	0/2	n/a	n/a	n/a
Mr. Anthony Chan (resigned on 8 April 2009)	0/2	n/a	n/a	n/a

Model Code for Securities Transactions

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

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. All the Directors have confirmed, following specific enquiry by the Company on each of them, that they had fully complied with the Model Code throughout the year ended 31 December 2009.

Board Committees

Each of the Remuneration Committee, the Nomination Committee, the Executive Committee and the Audit Committee has defined duties and responsibilities as set out in its own written terms of reference which, if applicable, are on no less exacting terms than those set out in the Code. The written terms of reference will be regularly reviewed and updated in response to any regulatory changes or as the Board may deem appropriate. Other Board Committee for approving particular transaction is delegated with specific duties and authorities by the Board when it is formed. All Board 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 conditions, remuneration and incentives of the Executive Directors and senior management. It sets the remuneration and incentive policy of the Company as a whole and approves the remuneration of senior staff in consultation with the Chairman and the Managing Director. The emoluments of the Directors, including basic salary and performance bonus, are based on each Director's skills, 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 the date of this report, the Remuneration Committee consists of five members, namely, Sir Roger Lobo, Mr. Norman Ho and Mr. Charles Ho (being all the Independent Non-Executive Directors), Ms. Pansy Ho (Managing Director) and Ms. Daisy Ho (Deputy Managing Director). Ms. Pansy Ho is the chairman of the Remuneration Committee.

According to its written terms of reference, a copy of which is posted on the website of the Company, the Remuneration Committee shall meet at least once per year. Additional meetings may be held as required. Decision may also be made by circulation of written resolutions accompanied by explanatory materials. During the year ended 31 December 2009, three Remuneration Committee meetings were held and one set of written resolutions was passed; whereby the Remuneration Committee had reviewed and approved the remuneration packages of the Executive Directors and senior management, including the lump sum gratuity payments to three former Executive Directors to reward their contributions to the Company during their tenure.

Directors' interests in shares, underlying shares and debentures of the Company, along with Directors' interests in contracts, are set out in the "Report of the Directors", and Directors' emoluments are set out 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 nomination and appointment of Directors and on the Board's succession planning. 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 that it has balanced skills and expertise to provide effective leadership to the Company and assess the independence of the Independent Non-Executive Directors according to the criteria set out in Rule 3.13 of the Listing Rules.

As at the date of this report, the Nomination Committee consists of five members, namely, Sir Roger Lobo, Mr. Norman Ho and Mr. Charles Ho (being all the Independent Non-Executive Directors), Ms. Pansy Ho (Managing Director) and Ms. Daisy Ho (Deputy Managing Director). Ms. Pansy Ho is the chairman of the Nomination Committee.

According to its written terms of reference, a copy of which is posted on the website of the Company, the Nomination Committee shall meet as required by its work. Decision may also be made by circulation of written resolutions accompanied by explanatory materials. During the year ended 31 December 2009, one Nomination Committee meeting was held and one set of written resolutions was passed; whereby the Nomination Committee made recommendations on appointment of Executive Director and changes in Executive Committee members, and also reviewed the structure and composition of Board.

Executive Committee

For more efficient operation of the Board, the Executive Committee was established to make recommendations on the strategic aims, objectives and priorities of the Company and to consider and approve matters relating to the day-to-day operations of the Group.

As at the date of this report, the Executive Committee consists of five members, namely, Ms. Pansy Ho (Managing Director), Ms. Daisy Ho (Deputy Managing Director) and the other three Executive Directors, Ms. Maisy Ho, Mr. David Shum and Mr. Michael Ng. Mr. Patrick Huen ceased to be a member of the Executive Committee on 8 April 2009. Ms. Pansy Ho is the chairman of the Executive Committee. The duties and responsibilities of the Executive Committee are set out in its written terms of reference. There is no minimum number of meetings to be held each year. Meetings are held as required by its work.

Audit Committee

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

As at the date of this report, the Audit Committee consists of three members, namely, Sir Roger Lobo and Mr. Norman Ho (both being Independent Non-Executive Directors) and Mrs. Louise Mok (Non-Executive Director). Mr. Norman Ho is the chairman of the Audit Committee. The Board is satisfied that members of the Audit Committee collectively possess adequate relevant financial experience to properly discharge its duties and responsibilities. Mr. Norman Ho has the professional accounting qualifications required by Rule 3.10(2) of the Listing Rules, details of which are set out in his biography in the 'Management Profile" in this annual report.

According to its written terms of reference, a copy of which is posted on the website of the Company, the Audit Committee shall meet at least twice a year. Decision may also be made by circulation of written resolutions accompanied by explanatory materials. During the year ended 31 December 2009, two Audit Committee meetings were held at which the Audit Committee reviewed the Company's interim and year-end financial reports, particularly judgemental areas before submission to the Board, the internal audit programme, findings and management's response as well as matters concerning the engagement of external auditor of the Company. The Audit Committee also considered and approved the annual audit and non-audit services fees and recommended the re-appointment of H. C. Watt & Company Limited as the Company's external auditor.

Auditors' Remuneration

For the year ended 31 December 2009, the fees paid/payable by the Group to the external auditors in respect of audit and non-audit services provided by them amounted to approximately HK$6.2 million and HK$4.2 million respectively. The non-audit services included interim review, review of continuing connected transactions of the Company, services rendered in relation to the disposal of a subsidiary of the Company, off-market share repurchase and the issue of convertible bonds by a subsidiary of the Company, and taxation and other services.

Accountability and Audit

The Directors acknowledge their responsibility for preparing the financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the Group and of the profit and cash flows of the Group for the year in accordance with Hong Kong Financial Reporting Standards, the Hong Kong Companies Ordinance and the Listing Rules. In preparing the financial statements for the year ended 31 December 2009, the Directors have selected suitable accounting policies and applied them consistently. The Directors also made judgements and estimates that are prudent and reasonable and prepared the financial statements 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 Group 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 mitigating the risks faced by the Group 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 controls include (i) a defined management structure with clear lines of responsibility and limits of authority; (ii) an appropriate organisational 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 procedures 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 controls by the Group internal audit department; (ii) operational management's assurance of the maintenance of internal controls; and (iii) identification of control issues by the external auditor during statutory audit. The Audit Committee, supported by the Group internal audit department, reviews the adequacy of resources, qualifications, experiences and training requirements of staff responsible for the accounting and financial reporting functions.

The Group internal audit department reports functionally to the Audit Committee and has unrestricted access to all records and personnel of the Group. 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 organisational changes and new business developments and is submitted for the Audit Committee's approval. Ad hoc reviews will also be conducted for areas of concern identified by the Audit Committee and the management.

The Group internal audit department reviews internal controls by evaluating the control environment, performing risk assessments of key processes, assessing the adequacy and testing the functioning of key controls on sample basis. 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 system is functioning as intended. An audit report addressing the identified control deficiencies is issued for each internal audit.

The Group internal audit department reports to the Audit Committee periodically on the results of the assessment of internal controls and implementation of follow-up actions on control deficiencies. In addition, the head of Group internal audit department will attend the Audit Committee meetings to report the progress in achieving the strategic audit plan and 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 Group is adequate and effective and the Company has complied with relevant code provisions in the Code on internal control.

Proactive Investor Relations

The Code requires the Company to maintain an ongoing dialogue and 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 reports, annual reports, circulars and notices to Shareholders. The Company's share registrar serves the Shareholders with respect to all share registration matters. Annual general meeting and extraordinary general meeting further provide the forum and opportunity for the Shareholders to exchange views directly with the Board members.

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 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, investor conferences and international non-deal roadshows.

Separate resolution is proposed at general meeting on each substantially separate issue, including the election of each individual Director. In compliance with Rule 13.39(4) of the Listing Rules, all resolutions proposed in a general meeting will be decided on poll. The poll results will be announced on the websites of the Company and the Stock Exchange in accordance with Rule 2.07C of the Listing Rules as soon as after the closure of the general meeting.

The Company has maintained a corporate website which provides the Shareholders, investors and the public with timely and updated information on the Group's development and activities. Corporate information in relation to the Group's businesses will also be distributed to the registered mailing list by email. Registration on the mailing list is available on the Company's website. The Company Secretary and the Investor Relations Department serve as the major channels of communication between the Directors and the Shareholders, investors and the public. The public is encouraged to contact the Group as appropriate.

Looking Forward

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

Hong Kong, 21 April 2010

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 (together referred to as the "Group") set out on pages 71 to 161, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 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

Watt Hung Chow
Practising Certificate Number P181
21 April 2010

Consolidated Income Statement

For the year ended 31 December	Note	2009 (HK$'000)	2008 (HK$'000)
Turnover	4	**3,229,250**	4,350,848
Other revenues	4	**105,298**	123,589
		3,334,548	4,474,437
Other net income/(loss)	5	**681,180**	(28,888)
Cost of inventories sold or consumed		**(1,295,333)**	(2,284,761)
Staff costs		**(686,612)**	(718,200)
Depreciation and amortisation		**(213,343)**	(153,959)
Other costs		**(873,061)**	(981,854)
Fair value changes on investment properties		**220,514**	(191,585)
Operating profit	6	**1,167,893**	115,190
Finance costs	8	**(77,040)**	(157,888)
Share of results of associates		**26,046**	38,481
Share of results of jointly controlled entities		**1,915,891**	13,997
Profit before taxation		**3,032,790**	9,780
Taxation	9(a)	**(97,125)**	20,201
Profit for the year		**2,935,665**	29,981
Attributable to:			
Owners of the Company		**2,873,928**	101,360
Minority interests		**61,737**	(71,379)
Profit for the year		**2,935,665**	29,981
Earnings per share (HK cents)	11		
– basic		**134.4**	4.4
– diluted		**132.0**	4.3

Details of dividends to shareholders of the Company are set out in note 10.

Consolidated Statement of Comprehensive Income

For the year ended 31 December	2009 (HK$'000)	2008 (HK$'000)
Profit for the year	**2,935,665**	29,981
Other comprehensive income/(loss)		
Available-for-sale investments:		
Changes in fair value	**63,753**	(342,266)
Reclassification adjustment for gains included in profit or loss	**—**	(49,666)
Cash flow hedges:		
Changes in fair value	**17,833**	(99,879)
Deferred tax	**(2,942)**	16,783
Reclassification adjustment for losses/(gains) included in profit or loss	**83,160**	(27,516)
Deferred tax	**(13,721)**	4,540
Properties:		
Write-down of inventories of properties	**(35,242)**	(75,850)
Deferred tax	**4,229**	9,102
Valuation adjustment upon transfer of properties under development to investment properties	**—**	(1,979)
Reclassification adjustment for gains included in profit or loss upon sales of properties	**(166,879)**	(303,102)
Deferred tax	**19,516**	35,347
Exchange differences:		
Translation of financial statements of foreign operations	**2,012**	22,655
Reclassification adjustment for loss included in profit or loss upon disposal of a jointly controlled entity	**—**	115
Other comprehensive loss for the year, net of tax	**(28,281)**	(811,716)
Total comprehensive income/(loss) for the year	**2,907,384**	(781,735)
Attributable to:		
Owners of the Company	**2,799,137**	(660,505)
Minority interests	**108,247**	(121,230)
Total comprehensive income/(loss) for the year	**2,907,384**	(781,735)

Consolidated Balance Sheet

At 31 December	Note	2009 (HK$'000)	2008 (HK$'000)
Non-current assets			
Property, plant and equipment	12	**1,943,941**	2,031,911
Investment properties	13	**3,385,392**	3,164,103
Leasehold land	14	**1,250,672**	1,281,418
Associates	16	**183,007**	220,347
Jointly controlled entities	17	**2,829,636**	957,352
Intangible assets	18	**365,796**	363,393
Available-for-sale investments	19	**1,065,804**	999,394
Mortgage loans receivable	20	**14,726**	22,972
Deferred tax assets	9(c)	**30,561**	57,252
Other non-current assets	21	**1,332,519**	822,079
		12,402,054	9,920,221
Current assets			
Properties for or under development	22	**8,183,610**	8,067,373
Inventories	23	**1,002,094**	1,969,719
Trade receivables, other receivables and deposits paid	24	**1,171,658**	1,857,991
Available-for-sale investments	19	**15,514**	14
Derivative financial instruments	25	**3,918**	242
Taxation recoverable		**4,059**	9,362
Bank deposits, cash and bank balances	26	**3,587,409**	2,736,636
		13,968,262	14,641,337
Current liabilities			
Trade and other payables	27	**1,303,221**	816,312
Deposits received on sales of properties		**59,266**	269,466
Bank borrowings	28	**1,416,800**	1,994,000
Derivative financial instruments	25	**—**	97,075
Provision for employee benefits	29	**16,424**	28,948
Taxation payable		**112,398**	185,903
		2,908,109	3,391,704
Net current assets		**11,060,153**	11,249,633
Total assets less current liabilities		**23,462,207**	21,169,854

At 31 December	Note	2009 (HK$'000)	2008 (HK$'000)
Non-current liabilities			
Bank borrowings	28	**3,752,200**	5,244,000
Convertible bonds	30	**1,441,888**	—
Deferred tax liabilities	9(c)	**1,001,459**	1,048,555
Loans from minority shareholders	31	**849,146**	847,743
		7,044,693	7,140,298
Net assets		**16,417,514**	14,029,556
Equity			
Share capital	32	**505,928**	564,235
Reserves	34(a)	**13,211,573**	11,222,649
Proposed dividends		**378,434**	29,340
Equity attributable to owners of the Company		**14,095,935**	11,816,224
Minority interests		**2,321,579**	2,213,332
Total equity		**16,417,514**	14,029,556

Pansy Ho
Director

Cheng Yu Tung
Director

Balance Sheet

At 31 December	Note	2009 (HK$'000)	2008 (HK$'000)
Non-current assets			
Property, plant and equipment	12	**1,144**	1,515
Subsidiaries	15	**24,200**	24,200
Associates	16	**250**	250
Available-for-sale investments	19	**234,723**	234,723
Other non-current assets	21	**11,253,231**	9,855,880
		11,513,548	10,116,568
Current assets			
Debtors, deposits and prepayments	24	**11,461**	33,241
Bank deposits, cash and bank balances	26	**52,105**	233,960
		63,566	267,201
Current liabilities			
Creditors, deposits and accrued charges	27	**1,163,025**	2,307,147
Provision for employee benefits	29	**3,204**	7,255
		1,166,229	2,314,402
Net current liabilities		**(1,102,663)**	(2,047,201)
Net assets		**10,410,885**	8,069,367
Equity			
Share capital	32	**505,928**	564,235
Reserves	34(b)	**9,526,523**	7,475,792
Proposed dividends		**378,434**	29,340
Total equity		**10,410,885**	8,069,367

Pansy Ho
Director

Cheng Yu Tung
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009	Share capital (HK$'000)	Share premium (HK$'000)	Capital redemption reserve (HK$'000)	Capital reserve (HK$'000)	Convertible bonds equity reserve (HK$'000)	Legal reserve (HK$'000)	Special reserve (HK$'000)	Investment revaluation reserve (HK$'000)	Hedging reserve (HK$'000)	Asset revaluation reserve (HK$'000)	Exchange reserve (HK$'000)	Retained profits (HK$'000)	Proposed dividends (HK$'000)	Total (HK$'000)	Minority interests (HK$'000)	Total equity (HK$'000)
	Equity attributable to owners of the Company															
At 1 January 2009	564,235	6,802,141	34,254	5	–	11,862	(151,413)	(20,770)	(34,531)	1,404,192	39,089	3,137,820	29,340	11,816,224	2,213,332	14,029,556
Exercise of share options	7,609	88,426	–	–	–	–	–	–	–	–	–	–	–	96,035	–	96,035
Expenses on issue of shares	–	(72)	–	–	–	–	–	–	–	–	–	–	–	(72)	–	(72)
Repurchase of shares	(65,916)	–	65,916	–	–	–	–	–	–	–	–	(580,068)	–	(580,068)	–	(580,068)
Expenses on repurchase of shares	–	–	–	–	–	–	–	–	–	–	–	(9,225)	–	(9,225)	–	(9,225)
Equity component of convertible bonds issued (note 30)	–	–	–	–	80,397	–	–	–	–	–	–	–	–	80,397	–	80,397
2008 final dividend for shares issued upon exercise of share options	–	–	–	–	–	–	–	–	–	–	–	(261)	261	–	–	–
2008 final dividend paid	–	–	–	–	–	–	–	–	–	–	–	–	(29,601)	(29,601)	–	(29,601)
2009 interim dividend paid	–	–	–	–	–	–	–	–	–	–	–	(76,901)	–	(76,901)	–	(76,901)
2009 final dividend	–	–	–	–	–	–	–	–	–	–	–	(378,434)	378,434	–	–	–
Total comprehensive income/(loss)	–	–	–	–	–	–	–	63,753	35,925	(178,376)	3,907	2,873,928	–	2,799,137	108,247	2,907,384
Transfer of reserve	–	–	–	–	–	(4,044)	–	–	–	–	–	4,044	–	–	–	–
Share of reserve of associate	–	–	–	9	–	–	–	–	–	–	–	–	–	9	–	9
	(58,307)	88,354	65,916	9	80,397	(4,044)	–	63,753	35,925	(178,376)	3,907	1,833,083	349,094	2,279,711	108,247	2,387,958
At 31 December 2009	505,928	6,890,495	100,170	14	80,397	7,818	(151,413)	42,983	1,394	1,225,816	42,996	4,970,903	378,434	14,095,935	2,321,579	16,417,514

For the year ended 31 December 2008	Equity attributable to owners 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)	Investment revaluation reserve (HK$'000)	Hedging reserve (HK$'000)	Asset revaluation reserve (HK$'000)	Exchange reserve (HK$'000)	Retained profits (HK$'000)	Proposed dividends (HK$'000)	Total (HK$'000)	Minority interests (HK$'000)	Total equity (HK$'000)
At 1 January 2008	582,077	6,735,345	7,920	5	11,141	–	371,162	10,656	1,740,674	27,353	3,388,100	164,072	13,038,505	2,344,625	15,383,130
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)
Absorption of losses applicable to a minority shareholder for disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	34	34
Acquisition of additional interest in a subsidiary from a minority shareholder	–	–	–	–	–	(151,413)	–	–	–	–	–	–	(151,413)	13,393	(138,020)
Dividends to minority shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	(23,490)	(23,490)
2007 final dividend paid	–	–	–	–	–	–	–	–	–	–	–	(164,072)	(164,072)	–	(164,072)
2008 final dividend	–	–	–	–	–	–	–	–	–	–	(29,340)	29,340	–	–	–
Total comprehensive income/(loss)	–	–	–	–	–	–	(391,932)	(45,187)	(336,482)	11,736	101,360	–	(660,505)	(121,230)	(781,735)
Share of reserve of associate	–	–	–	–	450	–	–	–	–	–	(450)	–	–	–	–
Share of reserve of jointly controlled entities	–	–	–	–	271	–	–	–	–	–	(271)	–	–	–	–
	(17,842)	66,796	26,334	–	721	(151,413)	(391,932)	(45,187)	(336,482)	11,736	(250,280)	(134,732)	(1,222,281)	(131,293)	(1,353,574)
At 31 December 2008	564,235	6,802,141	34,254	5	11,862	(151,413)	(20,770)	(34,531)	1,404,192	39,089	3,137,820	29,340	11,816,224	2,213,332	14,029,556

Consolidated Cash Flow Statement

For the year ended 31 December	Note	2009 (HK$'000)	2008 (HK$'000)
Operating activities			
Profit before taxation		**3,032,790**	9,780
Adjustments for:			
Depreciation and amortisation		**213,343**	153,959
Finance costs		**77,040**	157,888
Interest income		**(24,140)**	(62,117)
Dividend income from investments		**(34,853)**	(91,571)
Share of results of associates		**(26,046)**	(38,481)
Share of results of jointly controlled entities		**(1,915,891)**	(13,997)
Profits on sales of properties		**(166,879)**	(303,102)
Net loss/(gain) on disposal of property, plant and equipment		**3,806**	(8,814)
Net (gain)/loss on disposal of interests in subsidiaries	35(b)	**(679,609)**	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 acquisitions of subsidiaries	35(a)	**(201)**	—
Loss/(gain) on available-for-sale investments, structured notes and deposits and other financial instruments		**738**	(41,304)
Impairment losses on available-for-sale investments		**123**	—
Impairment losses on amounts due by investee companies		**31,736**	—
Impairment loss on franchises and royalties		**—**	3,015
Fair value changes on investment properties		**(220,514)**	191,585
Operating profit/(loss) before working capital changes		**291,443**	(44,295)
Decrease in properties for or under development and inventories of properties, excluding net finance costs capitalised		**826,419**	1,487,113
Increase in other inventories		**(184)**	(32,703)
Decrease/(increase) in trade receivables, other receivables and deposits paid		**606,368**	(376,777)
Decrease in trade and other payables		**(73,998)**	(312,627)
Decrease in deposits received on sales of properties		**(210,200)**	(399,397)
(Decrease)/increase in provision for employee benefits		**(12,524)**	1,634
Cash generated from operations		**1,427,324**	322,948
Total income taxes paid		**(178,885)**	(184,002)
Net cash from operating activities		**1,248,439**	138,946

For the year ended 31 December	Note	2009 (HK$'000)	2008 (HK$'000)
Investing activities			
Purchase of property, plant and equipment		**(71,179)**	(396,905)
Payment of lease premium for land		**(906)**	(906)
Payment of costs and expenditure for properties under development, excluding net finance costs capitalised		**(28,130)**	(494,634)
Advances to jointly controlled entities		**(619,769)**	(335,582)
Repayments/funds transferred from jointly controlled entities		**662,622**	14,517
Acquisition of available-for-sale investments, structured notes and deposits and other financial instruments		**(19,218)**	(53,928)
Advances to an investee company		**(3,672)**	—
Advances from an investee company		**12,109**	51,196
Repayments of mortgage loans		**8,699**	18,141
Acquisition of interests in subsidiaries	35(a)	**320**	—
Acquisition of additional interest in a subsidiary		**—**	(238,020)
Proceeds from disposal of interest in a subsidiary	35(b)	**139,591**	—
Proceeds from disposal of a jointly controlled entity		**—**	9,353
Proceeds from disposal, redemption or maturity of available-for-sale investments, structured notes and deposits and other financial instruments		**11,625**	426,279
Capital refund from an investment fund		**3,035**	—
Proceeds from disposal of property, plant and equipment		**2,616**	13,315
Interest received		**117,811**	71,441
Dividends received from investments		**34,335**	13,919
Dividends received from associates		**23,345**	55,348
Dividends received from jointly controlled entities		**14,361**	16,000
Net cash from/(used in) investing activities		**287,595**	(830,466)

For the year ended 31 December	Note	2009 (HK$'000)	2008 (HK$'000)
Financing activities			
New loans		**700,403**	5,329,236
Repayments of loans		**(2,768,000)**	(4,781,486)
Proceeds from issue of shares		**96,035**	75,345
Expenses paid on issue of shares		**(72)**	(57)
Repurchase of shares		**—**	(320,359)
Expenses paid on repurchase of shares		**(9,225)**	(1,220)
Proceeds from issue of convertible bonds, net of issuing expenses		**1,508,219**	—
Finance costs (including interests and bank charges) paid		**(106,304)**	(262,902)
Dividends paid to shareholders		**(106,425)**	(164,163)
Dividends paid to minority shareholders		**—**	(33,930)
Net cash used in financing activities		**(685,369)**	(159,536)
Net increase/(decrease) in cash and cash equivalents		**850,665**	(851,056)
Effect of foreign exchange rates changes		**108**	2,290
Cash and cash equivalents at 1 January		**2,736,650**	3,585,416
Cash and cash equivalents at 31 December	35(c)	**3,587,423**	2,736,650

Notes to the Financial Statements

Note 1 General Information

Shun Tak Holdings Limited (the "Company") is a public listed company incorporated in Hong Kong with limited liability. The address of the registered office and principal place of business of the Company is Penthouse, 39th Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong. The Company has its shares listed on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The principal activity of the Company is investment holding while activities of its principal subsidiaries are set out on pages 159 to 161.

Note 2 Principal Accounting Policies

a) Statement of compliance

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

b) 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 financial liabilities, which are stated at fair value.

The Group has adopted the following relevant new or revised HKFRSs, amendments and interpretations for the first time for the current year's financial statements.

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 2 (Amendments)	Share-based Payment - vesting conditions and cancellations
HKFRS 7 (Amendments)	Financial Instruments: Disclosures - improving disclosures about financial instruments
HKFRS 8	Operating Segments
HK(IFRIC) - Int 13	Customer Loyalty Programmes
Improvements to HKFRSs	

The impact of adopting these HKFRSs is described in note 3(a).

c) Basis of consolidation

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

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

Note 2 Principal Accounting Policies (Continued)

d) 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.

e) Goodwill

Goodwill arising on the acquisition of a subsidiary, an associate and a jointly controlled entity is initially measured at cost, being the excess of the cost of a business combination or an investment in an associate or a jointly controlled entity (the "cost of acquisition") over the Group's interest in the net fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed as at the acquisition date. Goodwill arising on the acquisition of a subsidiary is recognised in the consolidated balance sheet as an asset, and in the case of an associate and a jointly controlled entity, 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 a subsidiary, an associate and a jointly controlled entity, 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 acquisition date exceeds the cost of acquisition, the Group shall reassess the identification and measurement of the identifiable assets, liabilities and contingent liabilities of that entity and the measurement of the cost of acquisition, and recognise immediately in the consolidated income statement any excess remaining after that reassessment.

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

f) Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any accumulated impairment losses.

Note 2 Principal Accounting Policies (Continued)

g) Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any accumulated impairment losses. The Group's share of the post-acquisition results is recognised in the consolidated income statement, and its share of the associates' post-acquisition other comprehensive income is recognised in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in associates are treated as non-current assets and are stated at cost less any accumulated impairment losses.

h) 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

Jointly controlled entities involve the establishment of a separate entity in which the Group has a long-term interest and over which the Group is in a position to exercise joint control with other venturers in accordance with contractual arrangements.

The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any accumulated impairment losses. The Group's share of the post-acquisition results is recognised in the consolidated income statement, and its share of the jointly-controlled entities' post-acquisition other comprehensive income is recognised in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interests in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of jointly controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in jointly controlled entities are treated as non-current assets and are stated at cost less any accumulated impairment losses.

Note 2 Principal Accounting Policies (Continued)

h) Joint ventures (Continued)

(ii) Jointly controlled assets

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

The Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are 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.

i) Revenue recognition

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

Revenue from sales of properties is recognised when significant risks and rewards of ownership of properties are transferred to 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 the period of the lease.

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.

Note 2 Principal Accounting Policies (Continued)

j) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

The cost of an item of property, plant and equipment 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 items of property, plant and equipment have 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 an item of property, plant and equipment, and where the cost of the item can be measured reliably, 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 items of property, plant and equipment, 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% – 2.3% 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.

k) Investment properties

Investment properties are properties held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purpose; or for sale in the ordinary course of business. 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.

l) 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.

Note 2 Principal Accounting Policies (Continued)

m) 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.

n) Licences, franchises and royalties

Licences, franchises and royalties are classified as intangible assets and stated at cost less accumulated amortisation and any accumulated impairment losses. For licences, amortisation is provided using the straight-line method over the estimated useful lives of 16.3 years. For franchises and royalties, 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.

o) 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.

p) Financial Assets

The Group classifies its financial assets in the categories of financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, and available-for-sale investments. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the investments were acquired.

(i) Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading and financial assets designated upon initial recognition as at FVTPL.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset 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.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payment terms that are not quoted in an active market. The group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheets (notes 2(q) and 2(s)).

(iii) Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories.

Note 2 Principal Accounting Policies (Continued)

p) Financial Assets (Continued)

Recognition and measurement

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all those assets not carried at FVTPL. Financial assets at FVTPL are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from them have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale investments and financial assets at FVTPL are subsequently carried at fair value. 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. Loans and receivables are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in fair value of the financial assets at FVTPL are included in the income statement. Gains and losses arising from changes in fair value of available-for-sale investments are recognised in other comprehensive income. When available-for-sale investments are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investments.

Changes in the fair value of monetary investments denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the investment and other changes in the carrying amount of the investment. The translation differences on monetary investments are recognised in the income statement and the other changes in fair value are recognised in other comprehensive income.

Impairment

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investments have been affected.

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 financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For available-for-sale investments carried at fair value, when an investment is considered to be impaired, cumulative losses previously recognised in other comprehensive income are reclassified to profit or loss in the period. The amount of the cumulative losses reclassified is the difference between the acquisition cost and current fair value, less any impairment loss on that asset previously reclassified to the income statement.

Note 2 Principal Accounting Policies (Continued)

p) Financial Assets (Continued)

Impairment (Continued)

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.

With the exceptions of available-for-sale equity investments and available-for-sale investments carried at cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss.

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Impairment testing on trade and other receivables is described in note 2(q).

q) 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 provision for impairment unless the effect of discounting would be immaterial, in which case, the receivables are stated at cost less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

r) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contracts is 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 other comprehensive income. 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)

r) Derivative financial instruments (Continued)

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.

s) Cash and cash equivalents

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

t) 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.

u) Convertible bonds

Convertible bonds issued by the Group that contain both liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument. Derivatives embedded in non-derivative host contracts are not separated from the relevant host contracts when the economic characteristics and risks of the embedded derivatives are closely related to those of the host contracts. On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded call option for the holder to convert the bonds into equity, is included in convertible bonds equity reserve.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds equity reserve until the embedded option is exercised, in which case the balance stated in convertible bonds equity reserve will be transferred to share premium. Where the option remains unexercised at the expiry date, the balance stated in convertible bonds equity reserve will be transferred to the accumulated profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

v) Trade and other payables

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

Note 2 Principal Accounting Policies (Continued)

w) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit 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 of income or expense 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 recognised 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 to the income statement, except when it relates to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the deferred tax is also recognised outside profit or loss.

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 when 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.

x) 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.

y) 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)

z) 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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing cost eligible for capitalisation.

aa) 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 (accounting treatment for available-for-sale investments is included in note 2(p)) and liabilities denominated in foreign currencies are recognised in the income statement, except when the foreign exchange gains/losses are related to a qualifying cash flow hedge in which case the amount will be recognised in other comprehensive income and deferred in the hedging reserve.

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. Exchange differences on non-monetary financial assets and liabilities that are classified as financial assets and financial liabilities at FVTPL are reported as part of the fair value gain or loss. Exchange differences on non-monetary financial assets that are classified as available-for-sale investments are recognised in other comprehensive income and included in the investment revaluation reserve in equity.

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 other comprehensive income and included in exchange reserve. On disposal of a foreign operation, the cumulative exchange difference which relates to that operation is included in the calculation of the profit or loss on disposal.

bb) Employee benefits

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

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

Note 2 Principal Accounting Policies (Continued)

cc) Related parties

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

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

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

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

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

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

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

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

dd) 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 the 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 carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is recognised in other comprehensive income and treated as a decline in revaluation. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss recognised in prior years for an asset other than goodwill is reversed if there has been a favourable 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 income statement except where the asset is carried at valuation, in which case the reversal of impairment losses is credited to income statement up to the amount previously charged to income statement and thereafter recognised in other comprehensive income and treated as a revaluation movement. An impairment loss made against goodwill is not reversed.

Note 2 Principal Accounting Policies (Continued)

ee) 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 such that the cumulative expense reflects the revised estimate, 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.

ff) Operating segments

An operating segment is a component of the Group that engages in business activities from which the Group may earn revenues and incur expenses, and is identified on the basis of the internal financial reports that are provided to and regularly reviewed by the Group's chief operating decision maker in order to allocate resource and assess performance of the segment.

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

a) The principal effects of adopting the new or revised HKFRSs are as follows:

HKAS 1 (Revised) Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income. It presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

HKFRS 7 (Amendments) Financial Instruments: Disclosures - improving disclosures about financial instruments

The amendments increase the disclosure requirements about fair value measurement and amend the disclosure about liquidity risk. The amendments introduce a three-level hierarchy for fair value measurement disclosures about financial instruments and enhance the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. The Group has not provided comparative information for the expanded disclosures in relation to the fair value measurement in accordance with the transitional provision set out in the amendments.

HKFRS 8 Operating Segments

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision-makers in order to allocate resources to the segment and to assess its performance. As the business segments previously identified and reported by the Group in accordance with the requirements of HKAS 14 are the same as the operating segments provided to chief operating decision-makers as required by HKFRS 8, there are no changes to the operating segments and the results of operating segments on the adoption of HKFRS 8. Additional disclosures about each of these segments are shown in note 36.

Note 3 Impact of New or Revised Hong Kong Financial Reporting Standards (Continued)

a) The principal effects of adopting the new or revised HKFRSs are as follows: (Continued)

Improvements to HKFRSs

Improvements to HKFRSs comprise a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA issued in 2008 as an omnibus batch of amendments. Of there, the following two amendments have resulted in changes to the Group's accounting policies:

(i) As a result of amendments to HKAS 28, Investments in associates, impairment losses recognised in respect of the associates and jointly controlled entities carried under the equity method are no longer allocated to the goodwill inherent in that carrying value. As a result, when there has been a favourable change in the estimates used to determine the recoverable amount, the impairment loss will be reversed. Previously, the Group allocated impairment losses to goodwill and, in accordance with the accounting policy for goodwill, did not consider the losses to be reversible. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any impairment losses that arise in the current or future periods and previous periods have not been restated.

(ii) Prior to the application of amendments to HKAS 40, Investment property, investment property under development was carried at cost until the construction was completed, at which time it was fair valued. As a result of the amendments, such property will be carried at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property. Any gain or loss will be recognised in profit or loss, consistent with the policy adopted for all other investment properties carried at fair value. Those amendments will be applied prospectively. Following the amendments, investment property under development of a jointly controlled entity is classified as investment property and stated at fair value. The Group shared the fair value gain of such investment property amounting to approximately HK$830 million (net of deferred tax) in the consolidated income statement for the year ended 31 December 2009.

The amendments to other HKFRSs as stated in note 2(b) have no material impact on the consolidated financial statements.

Note 3 Impact of New or Revised Hong Kong Financial Reporting Standards (Continued)

b) The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective.

HKAS 24 (Revised)	Related Party Disclosures[5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendments)	Financial Instruments: Presentation – Classification of Rights Issues[3]
HKAS 39 (Amendments)	Financial Instruments: Recognition and Measurement – Eligible Hedged Items[1]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[1]
HKFRS 1 (Revised) (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters[2]
HKFRS 2 (Amendments)	Share-based Payment – Group Cash-settled Share-based Payment Transactions[2]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[6]
HK(IFRIC)–Int 14 (Amendments)	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[5]
HK(IFRIC)–Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC)–Int 19	Extinguishing Financial Liabilities with Equity Instruments[4]
Improvements to HKFRSs	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008[1]
Improvements to HKFRSs 2009[7]	

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2010
3 Effective for annual periods beginning on or after 1 February 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 January 2013
7 Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate

HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The application of HKFRS 3 (Revised) may affect the Group's accounting for a business combination for which the acquisition date is on or after 1 January 2010.

HKFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in HKAS 39. The approach in this standard is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The application of HKFRS 9 may affect the classification and measurement of the Group's financial assets.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might not affect the classification and measurement of the Group's leasehold land.

The Directors of the Company anticipate that the adoption of the other new and revised standards, amendments and interpretations to existing standards 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	
	2009 (HK$'000)	2008 (HK$'000)
Turnover		
Revenue from sales of properties	**1,043,470**	1,806,168
Revenue from passenger transportation services	**1,577,960**	1,964,240
Revenue from sale of fuel	**24,914**	23,422
Revenue from travel agency services	**59,935**	90,003
Revenue from hotel operation	**131,701**	3,385
Rental income	**154,572**	162,514
Dividends from investments	**34,853**	91,571
Interest income from mortgage loans receivable	**1,396**	2,256
Management fees and others	**200,449**	207,289
	3,229,250	4,350,848
Other revenues		
Interest income	**22,744**	59,861
Claims received	**8,304**	3,533
Others	**74,250**	60,195
	105,298	123,589
	3,334,548	4,474,437

Note 5 Other Net Income/(Loss)

	Group 2009 (HK$'000)	Group 2008 (HK$'000)
Net gain/(loss) on disposal of interests in subsidiaries (note 35(b))	**679,609**	(1,758)
Net gain on disposal of interests in jointly controlled entities	**—**	2,894
Net (loss)/gain on disposal of property, plant and equipment	**(3,806)**	8,814
Net loss on financial assets designated as at FVTPL	**(496)**	(13,001)
Net (loss)/gain on derivative financial instruments		
– fuel derivatives	**—**	(84,528)
– others	**134**	5,147
Net gain/(loss) on disposal of available-for-sale investments		
– listed investments	**—**	49,003
– unlisted investments	**—**	(78)
Excess of interest in fair value of net assets acquired over cost of acquisitions of subsidiaries (note 35(a))	**201**	—
Others	**5,538**	4,619
	681,180	(28,888)

Note 6 Operating Profit

	Group	
	2009 (HK$'000)	2008 (HK$'000)
After crediting:		
Interest income		
– unlisted investments	**452**	696
– bank deposits and others	**23,673**	58,635
Total interest income on financial assets not at FVTPL	**24,125**	59,331
Bank interest income from financial assets designated as at FVTPL	**15**	2,786
	24,140	62,117
Rental income from investment properties	**144,178**	146,008
Less: Direct operating expenses arising from investment properties	**(10,838)**	(12,745)
	133,340	133,263
Dividend income from listed investments	**4,225**	12,159
Dividend income from unlisted investments		
– Sociedade de Turismo e Diversões de Macau, S.A. ("STDM")	**30,381**	78,311
– others	**247**	1,101
Exchange gain	**1,779**	2,486
Write-back of inventories	**22,033**	—

Note 6 Operating Profit (Continued)

	Group 2009 (HK$'000)	Group 2008 (HK$'000)
After charging:		
Cost of inventories		
– properties	**780,545**	1,442,783
– fuel	**440,712**	757,515
– others	**74,076**	84,463
	1,295,333	2,284,761
Depreciation of property, plant and equipment		
– held for rental income under operating leases	**1,829**	2,369
– others	**197,499**	137,727
Amortisation		
– leasehold land	**13,819**	13,586
– intangible assets	**196**	277
Audit fee	**6,207**	5,653
Minimum lease payments of properties under operating leases	**20,404**	20,975
Impairment losses		
– intangible assets	**—**	3,015
– amounts due by investee companies	**31,736**	—
– other receivables	**4,328**	—
– trade receivables	**119**	227
Write-down of inventories	**7,951**	24,065
Provident fund contributions	**34,877**	33,240

Note 7 Directors' Emoluments and Five Highest Paid Individuals

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

Group

2009

	Fees (HK$'000)	Salaries, allowances and benefits (HK$'000)	Performance bonus (HK$'000)	Provident fund contributions (HK$'000)	Gratuity payments (HK$'000)	Total (HK$'000)
Executive Directors						
Dr. Stanley Ho	65	—	—	—	—	65
Ms. Pansy Ho	65	7,523	322	415	—	8,325
Ms. Daisy Ho	65	4,497	474	219	—	5,255
Ms. Maisy Ho	5	3,242	368	146	—	3,761
Mr. David Shum	36	2,316	208	112	—	2,672
Mr. Michael Ng (from 1 April 2009)	4	2,949	249	9	—	3,211
Dr. Ambrose So (until 7 April 2009)	1	1,784	—	14	2,278	4,077
Mr. Patrick Huen (until 7 April 2009)	30	1,683	—	18	2,356	4,087
Mr. Anthony Chan (until 7 April 2009)	1	738	—	18	2,353	3,110
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 (until 19 January 2009)	10	5	—	—	—	15
	892	25,037	1,621	951	6,987	35,488

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

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
Ms. Maisy Ho	5	3,799	—	175	3,979
Mr. David Shum	5	1,806	—	84	1,895
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
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

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

Among the five highest paid individuals in the Group, all (2008: three) are directors or former directors of the Company and the details of their emoluments have been disclosed above. In 2008, the emoluments of the two individuals not included above were salaries, allowances and benefits of HK$5,378,000 and provident fund contributions of HK$190,000.

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

In 2008, the emoluments paid to the abovementioned two individuals are within the following band:

	Number of persons 2009	2008
HK$2,500,001 – HK$3,000,000	—	2

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 (2) under Disclosure of Interests in the Report of the Directors on pages 56 to 58.

Note 8 Finance Costs

	Group	
	2009 (HK$'000)	2008 (HK$'000)
Interest on bank loans and overdraft wholly repayable within 5 years	**64,878**	166,092
Interest on bank loans not wholly repayable within 5 years	—	16,246
Interest on convertible bonds wholly repayable within 5 years	**14,066**	—
Interest on loans from minority shareholders	**323**	8,266
Other finance costs	**7,823**	7,940
Total interest expenses on financial liabilities not at FVTPL	**87,090**	198,544
Less: Amount capitalised in properties under development	**(10,050)**	(40,656)
	77,040	157,888

Note 9 Taxation

a) Taxation in the consolidated income statement represents:

	Group 2009 (HK$'000)	Group 2008 (HK$'000)
Current tax – Hong Kong		
Tax for the year	**29,133**	26,852
Benefit of previously unrecognised tax losses and deductible temporary differences	**(2,864)**	(341)
(Over)/under-provision in respect of prior years	**(139)**	4,261
	26,130	30,772
Current tax – Overseas		
Tax for the year	**86,836**	141,115
Benefit of previously unrecognised tax losses and deductible temporary differences	**(81)**	(534)
Over-provision in respect of prior years	**(4,616)**	(3,854)
	82,139	136,727
Deferred tax		
Origination and reversal of temporary differences	**(13,222)**	(174,643)
Benefit of previously unrecognised tax losses and deductible temporary differences	**(186)**	(6,790)
Effect of change in tax rate	**—**	(8,389)
	(13,408)	(189,822)
Other taxes – Overseas		
Taxation charged to revenues	**2,264**	2,122
Taxation attributable to the Company and its subsidiaries	**97,125**	(20,201)

Hong Kong profits tax is provided for at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits for the year. Overseas taxation is calculated at the rates applicable in their respective jurisdictions.

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	
	2009 (HK$'000)	**2008 (HK$'000)**
Profit before taxation	**3,032,790**	9,780
Tax at the applicable tax rate of 16.5% (2008: 16.5%)	**500,410**	1,614
Tax effect of net income that is not taxable in determining taxable profit	**(105,543)**	(20,169)
Tax effect of utilisation of previously unrecognised tax losses and deductible temporary differences	**(3,131)**	(7,665)
Tax effect of unrecognised tax losses and deductible temporary differences in the year	**33,545**	28,509
Tax effect of shares of results of associates and jointly controlled entities	**(320,420)**	(8,659)
Effect on opening deferred tax balances resulting from change in tax rate	**—**	(8,389)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(11,992)**	(7,971)
Deferred tax assets over-provided in prior years	**6,747**	—
(Over)/under-provision in respect of prior years	**(4,755)**	407
Income tax expense/(income) for the year	**94,861**	(22,323)
Other taxes	**2,264**	2,122
Total tax expenses/(income)	**97,125**	(20,201)

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 2008	(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 other comprehensive income 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)
Charge/(credit) to income statement for the year	205	901	(41,357)	—	231	(40,020)
Charge to other comprehensive income for the year	—	—	—	16,017	—	16,017
At 31 December 2009	**(330)**	**(24,699)**	**(134,460)**	**—**	**(873)**	**(160,362)**
Company						
At 1 January 2008			(182)			
Credit to income statement for the year			(43)			
Effect on change in tax rate			10			
At 31 December 2008			(215)			
Charge to income statement for the year			54			
At 31 December 2009			**(161)**			

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 2008	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 other comprehensive income 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
Exchange adjustment	47	38	—	—	—	85
Charge/(credit) to income statement for the year	48,740	30,531	5,269	—	(57,928)	26,612
Charge/(credit) to other comprehensive income for the year	—	—	—	646	(23,745)	(23,099)
At 31 December 2009	**159,208**	**117,357**	**61,490**	**646**	**792,559**	**1,131,260**
Company						
At 1 January 2008	182					
Charge to income statement for the year	43					
Effect on change in tax rate	(10)					
At 31 December 2008	215					
Credit to income statement for the year	(54)					
At 31 December 2009	**161**					

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	
	2009 (HK$'000)	2008 (HK$'000)	**2009 (HK$'000)**	2008 (HK$'000)
Deferred tax assets recognised	**(30,561)**	(57,252)	**—**	—
Deferred tax liabilities recognised	**1,001,459**	1,048,555	**—**	—
	970,898	991,303	**—**	—

d) Deferred tax assets unrecognised

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

	Group		Company	
	2009 (HK$'000)	2008 (HK$'000)	**2009 (HK$'000)**	2008 (HK$'000)
Tax losses	**746,007**	585,408	**349,672**	287,182
Deductible temporary differences	**84,101**	73,550	**—**	—
	830,108	658,958	**349,672**	287,182

Included in the unrecognised tax losses of the Group are losses of HK$5,549,000 (2008: HK$3,873,000) that will expire within three years from the balance sheet date. Other tax losses and deductible temporary differences of the Group and the tax losses of the Company may be carried forward indefinitely.

Note 10 Dividends

	2009 (HK$'000)	2008 (HK$'000)
2008 final dividend of HK 1.3 cents on 20,078,870 shares issued upon exercise of share options	**261**	—
Interim dividend of HK 3.8 cents on 2,023,710,803 shares (2008: nil)	**76,901**	—
Proposed final dividend of HK 18.7 cents on 2,023,710,803 shares (2008: HK 1.3 cents on 2,256,941,300 shares)	**378,434**	29,340
	455,596	29,340

Note 11 Earnings per Share

The calculation of basic earnings per share is based on profit attributable to owners of the Company of HK$2,873,928,000 (2008: HK$101,360,000) and the weighted average number of 2,138,331,844 shares (2008: 2,320,189,585 shares) in issue during the year. The calculation of diluted earnings per share is based on profit attributable to owners of the Company of HK$2,887,994,000 (2008: HK$101,360,000) and the weighted average number of 2,188,248,658 shares (2008: 2,372,131,777 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 owners of the Company		Weighted average number of shares	
	2009 (HK$'000)	2008 (HK$'000)	2009	2008
Profit/number of shares for the purpose of basic earnings per share	**2,873,928**	101,360	**2,138,331,844**	2,320,189,585
Effect of dilutive potential ordinary shares				
– share options	**—**	—	**13,057,786**	51,942,192
– convertible bonds	**14,066**	—	**36,859,028**	—
Profit/number of shares for the purpose of diluted earnings per share	**2,887,994**	101,360	**2,188,248,658**	2,372,131,777

Note 12 Property, Plant and Equipment

Group

	Hotel buildings (HK$'000)	Leasehold buildings (HK$'000)	Properties under development (HK$'000)	Vessels and pontoons (HK$'000)	Other assets (HK$'000)	Total (HK$'000)
Cost						
At 1 January 2008	—	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
Exchange adjustment	—	—	—	—	11	11
Acquisition of subsidiaries (note 35(a))	—	—	—	—	1,975	1,975
Additions/transfers	166	—	45,963	1,065	69,949	117,143
Disposals/transfers	—	—	—	(2,331)	(14,983)	(17,314)
At 31 December 2009	**800,694**	**229,025**	**79,484**	**2,226,113**	**1,002,033**	**4,337,349**
Depreciation						
At 1 January 2008	—	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
Exchange adjustment	—	—	—	—	6	6
Acquisition of subsidiaries (note 35(a))	—	—	—	—	1,341	1,341
Charge for the year	20,752	3,025	—	101,364	74,187	199,328
Write-back on disposal	—	—	—	(1,932)	(8,958)	(10,890)
At 31 December 2009	**21,616**	**128,913**	**—**	**1,566,366**	**676,513**	**2,393,408**
Net book value						
At 31 December 2009	**779,078**	**100,112**	**79,484**	**659,747**	**325,520**	**1,943,941**
At 31 December 2008	799,664	103,137	33,521	760,445	335,144	2,031,911

Note 12 Property, Plant and Equipment (Continued)

Company

	Other assets (HK$'000)
Cost	
At 1 January 2008	3,456
Additions	1,043
Disposals	(1,011)
At 31 December 2008	3,488
Additions	122
Disposals	(42)
At 31 December 2009	**3,568**
Depreciation	
At 1 January 2008	2,357
Charge for the year	499
Write-back on disposal	(883)
At 31 December 2008	1,973
Charge for the year	491
Write-back on disposal	(40)
At 31 December 2009	**2,424**
Net book value	
At 31 December 2009	**1,144**
At 31 December 2008	1,515

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 (2008: HK$55,426,000) and the related accumulated depreciation charges were HK$51,462,000 (2008: HK$49,633,000).

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.

Contingent rental payment amounting to approximately HK$132,000 (2008: HK$3,000) relating to the lease of hotel buildings is included in the consolidated income statement.

Note 12 Property, Plant and Equipment (Continued)

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

	Group	
	2009 (HK$'000)	2008 (HK$'000)
Hong Kong		
Long lease		
Leasehold buildings	**10,566**	10,924
Medium-term lease		
Hotel buildings	**779,078**	799,664
Leasehold buildings	**80,724**	83,170
	870,368	893,758
Outside Hong Kong		
Medium-term lease		
Leasehold buildings	**8,822**	9,043
Properties under development	**79,484**	33,521
	88,306	42,564
	958,674	936,322

Note 13 Investment Properties

	Group	
	2009 (HK$'000)	2008 (HK$'000)
Valuation		
At 1 January	**3,164,103**	3,311,364
Exchange adjustment	**775**	27,324
Transfers	**—**	17,000
Fair value changes	**220,514**	(191,585)
At 31 December	**3,385,392**	3,164,103

Note 13 Investment Properties (Continued)

An analysis of investment properties is as follows:

	Group	
	2009 (HK$'000)	2008 (HK$'000)
Hong Kong		
Long lease	**356,000**	309,000
Medium-term lease	**2,168,992**	2,046,003
	2,524,992	2,355,003
Outside Hong Kong		
Medium-term lease	**681,400**	659,100
Freehold	**179,000**	150,000
	860,400	809,100
	3,385,392	3,164,103

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

A revaluation of all investment properties was performed at 31 December 2009 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	
	2009 (HK$'000)	2008 (HK$'000)
Cost		
At 1 January	**1,515,097**	1,514,191
Additions	**906**	906
At 31 December	**1,516,003**	1,515,097
Amortisation		
At 1 January	**233,679**	202,084
Amortisation for the year	**13,819**	13,586
Amortisation capitalised in properties under development	**17,833**	18,009
At 31 December	**265,331**	233,679
Net book value at 31 December	**1,250,672**	1,281,418

Note 14 Leasehold Land (Continued)

An analysis of leasehold land is as follows:

	Group	
	2009 (HK$'000)	2008 (HK$'000)
Hong Kong		
Long lease	**3,137**	3,163
Medium-term lease	**129,292**	132,466
	132,429	135,629
Outside Hong Kong		
Medium-term lease	**1,118,243**	1,145,789
	1,250,672	1,281,418

Note 15 Subsidiaries

	Company	
	2009 (HK$'000)	2008 (HK$'000)
Unlisted shares, at cost	**24,200**	24,200

Particulars regarding the principal subsidiaries are set out on pages 159 to 161.

Note 16 Associates

	Group		Company	
	2009 (HK$'000)	2008 (HK$'000)	2009 (HK$'000)	2008 (HK$'000)
Unlisted shares, at cost	**—**	—	**250**	250
Share of net assets	**182,870**	220,210	**—**	—
Goodwill	**137**	137	**—**	—
	183,007	220,347	**250**	250

Note 16 Associates (Continued)

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

	2009 (HK$'000)	2008 (HK$'000)
Total assets	**775,096**	1,082,502
Total liabilities	**(280,504)**	(519,609)
Revenue	**344,136**	622,807
Profit for the year	**61,459**	95,997

Particulars regarding the principal associates are set out on pages 159 to 161.

On 15 June 2009, the Group completed to dispose of its 50% equity interest in Excelsior-Hoteis e Investimentos, Limitada ("EHIL") as further discussed in note 35(b).

Note 17 Jointly Controlled Entities

	Group	
	2009 (HK$'000)	2008 (HK$'000)
Share of net assets	**2,829,636**	957,352

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

	2009 (HK$'000)	2008 (HK$'000)
Share of assets and liabilities attributable to the Group		
Non-current assets	**2,545,614**	994,756
Current assets	**2,519,779**	2,061,413
Current liabilities	**(2,050,824)**	(1,336,517)
Non-current liabilities	**(184,933)**	(762,300)
Net assets	**2,829,636**	957,352
Share of income and expenses attributable to the Group		
Income	**3,746,512**	142,132
Expenses	**(1,830,621)**	(128,135)
Profit for the year	**1,915,891**	13,997

Particulars regarding the principal jointly controlled entities are set out on pages 159 to 161.

Note 18 Intangible Assets

Group

	Goodwill (HK$'000)	Licences (HK$'000)	Franchises and royalties (HK$'000)	Total (HK$'000)
Cost				
At 1 January 2008 and 31 December 2008	364,728	—	4,617	369,345
Acquisition of subsidiaries (note 35(a))	—	2,599	—	2,599
At 31 December 2009	**364,728**	**2,599**	**4,617**	**371,944**
Amortisation and impairment loss				
At 1 January 2008	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
Amortisation for the year	—	107	89	196
At 31 December 2009	**2,275**	**107**	**3,766**	**6,148**
Net book value				
At 31 December 2009	**362,453**	**2,492**	**851**	**365,796**
At 31 December 2008	362,453	—	940	363,393

Impairment tests on goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to operating segment. For the purposes of impairment testing, the carrying amount of goodwill at 31 December 2009 has been allocated to the 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 (2008: 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 2009 (HK$'000)	Group 2008 (HK$'000)	Company 2009 (HK$'000)	Company 2008 (HK$'000)
Equity securities				
Unlisted				
Cost	**894,104**	894,104	**234,723**	234,723
Impairment losses	**(74,289)**	(74,166)	**—**	—
	819,815	819,938	**234,723**	234,723
Listed in Hong Kong, at market value	**227,314**	152,904	**—**	—
Listed outside Hong Kong, at market value	**2,536**	2,578	**—**	—
	1,049,665	975,420	**234,723**	234,723
Debt securities				
Unlisted, at fair value	**21,427**	9,540	**—**	—
Investment funds				
Listed outside Hong Kong, at market value	**14**	14	**—**	—
Unlisted, at fair value	**10,212**	14,434	**—**	—
	10,226	14,448	**—**	—
	1,081,318	999,408	**234,723**	234,723

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

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

Note 19 Available-for-sale Investments (Continued)

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

	Equity securities		Debt securities		Investment funds		Total	
	2009 (HK$'000)	2008 (HK$'000)	2009 (HK$'000)	2008 (HK$'000)	2009 (HK$'000)	2008 (HK$'000)	2009 (HK$'000)	2008 (HK$'000)
Group								
Non-current assets	**1,049,665**	975,420	**5,927**	9,540	**10,212**	14,434	**1,065,804**	999,394
Current assets	**—**	—	**15,500**	—	**14**	14	**15,514**	14
	1,049,665	975,420	**21,427**	9,540	**10,226**	14,448	**1,081,318**	999,408
Company								
Non-current assets	**234,723**	234,723	**—**	—	**—**	—	**234,723**	234,723

Note 20 Mortgage Loans Receivable

	Group	
	2009 (HK$'000)	2008 (HK$'000)
Mortgage loans receivable	**16,124**	24,824
Less: Current portion	**(1,398)**	(1,852)
Non-current portion	**14,726**	22,972

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% (2008: prime rate plus 1.75% to prime rate plus 2.75%) 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% (2008: prime rate plus 1.75% to prime rate plus 2.75%) per annum.

Note 21 Other Non-current Assets

	Group		Company	
	2009 (HK$'000)	2008 (HK$'000)	2009 (HK$'000)	2008 (HK$'000)
Amounts due by subsidiaries less provision	**—**	—	**11,253,106**	9,855,755
Amounts due by associates less provision	**11,136**	11,136	**—**	—
Amounts due by jointly controlled entities	**1,321,118**	774,863	**—**	—
Amounts due by investee companies less provision	**125**	28,190	**125**	125
Structured notes and deposits	**—**	7,750	**—**	—
Club debentures	**140**	140	**—**	—
	1,332,519	822,079	**11,253,231**	9,855,880

Amounts due by subsidiaries are unsecured and with no fixed term of repayment. Amount of HK$227,971,000 (2008: HK$208,985,000) is interest bearing at prime rate (2008: 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$1,275,000,000 (2008: HK$659,940,000) is repayable by 5 December 2010, amount of HK$30,562,000 (2008: HK$30,489,000) is repayable upon notice of either party and amount of HK$4,266,000 (2008: HK$9,128,000) is repayable by 3 instalments (2008: 7 instalments) while the remaining balances have no fixed term of repayment. Amounts of HK$1,275,000,000 (2008: HK$659,940,000) and HK$4,266,000 (2008: HK$9,128,000) are interest bearing at HIBOR plus 3% (2008: HIBOR plus 3%) and base lending rates promulgated by the People's Bank of China in PRC per annum respectively. In 2008, HK$2,196,000 was also interest bearing at 4% per annum. The remaining balances are non-interest bearing.

Amounts due by investee companies are unsecured, non-interest bearing and with no fixed term of repayment. During the year, an impairment loss of HK$31,736,000 (2008: nil) was recognised for doubtful debts of amount due by investee companies.

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.

Note 22 Properties for or under Development

	Group 2009 (HK$'000)	Group 2008 (HK$'000)
Properties for or under development, at cost	**8,183,610**	8,067,373

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

	Group 2009 (HK$'000)	Group 2008 (HK$'000)
Hong Kong		
Medium-term lease	**1,878,180**	1,878,180
Outside Hong Kong		
Medium-term lease	**5,728,893**	5,728,893
	7,607,073	7,607,073

Note 23 Inventories

	Group 2009 (HK$'000)	Group 2008 (HK$'000)
Properties	**829,224**	1,797,071
Spare parts	**164,518**	164,556
Others	**8,352**	8,092
	1,002,094	1,969,719

During the year, the Group recognised write-down of inventories of certain properties amounting to HK$35,242,000 (2008: HK$75,850,000) in the asset revaluation reserve based on estimated net realisable value. In 2009, the Group also wrote back provision for write-down of inventories in last year amounting to HK$22,033,000 in the income statement arose due to an increase of estimated net realisable value of certain properties. The Group also recognised write-down of inventories amounting to HK$7,951,000 (2008: HK$24,065,000) in the income statement.

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

	Group 2009 (HK$'000)	Group 2008 (HK$'000)
Hong Kong		
Long lease	**14,920**	22,380
Medium-term lease	**2,132**	23,579
Outside Hong Kong		
Medium-term lease	**535,526**	1,284,082
	552,578	1,330,041

Note 24 Trade Receivables, Other Receivables and Deposits Paid

	Group		Company	
	2009 (HK$'000)	2008 (HK$'000)	2009 (HK$'000)	2008 (HK$'000)
Current portion of mortgage loans receivable	**1,398**	1,852	**—**	—
Equity-linked notes, at fair value	**—**	6,455	**—**	—
Deposits for acquisitions of interests in land development rights	**814,542**	814,542	**—**	—
Trade and other debtors, deposits and prepayments	**355,718**	1,035,142	**11,461**	33,241
	1,171,658	1,857,991	**11,461**	33,241

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 Group offers general credit terms ranging from 0 to 60 days to its customers, except for sales of properties the proceeds from which are receivable pursuant to the terms of the relevant agreements. The ageing analysis of trade debtors is as follows:

	Group	
	2009 (HK$'000)	2008 (HK$'000)
0 – 30 days	**92,469**	690,405
31 – 60 days	**28,926**	23,374
61 – 90 days	**7,393**	7,851
over 90 days	**42,383**	21,475
	171,171	743,105

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

	Group	
	2009 (HK$'000)	2008 (HK$'000)
Past due up to:		
0 – 30 days	**41,288**	44,398
31 – 60 days	**11,696**	11,888
61 – 90 days	**8,166**	4,103
over 90 days	**34,448**	15,233
	95,598	75,622

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

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

	Group	
	2009 (HK$'000)	2008 (HK$'000)
At 1 January	**5,658**	5,575
Impairment loss recognised during the year	**119**	227
Impairment loss reversed during the year	**—**	(35)
Uncollectible amounts written off	**(54)**	(109)
At 31 December	**5,723**	5,658

Note 25 Derivative Financial Instruments

	Group	
	2009 (HK$'000)	2008 (HK$'000)
Current assets		
Fuel swap contracts	**3,918**	—
Other derivative financial instruments	**—**	242
	3,918	242
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 3 months (2008: 1 month to 12 months) from the balance sheet date.

Note 26 Bank Deposits, Cash and Bank Balances

	Group		Company	
	2009 (HK$'000)	2008 (HK$'000)	2009 (HK$'000)	2008 (HK$'000)
Bank deposits	**2,902,100**	2,011,110	**38,748**	198,520
Cash and bank balances	**685,309**	725,526	**13,357**	35,440
	3,587,409	2,736,636	**52,105**	233,960

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

Note 27 Trade and Other Payables

	Group		Company	
	2009 (HK$'000)	2008 (HK$'000)	2009 (HK$'000)	2008 (HK$'000)
Amounts due to subsidiaries	**—**	—	**1,141,997**	2,271,120
Amount due to an associate	**2,846**	2,846	**—**	—
Amount due to a jointly controlled entity	**655,604**	—	**—**	—
Loan	**5,000**	5,000	**—**	—
Trade and other creditors, deposits and accrued charges	**639,771**	808,466	**21,028**	36,027
	1,303,221	816,312	**1,163,025**	2,307,147

Amounts due to subsidiaries, an associate and a jointly controlled entity 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	
	2009 (HK$'000)	2008 (HK$'000)
0 – 30 days	**292,035**	359,555
31 – 60 days	**10,400**	6,113
61 – 90 days	**1,679**	1,513
over 90 days	**2,549**	3,522
	306,663	370,703

Note 28 Bank Borrowings

	Group 2009 (HK$'000)	Group 2008 (HK$'000)
Bank loans repayable within a period		
Not exceeding 1 year	**1,416,800**	1,994,000
More than 1 year but not exceeding 2 years	**2,591,600**	1,271,800
More than 2 years but not exceeding 5 years	**1,160,600**	3,582,200
More than 5 years	**—**	390,000
	5,169,000	7,238,000
Less: Current portion	**(1,416,800)**	(1,994,000)
Non-current portion	**3,752,200**	5,244,000

Bank loans to the extent of HK$196,000,000 (2008: HK$206,000,000) are secured by charges on certain vessels of the Group of HK$282,139,000 (2008: HK$296,740,000). Bank loans to the extent of HK$588,000,000 (2008: HK$600,000,000) are secured by charges on property, plant and equipment of HK$900,898,000 (2008: HK$939,174,000), bank deposits, cash and bank balances of HK$12,047,000 (2008: HK$99,575,000), inventories of HK$746,000 (2008: HK$566,000) and other assets of HK$24,339,000 (2008: HK$31,648,000) of the Group. Bank loans to the extent of HK$1,250,000,000 (2008: HK$1,250,000,000) 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$784,000,000 (2008: HK$806,000,000) are repayable by instalments.

Bank loans of HK$5,169,000,000 are interest bearing at HIBOR plus 0.4% to HIBOR plus 1.5% (2008: HIBOR plus 0.37% to HIBOR plus 1.5% for HK$7,176,000,000 and bankers' funding rate ("BFR") plus 0.6% to BFR plus 1% for HK$62,000,000) per annum.

The carrying amount of bank borrowings approximates their fair value based on cash flows discounted using effective interest rates of HIBOR plus 0.4% to HIBOR plus 1.5% (2008: HIBOR plus 0.37% to HIBOR plus 1.5% or BFR plus 0.6% to BFR plus 1%) per annum.

Note 29 Provision for Employee Benefits

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

	Group 2009 (HK$'000)	Group 2008 (HK$'000)	Company 2009 (HK$'000)	Company 2008 (HK$'000)
At 1 January	**28,948**	27,314	**7,255**	7,127
Net amount (written back)/provided during the year	**(7,780)**	3,255	**(1,380)**	684
Amount paid during the year	**(4,744)**	(1,621)	**(2,671)**	(556)
At 31 December	**16,424**	28,948	**3,204**	7,255

Note 30 Convertible Bonds

	Group 2009 (HK$'000)	Group 2008 (HK$'000)
Nominal value of the convertible bonds issued (net of transaction costs)	**1,508,219**	—
Equity component	**(80,397)**	—
Liability component at date of issue	**1,427,822**	—
Imputed interest expenses	**14,066**	—
Liability component at 31 December	**1,441,888**	—

On 22 October 2009, Joyous King Group Limited, a wholly-owned subsidiary of the Group, issued guaranteed convertible bonds with an aggregate principal amount of HK$1,550 million (the "Bonds") to certain professional investors, pursuant to a convertible bond subscription agreement dated 17 September 2009. The Bonds bear an annual interest of 3.3% and will mature at the fifth anniversary of the issue date. The conversion price was set as HK$8.18 per share (subject to adjustment) of the Company and the outstanding principal amount of the convertible bonds, if not converted, will be repaid on the maturity date at 100% of the outstanding amount.

The Bonds are convertible on or after 22 October 2010 up to and including 15 October 2014 into fully paid ordinary shares with a par value of HK$0.25 each of the Company. The holder has the right to require the issuer to redeem the Bonds on 22 October 2012 and the issuer may, after certain conditions of the Bonds are fulfilled, redeem the Bonds at any time after 22 October 2012 and prior to the maturity date of the Bonds. Further details of the Bonds are set out in the Company's announcement dated 18 September 2009.

At initial recognition, the nominal value of the Bonds was split between the liability component and the equity component, which represents the fair value of the embedded option to convert the liability into equity of the Company. The equity component has been credited to equity as convertible bonds equity reserve.

The liability component is measured at amortised cost. The interest expense for the year 2009 is calculated by applying an effective interest rate of 5.05% to the liability component for the period since the Bonds were issued.

Note 31 Loans from Minority Shareholders

Loans from minority shareholders are unsecured and with no fixed term of repayment. The Group has not provided any guarantee in favour of the minority shareholders in respect of the loans advanced. Amount to the extent of HK$4,552,000 (2008: nil) is interest bearing at prime rate per annum while the remaining balances are non-interest bearing. For the interest bearing portion, the carrying amount is not materially different from their fair value. For the non-interest bearing portion, it is not meaningful to disclose fair value.

Note 32 Share Capital

	2009		2008	
	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	**2,256,941,300**	**564,235**	2,328,309,734	582,077
Exercise of share options	**30,436,610**	**7,609**	33,969,566	8,492
Repurchase of shares	**(263,667,107)**	**(65,916)**	(105,338,000)	(26,334)
At 31 December	**2,023,710,803**	**505,928**	2,256,941,300	564,235

During the year, share options were exercised to subscribe for 30,436,610 (2008: 33,969,566) new ordinary shares in the Company at total consideration of HK$96,035,000 (2008: HK$75,345,000) of which HK$7,609,000 (2008: HK$8,492,000) was credited to share capital and the balance of HK$88,426,000 (2008: HK$66,853,000) was credited to share premium.

By a special resolution dated 26 May 2009, 263,667,107 issued ordinary shares of the Company were repurchased from STDM and its subsidiary at a repurchase price of HK$2.20 (totalling HK$580,068,000) each in an off-market manner pursuant to a repurchase agreement dated 15 June 2009.

The parties to the repurchase agreement had agreed that the consideration payable for the 263,667,107 repurchased shares was set off against part of the consideration receivable for the disposal of a subsidiary (note 35(b)).

The particulars for the shares repurchased on The Stock Exchange of Hong Kong Limited in 2008 are 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)
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

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$65,916,000 (2008: HK$26,334,000) was transferred from retained profits to capital redemption reserve. The premium and expenses paid on the repurchase of the shares of HK$523,377,000 (2008: HK$295,245,000) was charged to retained profits.

Note 33 Share Option Schemes

The Company has currently a share option scheme which 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, among others, Directors and employees of the Company, to subscribe for ordinary shares in the Company. Details of the 2002 share option scheme are disclosed in section (2) under Disclosure of Interests in the Report of the Directors on pages 56 to 58.

Details of the share options are as follows:

2009

Date of grant	Exercise price	Number of options: At 1 January 2009	Number of options: Exercised during the year	Number of options: At 31 December 2009	Note
The 2002 share option scheme					
25 May 2004	**HK$3.15**	**74,297,130**	**(30,236,610)**	**44,060,520**	**(i)**
8 July 2004	**HK$3.95**	**200,000**	**(200,000)**	**—**	**(ii)**
22 September 2004	**HK$4.20**	**5,000,000**	**—**	**5,000,000**	**(i)**
		79,497,130	**(30,436,610)**	**49,060,520**	**(iii)**
Weighted average exercise price		**HK$3.22**	**HK$3.16**	**HK$3.26**	

2008

Date of grant	Exercise price	Number of options: At 1 January 2008	Number of options: Exercised during the year	Number of options: At 31 December 2008	Note
The 1993 share option scheme					
3 January 2000	HK$1.15	15,869,566	(15,869,566)	—	(vi)
The 2002 share option scheme					
25 May 2004	HK$3.15	92,297,130	(18,000,000)	74,297,130	(i)
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	
		113,466,696	(33,969,566)	79,497,130	(iii)
Weighted average exercise price		HK$2.92	HK$2.22	HK$3.22	

Note 33 Share Option Schemes (Continued)

Notes:

(i) The share options outstanding at 31 December 2009 and 31 December 2008 were granted to Directors of the Company and exercisable during a period of 10 years commencing on the date of each grant. These share options vested on the date of each respective grant.

(ii) The share options outstanding at 31 December 2008 were granted to an employee and were exercisable during a period of 5 years commencing on the date of grant. These share options vested on the date of grant.

(iii) The weighted average remaining contractual life for the share options outstanding at 31 December 2009 is 4.43 years (2008: 5.40 years).

(iv) During 2009, 30,436,610 share options were exercised under the 2002 share option scheme (2008: 18,100,000 under the 2002 share option scheme and 15,869,566 under the 1993 share option scheme). The weighted average share price at the dates of exercise was HK$4.28 (2008: HK$6.79).

(v) No share options were granted, cancelled or lapsed during both years.

(vi) The 1993 share option scheme was adopted on 18 May 1993 and terminated on 31 May 2002. Notwithstanding termination, any share options outstanding under the 1993 share option scheme remained exercisable in accordance with its scheme rules.

Note 34 Reserves

a) Group

	2009 (HK$'000)	2008 (HK$'000)
Share premium	**6,890,495**	6,802,141
Capital redemption reserve	**100,170**	34,254
Capital reserve	**14**	5
Convertible bonds equity reserve	**80,397**	—
Legal reserve	**7,818**	11,862
Special reserve	**(151,413)**	(151,413)
Investment revaluation reserve	**42,983**	(20,770)
Hedging reserve	**1,394**	(34,531)
Asset revaluation reserve	**1,225,816**	1,404,192
Exchange reserve	**42,996**	39,089
Retained profits	**4,970,903**	3,137,820
	13,211,573	11,222,649

The movements of the Group's reserves for the years ended 31 December 2009 and 31 December 2008 are presented in the consolidated statement of changes in equity on pages 76 to 77 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.

The convertible bonds equity reserve represents the value of the unexercised equity component of convertible bonds issued by the Group. The reserve is dealt with in accordance with accounting policies set out in note 2(u).

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.

Note 34 Reserves (Continued)

a) Group (Continued)

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(p) 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(r) to the financial statements.

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.

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(aa) to the financial statements.

b) Company

	Share premium (HK$'000)	Capital redemption reserve (HK$'000)	Retained profits (HK$'000)	Total (HK$'000)
At 1 January 2008	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
Profit for the year	—	—	2,941,350	2,941,350
Exercise of share options	88,426	—	—	88,426
Expenses on issue of shares	(72)	—	—	(72)
Repurchase of shares	—	65,916	(580,068)	(514,152)
Expenses on repurchase of shares	—	—	(9,225)	(9,225)
Dividends	—	—	(455,596)	(455,596)
At 31 December 2009	**6,890,495**	**100,170**	**2,535,858**	**9,526,523**

Distributable reserves of the Company as at 31 December 2009 amounted to HK$2,914,292,000 (2008: HK$668,737,000) of which HK$378,434,000 (2008: HK$29,340,000) has been proposed as final dividend.

The consolidated profit attributable to owners of the Company includes a profit of HK$1,313,517,000 (2008: loss of HK$15,897,000) which has been dealt with in the financial statements of the Company.

Note 35 Consolidated Cash Flow Statement

a) Acquisition of interests in subsidiaries

In April 2009, the Group acquired a company principally engaged in tourism marketing and event promotions, for a cash consideration of HK$2,560,000.

In November 2009, the Group acquired the remaining 50% equity interest in a jointly controlled entity principally engaged in cleaning services in Macau for HK$5,000.

The above acquisitions had no significant impact on the Group's results and financial position.

	Fair value and book value 2009 (HK$'000)	2008 (HK$'000)
Net assets acquired		
Property, plant and equipment	634	—
Intangible assets	2,599	—
Inventories	38	—
Trade receivables, other receivables and deposits paid	4,470	—
Bank deposits, cash and bank balances	2,965	—
Trade and other payables	(5,213)	—
Taxation payable	(150)	—
	5,343	—
Interests in a jointly controlled entity originally held by the Group	(2,497)	—
	2,846	—
Excess of interest in fair value of net assets acquired over cost of acquisitions	(201)	—
Total consideration	2,645	—
Satisfied by		
Cash consideration	2,565	—
Direct cost relating to the acquisitions	80	—
	2,645	—
Cash inflow on acquisitions		
Cash consideration	(2,565)	—
Direct cost relating to the acquisitions	(80)	—
Cash and cash equivalents acquired	2,965	—
	320	—

Note 35 Consolidated Cash Flow Statement (Continued)

b) Disposal of interests in subsidiaries

	2009 (HK$'000)	2008 (HK$'000)
Assets disposed of		
Associate	40,050	—
Trade receivables, other receivables and deposits paid	—	1,758
	40,050	1,758
Net gain/(loss) on disposal	679,609	(1,758)
	719,659	—
Satisfied by		
Consideration	722,168	—
Direct cost relating to the disposal	(2,509)	—
	719,659	—
Cash inflow on disposals		
Consideration	722,168	—
Set-off by consideration for off-market share repurchased	(580,068)	—
Net proceeds received	142,100	—
Direct cost relating to the disposal	(2,509)	—
	139,591	—

On 20 January 2009, Florinda Hotel Investment Limited ("FHIL"), a wholly-owned subsidiary of the Company entered into a conditional agreement 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. The principal asset of Skamby is 50% equity interest in EHIL which owns Mandarin Oriental Macau (the "Hotel"), together with the piece of land on which the Hotel is erected. On 15 June 2009, the Group completed the disposal at a consideration of HK$722,168,000 (subject to adjustment in accordance with the Post-Disposal Appreciation as described in the Company's circular dated 24 April 2009). The consideration receivable for the disposal was partly set off by the consideration payable for the off-market share repurchase by the Company of its 263,667,107 shares in aggregate held by STDM and its subsidiary (note 32).

Note 35 Consolidated Cash Flow Statement

c) Analysis of cash and cash equivalents

	2009 (HK$'000)	2008 (HK$'000)
Investment funds (note 19)	**14**	14
Bank deposits, cash and bank balances (note 26)	**3,587,409**	2,736,636
Cash and cash equivalents in the consolidated cash flow statement	**3,587,423**	2,736,650

Cash and cash equivalents at the balance sheet date include cash and bank balances of HK$57,972,000 (2008: HK$67,607,000) held by subsidiaries which are not freely remissible to the Group because of currency exchange restrictions.

d) Major non-cash transaction

During the year, part of the dividend income of HK$30,381,000 and dividend receivable of HK$48,434,000 (2008: no dividend) from investments were settled through the current account with an investee company.

During the year, the Group disposed of its entire equity interest in and loan to a wholly-owned subsidiary. Part of the consideration for the disposal was set off by the consideration payable for the off-market share repurchase. Further details of the disposal are set out in note 35(b).

Note 36 Segment Information

a) The Group's reportable segments are strategic business units that operate different activities. They are managed separately because each business has different products or services and requires different marketing strategies.

The Group currently has four reportable segments namely, property, transportation, hospitality and investment. The segmentations are based on the internal reporting information about the operations of the Group that management reviews regularly to make decisions on allocation of resources between segments and to assess segment performance.

The principal activities of each reportable segment are as follows:

Property	– property development and sales, leasing and management services
Transportation	– passenger transportation services
Hospitality	– hotel operation and travel agency services
Investment	– investment holding and others

b) Segment results, assets and liabilities

Management evaluates performance of the reportable segments on the basis of operating profit or loss before fair value changes on investment properties, non-recurring gains and losses, interest income and unallocated corporate net expenses. Inter-segment transactions have been entered into on terms agreed by the parties concerned. The Group's measurement methods used to determine reported segment profit or loss remain unchanged from 2008.

Segment assets principally comprise all tangible assets, intangible assets and current assets directly attributable to each segment with the exception of interests in associates and jointly controlled entities, taxation recoverable, deferred tax assets and other corporate assets.

Segment liabilities include all liabilities and borrowings directly attributable to and managed by each segment with the exception of taxation payable, deferred tax liabilities and other corporate liabilities.

The accounting policies of the reportable segments are the same as the Group's principal accounting policies as described in note 2(ff).

Note 36 Segment Information (Continued)

b) Segment results, assets and liabilities (Continued)

Group

2009

	Property (HK$'000)	Transportation (HK$'000)	Hospitality (HK$'000)	Investment (HK$'000)	Eliminations (HK$'000)	Consolidated (HK$'000)
Turnover and revenue						
External turnover	1,285,011	1,456,578	437,065	50,596	—	3,229,250
Inter-segment turnover	6,337	178,929	28,795	—	(214,061)	—
Other revenues						
(external and excluding interest income)	45,520	32,196	4,200	638	—	82,554
	1,336,868	1,667,703	470,060	51,234	(214,061)	3,311,804
Segment results	351,979	27,886	(36,765)	21,950	—	365,050
Fair value changes on investment properties	220,514	—	—	—	—	220,514
Net gain on disposal of a subsidiary	—	—	679,609	—	—	679,609
Impairment losses on amounts due by						
investee companies and other receivables	—	—	—	(36,064)	—	(36,064)
Interest income						22,744
Unallocated income						5,538
Unallocated expense						(89,498)
Operating profit						1,167,893
Finance costs						(77,040)
Share of results of associates	(36)	—	24,360	1,722	—	26,046
Share of results of jointly controlled entities	1,904,239	10,570	2,823	(1,741)	—	1,915,891
Profit before taxation						3,032,790
Taxation						(97,125)
Profit for the year						2,935,665

Note 36 Segment Information (Continued)

b) Segment results, assets and liabilities (Continued)

Group

2009

	Property (HK$'000)	Transportation (HK$'000)	Hospitality (HK$'000)	Investment (HK$'000)	Eliminations (HK$'000)	Consolidated (HK$'000)
Assets						
Segment assets	16,469,042	2,656,335	1,527,315	1,102,670	(28,686)	21,726,676
Associates	2,653	—	179,520	834	—	183,007
Jointly controlled entities	2,800,353	9,641	21,383	(1,741)	—	2,829,636
Unallocated assets						1,630,997
Total assets						26,370,316
Liabilities						
Segment liabilities	1,029,342	255,346	77,533	7,347	(28,686)	1,340,882
Unallocated liabilities						8,611,920
Total liabilities						9,952,802
Other information						
Additions to non-current assets (other than financial instruments and deferred tax assets)	48,099	51,461	16,928	2,547		
Depreciation	14,246	127,640	54,311	1,487		
Amortisation						
– leasehold land	182	2,976	10,661	—		
– intangible assets	—	—	107	89		
Impairment losses on receivables	—	—	65	54		
Net (write back)/write-down of inventories	(14,820)	—	—	738		

Note 36 Segment Information (Continued)

b) Segment results, assets and liabilities (Continued)

Group

2008

	Property (HK$'000)	Transportation (HK$'000)	Hospitality (HK$'000)	Investment (HK$'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						
(external and excluding interest income)	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)
Interest income						59,861
Unallocated income						3,449
Unallocated expense						(94,767)
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 for the year						29,981

Note 36 Segment Information (Continued)

b) Segment results, assets and liabilities (Continued)

Group

2008

	Property (HK$'000)	Transportation (HK$'000)	Hospitality (HK$'000)	Investment (HK$'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						
Additions to non-current assets (other than financial instruments and deferred tax assets)	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	—		
Write-down of inventories	23,877	—	—	188		

Note 36 Segment Information (Continued)

c) Geographical information

The following table set out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets (other than financial instruments and deferred tax assets). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of non-current assets (other than financial instruments and deferred tax) is based on the location of the assets, in the case of tangible assets, the location of the operation to which they are located, in the case of intangible assets and goodwill.

Group

	Hong Kong (HK$'000)	Macau (HK$'000)	Others (HK$'000)	Consolidated (HK$'000)
2009				
Revenue from external customers	**1,302,083**	**1,912,486**	**97,235**	**3,311,804**
Non-current assets	**4,475,166**	**1,979,150**	**491,485**	**6,945,801**
2008 (restated)				
Revenue from external customers	1,342,924	2,880,974	190,678	4,414,576
Non-current assets	4,427,753	1,922,460	490,612	6,840,825

d) Information about major customers

In 2009 and 2008, the revenue from the Group's largest external customer amounted to less than 10% of the Group's total revenue.

Note 37 Significant Related Party Transactions

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

	Note	2009 (HK$'000)	2008 (HK$'000)
STDM Group	(i)		
Dividend income from STDM		**30,381**	78,311
Ferry tickets sold (after discount) to STDM Group	*	**191,239**	284,438
Commission paid to STDM Group on ferry tickets sold by STDM Group	*	**17,230**	20,476
Fees received from STDM for management of hotels and Macau Tower Convention & Entertainment Centre	*	**35,160**	32,819
Fuel purchased from STDM Group for Macau shipping operations	*	**241,730**	416,983
Amount collected by STDM Group for sale of ferry tickets and related services in Macau		**413,562**	455,725
Amount reimbursed to STDM Group for expenses incurred in respect of shipping operations in Macau		**131,507**	151,488
Amount reimbursed by STDM Group for staff expenses and administrative resources shared		**27,236**	19,878
Revenue of duty free goods sold on board collected for STDM		**12,573**	11,900
Disposal of 100% equity interest in Skamby and related shareholder's loan to STDM Group	(ii)*	**722,168**	—
Off-market share repurchase of the Company's shares held by STDM Group	(iii)*	**580,068**	—
Acquisition of the remaining 20% interest in Shun Tak, Serviços Recreativos, S.A. ("STSR") and assignment of related shareholder's loan from STDM Group	(iv)*	**—**	238,000
Associates			
Insurance premium paid to an associate		**39,599**	39,238
Jointly controlled entities			
Ferry passengers handling fees received on behalf of a jointly controlled entity		**34,374**	48,905

Note 37 Significant Related Party Transactions (Continued)

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

	Note	2009 (HK$'000)	2008 (HK$'000)
Key management personnel			
Ferry tickets sold (after discount) to a jointly controlled entity of New World Development Company Limited ("NWD")	(v) *	**34,644**	32,605
Amount collected on behalf of a jointly controlled entity of NWD for sale of ferry tickets	(v)	**13,373**	18,434
Acquisitions of two passenger vessels from a jointly controlled entity of NWD	(v) *	**—**	294,800
Ferry tickets sold (after discount) to MGM Grand Paradise Limited ("MGM")	(vi) *	**37,652**	10,108
Fees received from MGM for laundry, decoration, travel and other services rendered	(vi) *	**11,543**	23,517
Directors' emoluments	(vii)		
Salaries and other short-term employee benefits		**27,550**	26,175
Post-employment benefits		**951**	1,165
Gratuity payment to former directors		**6,987**	—
Other related parties			
Commission to China Travel Service (Hong Kong) Limited ("CTSHK") for sale of ferry tickets	(viii) *	**26,783**	34,145
Net income collected by CTSHK for sale of ferry tickets and related services	(viii)	**122,403**	157,205
Design and construction fee paid to Dragages Hong Kong Limited ("DHK")	(ix)	**—**	472,248

Note 37 Significant Related Party Transactions (Continued)

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

	Note	2009 (HK$'000)	2008 (HK$'000)
STDM Group	(i)		
Net receivable from STDM Group	(x)	**42,756**	36,569
Jointly controlled entities			
Amount due to a jointly controlled entity	(xi)	**655,604**	—
Amounts due by jointly controlled entities	(xi)	**1,321,118**	774,863
Construction costs payable to a jointly controlled entity		**68,374**	35,685
Key management personnel			
Minority shareholder's loan from NWD to a subsidiary	(xii)	**123,917**	123,917
Minority shareholder's loan from a company beneficially owned by Dr. Stanley Ho to a subsidiary	(xiii)	**87,707**	91,707
Refundable deposit paid by a subsidiary to Sai Wu Investimento Limitada ("Sai Wu")	(xiv)*	**500,000**	500,000
Other related parties			
Minority shareholder's loan from Dragages Investments Limited ("DI") to a subsidiary	(ix)	**123,750**	120,000
Minority shareholder's loan from Sun Hung Kai Properties Limited ("SHK") to a subsidiary	(xii)	**359,359**	359,359
Accounts receivable from CTSHK	(viii)	**7,919**	7,943
Design and construction fee payable to DHK	(ix)	**1,986**	51,906

Note 37 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 STDM. Dr. Stanley Ho, Mrs. Louise Mok, Ms. Pansy Ho and Ms. Daisy Ho (as appointed representative of the Company) are directors of STDM.

(ii) On 20 January 2009, FHIL, a wholly-owned subsidiary of the Company entered into a conditional agreement with CTL, a wholly-owned subsidiary of STDM for the disposal of FHIL's entire equity interest in and loan to a wholly-owned subsidiary, Skamby, which holds 50% equity interest in EHIL. On 15 June 2009, the Group completed the disposal at a consideration of HK$722,168,000 (subject to adjustment in accordance with the Post-Disposal Appreciation as described in the Company's circular dated 24 April 2009).

(iii) On 21 January 2009, STDM and its subsidiary executed a deed of undertaking in favour of the Company, conditionally undertaking to enter into a repurchase agreement relating to an off-market share repurchase by the Company of its 263,667,107 shares in aggregate held by STDM and its subsidiary at a consideration of HK$580,068,000, equivalent to HK$2.20 per share. The repurchase agreement was executed on 15 June 2009.

(iv) 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 STDM Group in June 2008. 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.

(v) Dato' Dr. Cheng Yu Tung is chairman of NWD.

(vi) Ms. Pansy Ho has beneficial interest in MGM. Ms. Pansy Ho and Ms. Daisy Ho are directors of MGM.

(vii) Further details of Directors' emoluments are disclosed in note 7 to the financial statements.

(viii) CTSHK is a subsidiary of China Travel International Investment Hong Kong Limited which is a minority shareholder of a subsidiary.

(ix) The subsidiary, Union Sky Holdings Limited, holds The SkyCity Marriott Hotel 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.

(x) Net receivable from STDM Group comprises unsecured, non-interest bearing current account, trade and other receivables and payables.

(xi) Amount due to a jointly controlled entity is unsecured, non-interest bearing and with no fixed term of repayment. Amounts due by jointly controlled entities are unsecured. Amount of HK$1,275,000,000 (2008: HK$659,940,000) is repayable by 5 December 2010, amount of HK$30,562,000 (2008: HK$30,489,000) is repayable upon notice of either party and amount of HK$4,266,000 (2008: HK$9,128,000) is repayable by 3 instalments (2008: 7 instalments) while the remaining balances have no fixed term of repayment. Amounts of HK$1,275,000,000 (2008: HK$659,940,000) and HK$4,266,000 (2008: HK$9,128,000) are interest bearing at HIBOR plus 3% (2008: HIBOR plus 3%) and base lending rates promulgated by the People's Bank of China in PRC per annum respectively. In 2008, HK$2,196,000 was also interest bearing at 4% per annum. The remaining balances are non-interest bearing. The related interest income for the year amounted to HK$45,708,000 (2008: HK$23,262,000). At the balance sheet date, interest receivable of HK$44,000 (2008: HK$60,098,000) remained unsettled.

(xii) The subsidiary, Ranex Investments Limited ("Ranex"), carries on the business of property investment and development. Ranex is 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 and with no fixed term of repayment.

(xiii) 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.

(xiv) 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 in order to further extend the completion date of the acquisition without changing the consideration or other terms of the acquisition. On 26 May 2009, the completion date of the acquisition was further extended from 30 June 2009 to on or before 31 December 2010.

* These related party transactions also constitute or constituted connected transactions or continuing connected transactions disclosable in accordance with the Listing Rules.

Note 38 Retirement Benefits Schemes

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") scheme. On 1 December 2009, the ORSO scheme became inactive and transferred all eligible employees together with their assets held under the ORSO scheme to the MPF scheme and provident fund scheme in Macau respectively.

Under the MPF scheme, the Group and its employees' contributions to the MPF scheme are ranging from 5% to 10% of the employees' relevant income with a maximum monthly contribution of HK$1,000 to certain employees. 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 2009 were HK$34,877,000 (2008: HK$33,240,000). Under the provident fund schemes other than MPF scheme, no forfeiture of employer's contributions was applied to reduce the Group's contributions for both years. Up to the balance sheet date, forfeited contributions retained in the ORSO scheme were HK$23,681,000 (2008: forfeited contributions of HK$18,916,000 were available to the Group to reduce the contributions to the schemes in future years).

Note 39 Commitments

a) Capital commitments

	Group	
	2009 (HK$'000)	**2008 (HK$'000)**
Contracted but not provided for	**55,229**	118,420
Authorised but not contracted for	**637**	3,809
	55,866	122,229

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

(i) the payment of HK$3,080 million (2008: HK$3,080 million) in cash and the issue of 148,883,374 (2008: 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 loan contributions of HK$47.7 million (2008: capital and loan contributions of HK$1,171.7 million) to certain jointly controlled entities to finance projects chiefly in Macau.

Note 39 Commitments (Continued)

b) Lease commitments

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

	Group	
	2009 (HK$'000)	2008 (HK$'000)
Within one year	**25,258**	23,258
In the second to fifth year inclusive	**16,798**	22,219
	42,056	45,477

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.

c) Future minimum lease payments receivable

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

	Group	
	2009 (HK$'000)	2008 (HK$'000)
Within one year	**100,725**	92,882
In the second to fifth year inclusive	**148,080**	105,086
Over five years	**28,824**	8,597
	277,629	206,565

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

d) Property development commitments

The Group had outstanding commitments of HK$87 million (2008: HK$599 million) under various contracts for property development projects, out of which HK$33 million (2008: HK$460 million) represents the Group's share of such commitments of a jointly controlled entity.

Note 40 Contingent Liabilities

	Group		Company	
	2009 (HK$'000)	2008 (HK$'000)	**2009 (HK$'000)**	2008 (HK$'000)
Guarantees given by the Group to financial institutions on behalf of purchasers of flats	**51,900**	—	**51,900**	—
Guarantees issued by the Company for credit facilities granted to subsidiaries	**—**	—	**3,772,500**	5,619,500
Guarantees issued by the Company for bank guarantees issued for the Group	**10,100**	10,000	**10,100**	10,000
Guarantee for convertible bonds issued by a subsidiary (note 30)	**—**	—	**1,550,000**	—
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$2.9 million (2008: HK$2.4 million).

Note 41 Financial Instruments

Financial risk management

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

a) Credit risk

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

The Group manages credit risk arising from trade debtors in accordance with defined credit policies, dependent on market requirements and business which they operate. Subject to negotiation, credit is only available for major customers with well-established trading records. The Group offers general credit terms ranging from 0 to 60 days to its customers, except for sales of properties the proceeds from which are receivable pursuant to the terms of the relevant agreements.

Note 41 Financial Instruments (Continued)

Financial risk management (Continued)

a) **Credit risk** (Continued)

Summary quantitative data

	Group		Company	
	2009 (HK$'000)	2008 (HK$'000)	**2009 (HK$'000)**	2008 (HK$'000)
Available-for-sale investments	**21,427**	9,540	**—**	—
Mortgage loans receivable	**14,726**	22,972	**—**	—
Other non-current assets	**1,332,379**	821,939	**11,253,231**	9,855,880
Trade receivables and other receivables deposits paid (excluding deposits and prepayments)	**194,056**	865,404	**11,171**	32,951
Derivative financial instruments	**3,918**	242	**—**	—
Bank deposits, cash and bank balances	**3,587,409**	2,736,636	**52,105**	233,960
	5,153,915	4,456,733	**11,316,507**	10,122,791

The Group has concentration of credit risk on amount due by a jointly controlled entity of HK$1,275 million (2008: HK$724 million). As the jointly controlled entity has a strong financial position, the Directors consider that the credit risk is minimal.

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

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

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

None of the terms of financial assets which are past due or impaired have been renegotiated during the year ended 31 December 2009 (2008: same).

Note 41 Financial Instruments (Continued)

Financial risk management (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 the remaining contractual maturity analysis for non-derivative and derivative 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)
2009					
Bank borrowings	**1,416,800**	**3,752,200**	**—**	**—**	**5,169,000**
Convertible bonds	**—**	**1,441,888**	**—**	**—**	**1,441,888**
Trade and other payables	**1,303,221**	**—**	**—**	**—**	**1,303,221**
Loans from minority shareholders	**—**	**—**	**—**	**849,146**	**849,146**
	2,720,021	**5,194,088**	**—**	**849,146**	**8,763,255**
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

Note 41 Financial Instruments (Continued)

Financial risk management (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

	2009 (HK$'000)	2008 (HK$'000)
Variable-rate financial assets/(liabilities)		
Available-for-sale investments	—	3,590
Mortgage loans receivable	**16,124**	24,824
Amounts due by jointly controlled entities	**1,279,266**	669,068
Bank balances and deposits	**3,239,548**	2,489,377
Bank borrowings	**(5,169,000)**	(7,238,000)
Loans from minority shareholders	**(4,552)**	—
	(638,614)	(4,051,141)
Fixed-rate financial assets/(liabilities)		
Available-for-sale investments	**21,427**	5,950
Amount due by a jointly controlled entity	—	2,196
Structured notes and deposits	—	7,750
Convertible bonds	**(1,441,888)**	—
	(1,420,461)	15,896
Net interest-bearing liabilities	**(2,059,075)**	(4,035,245)

Note 41 Financial Instruments (Continued)

Financial risk management (Continued)

c) Market risk (Continued)

i) Interest rate risk (Continued)

Company

	2009 (HK$'000)	2008 (HK$'000)
Variable-rate financial assets		
Amounts due by subsidiaries	**227,971**	208,985
Bank balances and deposits	**43,152**	227,932
	271,123	436,917

Sensitivity analysis

At 31 December 2009, if interest rates had been 50 basis points (2008: 50 basis points) lower with all other variables held constant, the Group's profit after taxation and equity would have been HK$15.7 million (2008: HK$ 23.2 million) higher, arising mainly as a result of lower net interest expenses on net variable-rate financial liabilities.

At 31 December 2009, if interest rates had been 50 basis points (2008: 50 basis points) higher with all other variables held constant, the Group's profit after taxation and equity would have been HK$2.7 million (2008: HK$17.2 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 2008.

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 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 41 Financial Instruments (Continued)

Financial risk management (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)
2009				
Available-for-sale investments	**39,796**	**—**	**—**	**39,796**
Amount due by a jointly controlled entity	**4,266**	**—**	**—**	**4,266**
Bank deposits	**15,505**	**1,043**	**—**	**16,548**
Cash and bank balances	**14,470**	**51,282**	**58,012**	**123,764**
Trade and other receivables	**158**	**34,439**	**2,885**	**37,482**
Trade and other payables	**(47,539)**	**(47,691)**	**(11,579)**	**(106,809)**
Derivative financial instruments	**3,918**	**—**	**—**	**3,918**
	30,574	**39,073**	**49,318**	**118,965**
2008				
Available-for-sale investments	32,172	—	—	32,172
Amount due by a jointly controlled entity	9,128	—	—	9,128
Structured 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

Note 41 Financial Instruments (Continued)

Financial risk management (Continued)

c) Market risk (Continued)

ii) Currency risk (Continued)

Company

	USD (HK$'000)	MOP (HK$'000)	Total (HK$'000)
2009			
Cash and bank balances	**201**	**98**	**299**
2008			
Bank deposits	124,794	—	124,794
Cash and bank balances	2,406	116	2,522
	127,200	116	127,316

Sensitivity analysis

At 31 December 2009, if HKD weakened 10% (2008: 10%) against RMB with all other variables held constant, the Group's exchange reserve would have been HK$4.9 million (2008: HK$6.0 million) higher. Conversely, if HKD had strengthened 10% (2008: 10%) against RMB with all other variables held constant, the Group's exchange reserve would have been HK$4.9 million (2008: HK$6.0 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 HKD has been pegged with USD and 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 HKD against USD and against 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 2008.

Note 41 Financial Instruments (Continued)

Financial risk management (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	
	2009 (HK$'000)	2008 (HK$'000)	**2009 (HK$'000)**	2008 (HK$'000)
Financial assets, at fair value				
Available-for-sale investments	**240,076**	169,930	**—**	—
Equity-linked notes	**—**	6,455	**—**	—
	240,076	176,385	**—**	—
Financial assets, at cost less impairment losses				
Available-for-sale investments	**819,815**	819,938	**234,723**	234,723
	1,059,891	996,323	**234,723**	234,723

Note 41 Financial Instruments (Continued)

Financial risk management (Continued)

c) Market risk (Continued)

iii) Equity price risk (Continued)

Sensitivity analysis

The Group's equity investments amounting to 95.7% (2008: 88.1%) of its financial assets carried at fair value are classified as available-for-sale investments with exposure to equity price risk and are listed on recognised stock exchanges in Hong Kong and the United States. A 10% (2008: 10%) increase in stock prices at 31 December 2009 would have increased equity by HK$23.0 million (2008: HK$15.5 million); an equal change in the opposite direction would have decreased equity by HK$23.0 million (2008: HK$15.5 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 2008.

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.

Note 41 Financial Instruments (Continued)

Financial risk management (Continued)

c) Market risk (Continued)

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 12% of the anticipated fuel consumption for 2010 was hedged at the balance sheet date.

Summary quantitative data

	Group	
	2009 (HK$'000)	**2008 (HK$'000)**
Financial assets/(liabilities), at fair value		
Fuel swap contracts	**3,918**	(97,075)

Sensitivity analysis

At 31 December 2009, if the fuel price increased by 10% (2008: 10%) with all other variables held constant, the Group's equity would have been HK$5.0 million (2008: HK$9.6 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% (2008: 10%) with all other variables held constant, the Group's equity would have been HK$5.0 million (2008: HK$9.6 million) lower.

The sensitivity analysis has been prepared with the assumption that the change in fuel prices had occurred at the balance sheet date and had been applied to the exposure to fuel prices 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 in fuel prices at that date over the period until the next annual balance sheet date.

The analysis is prepared on the same basis for 2008.

Note 41 Financial Instruments (Continued)

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	
	2009 (HK$'000)	2008 (HK$'000)	**2009 (HK$'000)**	2008 (HK$'000)
Financial assets				
Financial assets				
– designated as at FVTPL	**—**	6,455	**—**	—
– held for trading	**—**	242	**—**	—
Loan and receivables (including cash and cash equivalents)	**5,128,570**	4,440,496	**11,316,507**	10,122,791
Available-for-sale investments	**1,081,318**	999,408	**234,723**	234,723
Financial liabilities				
Financial liabilities measured at amortised cost	**8,763,255**	8,902,055	**1,163,025**	2,307,147

Fair value estimation

Effective 1 January 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

– Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Note 41 Financial Instruments (Continued)

Fair value estimation (Continued)

The following table presents the Group's financial assets that are measured at fair value:

Group

	Level 1 (HK$'000)	Level 2 (HK$'000)	Total (HK$'000)
Derivatives used for hedging	—	3,918	3,918
Available-for-sale investments			
– equity securities	229,850	—	229,850
– debt securities	—	21,427	21,427
– investment funds	14	10,212	10,226
	229,864	35,557	265,421

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity investments classified as available-for-sale.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

– Quoted market prices or dealer quotes for similar instruments.

– The fair value of fuel swap contracts is calculated as the estimated future cash flows based on observable forward prices for fuel.

– Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

There were no transfers between level 1 and level 2 in fair value hierarchy. There were no transactions or balances for level 3 in fair value hierarchy as at 31 December 2009.

Note 42 Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure. The Group manages its capital structure and makes adjustments to it taking into account current and expected debt and equity capital market conditions, the Group's investment strategy and opportunities, projected operating cashflows and capital expenditures, and general market conditions. To maintain or adjust the capital structure, the Group may adjust the level of borrowings, the dividend payment to shareholders, issue new shares as well as the issue of new debt 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 borrowings, less cash and cash equivalents. Adjusted capital comprises all components of equity attributable to owners of the Company less hedging reserve. During 2009, the Group's strategy, which was unchanged from 2008, was to maintain a healthy net debt-to-adjusted capital ratio.

The net debt-to-adjusted capital ratio at 31 December 2009 and 2008 was as follows:

	Group	
	2009 (HK$'000)	2008 (HK$'000)
Bank borrowings (note 28)	**5,169,000**	7,238,000
Convertible bonds (note 30)	**1,441,888**	—
Less: Cash and cash equivalents (note 35(c))	**(3,587,423)**	(2,736,650)
Net debts	**3,023,465**	4,501,350
Equity attributable to owners of the Company	**14,095,935**	11,816,224
Less: Hedging reserve (note 34)	**(1,394)**	34,531
Adjusted capital	**14,094,541**	11,850,755
Net debt-to-adjusted capital ratio	**21.5%**	38.0%

Note 43 Critical Accounting Estimates and Judgements

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

a) Valuation of investment properties

The fair value of each investment property is individually determined at each balance sheet date by independent professional valuers based on a market value assessment. 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(e). 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 investments

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

Note 43 Critical Accounting Estimates and Judgements (Continued)

f) Impairment of receivables

The Group makes provision for impairment of receivables based on an assessment of the collectability of trade and other receivables. Provisions for impairment are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and doubtful debt expense in the period in which such estimate is changed.

g) 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 44 Comparatives

As a result of the application of HKAS 1 (Revised), Presentation of financial statements, and HKFRS 8, Operating segments, certain comparative figures have been adjusted to conform with current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details are disclosed in note 3.

Note 45 Approval of Financial Statements

The financial statements were approved by the Board of Directors on 21 April 2010.

Principal Subsidiaries, Associates and Joint Ventures

	Place of incorporation/ Principal place of operation	Issued and paid up ordinary share capital/ registered capital	Percentage held by the Group	Principal activities
Property – Hong Kong				
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
Megabright Investment Limited	Hong Kong	HK$2	100	investment holding and financing
Ranex Investments Limited	Hong Kong	HK$100	51	property investment and development
Shun Tak Development Limited	Hong Kong	HK$27,840,000	100	investment holding
Shun Tak Property Investment & Management Holdings Limited	Hong Kong	HK$2	100	property investment and management
Property – Macau				
Ace Wonder Limited	British Virgin Islands/ Macau	US$1	100	investment holding and financing
Basecity Investments Limited**^	British Virgin Islands/ Macau	US$10,000	51	property development
Companhia de Investimento Shun Tak South Lake, Limitada	Macau	MOP25,000	100	property development
Eversun Company Limited	Hong Kong/Macau	HK$200	100	property investment
Nova Taipa - Urbanizações, Limitada	Macau	MOP10,000,000	100	property investment and development
Shun Tak Nam Van Investimento Limitada	Macau	MOP25,000	100	property development
Companhia de Desenvolvimento Tin Wai Limitada	Macau	MOP100,000	79	property investment and development
Winning Reward Investments Limited	British Virgin Islands/ Macau	US$1	100	investment holding and financing

	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				
Guangzhou Shun Tak Real Estate Company, Limited**	PRC	HK$130,000,000@	60	property investment
Shun Tak Cultural Centre Limited	Hong Kong	HK$10	60	investment holding
Transportation				
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
Glowfield Group Limited	British Virgin Islands	US$27	42.6	investment holding
Hongkong Macao Hydrofoil Company, Limited	Hong Kong/ Hong Kong-Macau	HK$10,000,000	42.6	shipping
Interdragon Limited	British Virgin Islands	US$10,000	60	investment holding
Ocean Shipbuilding & Engineering Limited	Hong Kong	HK$200 HK$100,000+	42.6	shipbuilding and repairs
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
Shun Tak-China Travel Shipping Investments Limited	British Virgin Islands	US$10,000	42.6	investment holding
Shun Tak Ferries Limited	Hong Kong	HK$2	100	investment holding
Sunrise Field Limited	Hong Kong/ Hong Kong-Macau	HK$1	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

	Place of incorporation/ Principal place of operation	Issued and paid up ordinary share capital/ registered capital	Percentage held by the Group	Principal activities
Hospitality				
Florinda Hotel International Limited	British Virgin Islands/ Macau	US$1	100	hotel management
Shun Tak, Serviços Recreativos, S.A.	Macau	MOP1,000,000	100	property holding
Shun Tak Travel Services Limited	Hong Kong	HK$2,000,000	100	travel agency services
Sociedade de Turismo e Desenvolvimento Insular, S.A.R.L.#	Macau	MOP200,000,000	35	hotel and golf club operations
Union Sky Holdings Limited**	Hong Kong	HK$10,000	70	hotel owning and operation
Finance				
Joyous King Group Limited	British Virgin Islands	US$1	100	financing
Shun Tak Finance Limited	Hong Kong	HK$2	100	financing
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, Shun Tak Property Investment & Management Holdings Limited and Winning Reward Investments 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
@ Registered capital
# Associates
^ Joint ventures
** Companies not audited by H. C. Watt & Company Limited

Five-Year Financial Summary

	2009 (HK$ million)	2008 (HK$ million)	2007 (HK$ million)	2006 (HK$ million)	2005 (HK$ million)
Consolidated Income Statement					
Turnover	**3,229**	4,351	3,318	2,509	2,489
Profit attributable to owners of the Company	**2,874**	101	1,014	664	364
Total dividends	**456**	29	316	279	146
Consolidated Balance Sheet					
Non-current assets	**12,402**	9,920	9,608	7,919	6,388
Current assets	**13,968**	14,641	16,707	5,622	5,468
Current liabilities	**(2,908)**	(3,392)	(5,170)	(814)	(780)
Non-current liabilities	**(7,044)**	(7,140)	(5,762)	(1,990)	(2,113)
Net assets	**16,418**	14,029	15,383	10,737	8,963
Share capital	**506**	564	582	548	520
Reserves	**13,212**	11,223	12,292	8,030	6,530
Proposed dividends	**378**	29	164	175	94
Equity attributable to owners of the Company	**14,096**	11,816	13,038	8,753	7,144
Minority interests	**2,322**	2,213	2,345	1,984	1,819
Total equity	**16,418**	14,029	15,383	10,737	8,963
Number of issued and fully paid shares (million)	**2,024**	2,257	2,328	2,191	2,082
Performance Data					
Earnings per share (HK cents)					
– basic	**134.4**	4.4	45.7	31.0	17.5
– diluted	**132.0**	4.3	43.9	29.7	16.8
Dividends per share (HK cents)					
– interim	**3.8**	—	7.0	4.5	2.5
– final	**18.7**	1.3	7.0	8.0	4.5
Dividend cover	**6.0**	3.4	3.3	2.5	2.5
Current ratio	**4.8**	4.3	3.2	6.9	7.0
Gearing (%)	**21.4**	38.1	20.1	—	—
Return on equity attributable to owners of the Company (%)	**20.4**	0.9	7.8	7.6	5.1
Net asset value per share (HK$)	**8.1**	6.2	6.6	4.9	4.3

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 owners of the Company.

	2009	2008	2007	2006	2005
Headcount by Division					
Head Office	**197**	206	174	161	137
Property	**531**	362	328	294	245
Transportation	**1,684**	1,844	1,796	1,759	1,741
Hospitality	**457**	441	143	121	125
Investment	**39**	27	89	86	1

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