信德集團
SHUN TAK HOLDINGS

Stock Code 股份代號: 242

ANNUAL REPORT
2012 年報

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

CONTENTS

Goldfishes, full of vitality and liveliness, are auspicious symbols of wealth and prosperity. The cover design depicts a pair of goldfishes swimming in harmony. This represents the Shun Tak Group advancing with Hong Kong, Macau and Pearl River Delta region alongside each other. As all pillars of our business generate synergistic value for the Group, we are simultaneously driving collaboration between industries to promote complementing development in our region and creating multi-win propositions.

Corporate Information

Board of Directors

Dr. Stanley Ho
Group Executive Chairman

Sir Roger Lobo
Independent Non-Executive Director

Mr. Norman Ho
Independent Non-Executive Director

Mr. Charles Ho
Independent Non-Executive Director

Mr. Michael Ng
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. Rogier Verhoeven
Executive Director

Audit Committee

Mr. Norman Ho *(Chairman)*

Sir Roger Lobo

Mrs. Louise Mok

Mr. Michael Ng

Remuneration Committee

Sir Roger Lobo *(Chairman)*

Mr. Norman Ho

Mr. Charles Ho

Ms. Pansy Ho

Ms. Daisy Ho

Nomination Committee

Mr. Charles Ho *(Chairman)*

Sir Roger Lobo

Mr. Norman Ho

Ms. Pansy 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

PricewaterhouseCoopers

Solicitor

Norton Rose

Principal Bankers

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Bank of China, Macau Branch
Hang Seng Bank Limited
Nanyang Commercial Bank, Ltd.
The Bank of Nova Scotia
Credit Agricole Corporate & Investment Bank

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

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 Macau's property market with a host of property development projects in planning, construction or launch phases.

One Central, the Group's joint venture with Hongkong Land Holdings Limited, is located on a prime waterfront site in Macau Peninsula. The project comprises 7 prestigious residential towers, a luxurious flagship shopping mall, a five-star Mandarin Oriental Hotel and serviced apartments managed by the same hotel group. Launch of the latter was met by positive response.

Nova City in Taipa, in which the Group holds a 100% stake, is one of the largest luxury developments in Macau. The project comprises upscale residential units, world-class landscaping and clubhouse facilities. Sales of the first three phases have generated strong public response. Public launch for Phase 4, an individual project named Nova Park, has also attracted fervent response from the market. Foundation works for Phase 5 are expected to commence by mid-2013.

The Group holds a 79% interest in a Columbarium project in Taipa, Macau that opened in 2011. To further support this project, the Group has expanded its business to one-stop funeral service in Hong Kong under the brand Wing Nim Memorial Services.

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 Lake front development plan.

The Group plays a prominent role in the Hong Kong property market with a portfolio comprising commercial, residential and retail property ventures. Chatham Gate is the Group's latest residential project; it consists of approximately 370,000 square feet of residential and retail space. Occupation permit was issued in October 2012 and handover of units is slated for the first quarter of 2013.

In October 2012, the Group made its debut in the real estate market in the northern part of China through a consortium to develop an iconic landmark in the new business district of Beijing – the Tongzhou District. The project will comprise retail, office and serviced apartment components.

The Group currently provides property management services to 16.3 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".

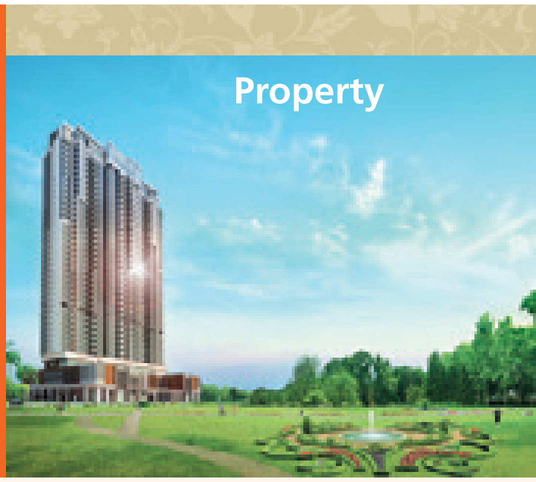
TurboJET, operated and managed by Shun Tak – China Travel Shipping Investments Limited, offers passengers speedy, reliable and comfortable sea travel services across major destinations within the Pearl River Delta ("PRD"), linking major cities such as Hong Kong, Macau, Nansha and Shekou.

In 2003, TurboJET launched a unique inter-regional air-sea network comprising a ferry service that links major international airports in the PRD known as "TurboJET Sea Express". The bonded service connects air transit passengers of the Hong Kong International Airport with Macau and 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 offers an enhanced travel experience to its top class customers, catering to increasing demand from corporate business and MICE travelers from around the world.

Following the successful acquisition of New World First Ferry Services (Macau) in September 2011, TurboJET has become the world's largest fleet of high speed passenger

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.



ferries; further reinforcing its market-leader position within the region. The strategic move also reinforced the Group's commitment in weaving a seamless sea network for the PRD.

In November 2012, terminal operations at the Macau Maritime Ferry Terminal were transferred under the direct management of Shun Tak – China Travel. This helped to effectively streamline resources at the terminal, and allowed the company to better design passengers' pre-boarding experience.

On land, the Group's joint venture company, Shun Tak & CITS Coach (Macao) Limited, has an operating fleet of 131 vehicles, providing local and cross-boundary coach services between various mainland cities and Macau.

The extensive network creates for the Group a unique and strategic international multimodal transportation network

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.

Shun Tak Travel provides one-stop and innovative travel and MICE solutions to corporate clients, travel partners as well as individual travelers. It has serviced many large enterprises and leading brands, and is making a name in tailored corporate hospitality solution in China.

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 was opened in June 2010.

Another ultra-luxurious hotel, the Jumeirah Hotel, will be built in the Cotai tourism epicenter upon Macau government approval.

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 commercial Bungy Jump.

Investment

The Group owns diversified valuable investment in Macau and Hong Kong. It possesses an effective interest in Sociedade de Turismo e Diversões de Macau, S.A. ("STDM") of approximately 11.5%, which in turn owns approximately 54.98% of SJM Holdings Limited ("SJM Holdings"), a listed company in Hong Kong. SJM Holdings owns the entire shareholding interests of Socidadede Jogos de Macau S.A., one of six gaming concessionaries licensed by the Macau SAR Government to operate casinos in Macau. Macau Matters Company Limited, the Group's retail arm, operates "Toys"R"Us" catering to the demand of local youngsters and tourists.

The Group, through a three-way consortium with business partners, was awarded a contract comprising of a 10-year tenancy agreement of the up-coming new Kai Tak Cruise Terminal. The facility is slated for completion by mid-2013 and can accommodate the new class of mega-cruisers and instrumental in developing Hong Kong into an international cruise hub.

Management Profile

Dr. Stanley Ho

G.B.M., G.B.S.
Group Executive Chairman
aged 91

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.

Dr. Stanley Ho is a director of Shun Tak Shipping Company, Limited*. He is also 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. which is listed on the Euronext Lisbon.

Dr. Stanley Ho is currently the honorary life 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 member of the board of directors of the PolyU Development Foundation.

Dr. Stanley Ho is a vice patron of the Community Chest of Hong Kong and a patron of The Society of the Academy for Performing Arts.

Dr. Stanley Ho was awarded the Grand Bauhinia Medal and the Gold Bauhinia Star by the Government of the Hong Kong Special Administrative Region in 2010 and 2003 respectively.

In Macau, Dr. Stanley Ho is the managing director of Sociedade de Turismo e Diversões de Macau, S.A. and a director of Sociedade de Jogos de Macau, S.A. ("SJM SA"). He was the Managing Director of SJM SA from 2001 to 2010. Dr. Stanley Ho is the co-chairman of the Advisory Committee of Industrial and Commercial Bank of China (Macau) Limited, and the chairman of the board of directors of Macau Horse Racing Company, Limited. He is also a member of the Economic Development Council of the Government of the Macau Special Administrative Region, a member of the University Assembly of the University of Macau and an honorable patron of the University of Macau Development Foundation.

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

Dr. Stanley Ho was 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 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.*

Sir Roger Lobo

C.B.E., L.L.D., J.P.
Independent Non-Executive Director
aged 89

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 the chairman of the remuneration committee and a member of the audit 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 HKT Trust and HKT Limited (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.

In the past three years, Sir Roger Lobo was an independent non-executive director of PCCW Limited (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited) up to 28 November 2011.

Mr. Norman Ho

F.C.P.A., B.A., A.C.A.
Independent Non-Executive Director
aged 57

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. He is also a director of a subsidiary 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.

Mr. Norman Ho is also an independent non-executive director of Hong Kong Ferry (Holdings) Company Limited, Lee Hing Development Limited and Starlight International Holdings Limited and an executive director of Miramar Hotel and Investment Company, Limited and Vision Values Holdings Limited, which are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

In the past three years, he was also an independent non-executive director of CITIC Pacific Limited up to 12 May 2011, which is 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 member of the Hong Kong Institute of Certified Public Accountants.

Mr. Charles Ho

Independent Non-Executive Director
aged 63

Mr. Ho Tsu Kwok, Charles ("Mr. Charles Ho") has been an independent non-executive director of the Company since 2006. He is also the chairman of the nomination committee and a member of the remuneration 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). 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 of 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.

Mr. Michael Ng

Independent Non-Executive Director
aged 54

Mr. Ng Chi Man, Michael ("Mr. Michael Ng") was appointed as an executive director of the Company in 2009 and was then re-designated as a non-executive director of the Company in July 2010. Mr. Michael Ng has been re-designated as an independent non-executive director of the Company and appointed as a member of the audit committee of the Company both with effect from 20 December 2012.

Mr. Michael Ng is a fellow member of the Hong Kong Institute of Certified Public Accountants. He holds a Master's degree in business administration from St. John's University in New York, the U.S.A.

Mr. Michael Ng has substantial experience in corporate and financial management of listed companies in Hong Kong. He is currently the chairman and chief executive officer of Blackmoon Lifestyle Holding Limited, a holding company developing a lifestyle brand and developing a premium lifestyle cafe network in China.

In the past, he was an executive director and chief executive officer of Viva China Holdings Limited, which is listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, up to 30 August 2012. Mr. Michael Ng was also an executive director of HKC (Holdings) Limited and China Travel International Investment Hong Kong Limited, which are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

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 87

Dato' Dr. Cheng Yu Tung ("Dr. Cheng") has served as a non-executive director of the Company since 1982. Dr. Cheng is also a director of Shun Tak Shipping Company, Limited*.

Dr. Cheng is the chairman of 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.

Dr. Cheng is the honorary chairman of Chow Tai Fook Jewellery Group Limited and the chairman emeritus of New World Development Company Limited. Both companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Dr. Cheng is also the chairman of Chow Tai Fook Enterprises Limited.

In the past three years, Dr. Cheng was the chairman and executive director of New World Development Company Limited and was retired on 1 March 2012. On 1 December 2012, Dr. Cheng retired as a non-executive director of Chow Tai Fook Jewellery Group Limited. Both companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Dr. Cheng was granted the Grand Bauhinia Medal by the Government of the Hong Kong Special Administrative Region in 2008.

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Mrs. Louise Mok

Non-Executive Director
aged 84

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 50

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, a member of the remuneration committee and nomination committee of the Company; and a director of a number of subsidiaries of the Company.

Ms. Pansy Ho is the chairman, 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*, Ranillo Investments Limited*, Hanika Realty Company Limited* and Beeston Profits Limited*, the chairman of Macau Tower Convention & Entertainment Centre, an executive director of Air Macau Company Limited and vice-chairman of the board of directors of Macau International Airport Co. Ltd. She is also the chairperson and an executive director of MGM China Holdings Limited and an independent non-executive director of Sing Tao News Corporation Limited (both of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited).

In the past three years, Ms. Pansy Ho was a non-executive director of Qin Jia Yuan Media Services Company Limited up to 27 May 2012, which is 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 its Chamber of Tourism, and a vice chairperson of China Society for Promotion of the Guangcai Program. In Macau, she is a member of the Government 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. She received an Honorary Doctorate Degree in Business Administration from the Johnson and Wales University in May 2007.

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.

* *Shun Tak Shipping Company, Limited, Ranillo Investments Limited, Hanika Realty Company Limited and Beeston Profits Limited are companies which have an interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.*

Ms. Daisy Ho

Deputy Managing Director
aged 48

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 development, sales and investments.

Ms. Daisy Ho is a director of Shun Tak Shipping Company, Limited*, Ranillo Investments Limited* and Hanika Realty Company Limited*.

Ms. Daisy Ho is Vice President and 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 Vice President of the Board of Directors of Macao Association of Building Contractors and Developers, Chairman cum Director of University of Toronto (Hong Kong) Foundation Limited and Chairman of its Scholarship Selection Committee, Dean's International Advisory Committee Member of Joseph L. 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, Vice-Chairman of the Board of Governors of Hong Kong Ballet 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.

* *Shun Tak Shipping Company, Limited, Ranillo Investments Limited and Hanika Realty Company Limited are companies which have an interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.*

Ms. Maisy Ho

Executive Director
aged 45

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.

Ms. Maisy Ho is also a director of Hanika Realty Company Limited*.

In Hong Kong, Ms. Maisy Ho is 4th vice-chairman of Tung Wah Group of Hospitals, honorary vice chairman of Hong Kong United Youth Association, vice president of Hong Kong Institute of Real Estate Administrators, committee member and vice chairman of Young Executive Committee of The Chinese General Chamber of Commerce, vice chairman of Hong Kong Junior Police Call Honorary President Council for Central District, honorary vice president of Hong Kong Girl Guides and member of board of trustees of New Asia College, The Chinese University of Hong Kong. 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 Enterprise Commercial Association, executive member of Ladies Committee of Macao Chamber of Commerce and committee member of Kiang Wu Charitable Association.

In China, she is a standing committee member of the Chinese People's Political Consultative Conference of Liaoning Province, a standing committee member of Beijing Youth Federation, and vice-chairman of Liaoning Youth Federation.

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.

* *Hanika Realty 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.*

Mr. David Shum

Executive Director
aged 58

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. Rogier Verhoeven

Executive Director
Aged 50

Mr. Rogier Johannes Maria Verhoeven ("Mr. Rogier Verhoeven") joined the Group as a consultant since 2000 and was appointed an executive director of the Company in February 2012. He is also a member of the executive committee and the President of the Group Hospitality Division. He is also a director of certain subsidiaries of the Company.

Mr. Rogier Verhoeven has extensive experience in the hospitality industry. He is responsible for overseeing the strategic development of the new hospitality business of the Group Hospitality Division, as well as the business operation of the new hospitality division and assessment of business development opportunities in the fields of property management, hotel management, multi-use developments, hotel development and concierge services.

Mr. Rogier Verhoeven holds a Bachelor's degree in Hotel Management from the Hotel School The Hague, International University of Hospitality Management, the Netherlands.

Financial Highlights and Dividend Schedule

Financial Highlights

	2012 (HK$'000)	2011 (HK$'000)
Turnover	**5,494,679**	2,968,318
Profit attributable to owners of the Company	**2,562,794**	780,591
Total equity	**23,027,927**	18,437,909
Earnings per share *(HK cents)*		(Restated)
– basic	**88.7**	31.7
– diluted	**85.2**	31.5
Dividends per share *(HK cents)*	**8.5**	4.0
Net asset value per share *(HK$)*	**7.7**	8.5

The calculation of basic earnings per share is based on the weighted average number of 2,889,291,226 shares (2011: 2,461,619,629 shares, after adjusting for the rights issue completed in March 2012) in issue during the year. The calculation of diluted earnings per share is based on the weighted average number of 3,088,239,325 shares (2011: 2,474,808,721 shares, after adjusting for the rights issue completed in March 2012) in issue after adjusting for the effects of all dilutive potential ordinary shares.

Dividend Schedule

Announcement of final dividend	25 March 2013
Deadline for lodgement of all transfers	4:30 p.m. on 30 May 2013
Closure of register of members (for determining shareholders' eligibility to attend and vote at Annual General Meeting)	31 May 2013 to 7 June 2013, both days inclusive
Annual General Meeting	7 June 2013
Deadline for lodgement of all transfers	4:30 p.m. on 13 June 2013
Closure of register of members (for determining shareholders' entitlement to the final dividend)	14 June 2013 to 18 June 2013, both days inclusive
Posting of dividend warrants to shareholders	On or around 28 June 2013

Significant Events

2012

January

Shun Tak – China Travel Ship Management Limited ("Shun Tak – China Travel") was appointed by Macau SAR Government as one of the committee members of Macau Tourism Development Council.

March

- The Group successfully bided for an operating and managing tenancy for Kai Tak New Cruise Terminal through a 3-way consortium.

- Through a rights issue exercise, the Group successfully raised HK$1.6 billion with an oversubscription of approximately 19 times of the total number of rights shares available.

May

- TurboJET received 2011 Hong Kong Awards for Environmental Excellence – Gold Award in Transport and Logistics Sector from Environmental Campaign Committee and Environmental Protection Department in Hong Kong.

- TurboJET kicked off the first of its series of promotional events – "TurboJET Snapshot Gallery@Time Square", to celebrate its 50th Anniversary.

June

- The Group made a second launch of Nova Park, involving 196 two-bedroom units. All units were sold within 3 days with sales proceed of over HK$1.14 billion.
- TurboJET expanded its network to operate ferry service between Taipa Temporary Ferry Terminal and Hong Kong.

- TurboJET received CILT Award 2011 – Enterprise Award from the Chartered Institute of Logistics and Transport (CILT) in Hong Kong.

8

August

The Group completed the disposal of a property in Star House.

September

- Macau Tower was the official venue sponsor of "Global Tourism Economy Forum • Macau 2012".
- Macau Tower clinched the "Award of Excellence in Innovation – Promotional" from World Federation of Great Towers with its creative promotional campaign "Crazy Bungy Battle".

9

10

October

The Group entered into a joint venture to develop an iconic integrated development in Tongzhou, Beijing.

11

November

Shun Tak – China Travel started self-handling the shipping service operations at the Macau Maritime Ferry Terminal.

2013

March

The Group announced an issuance of US$400 million 7-year guaranteed notes (Stock Code: 5910) on The Stock Exchange of Hong Kong Limited at 5.7% due in March 2020. An oversubscription of approximately 12 times was recorded.

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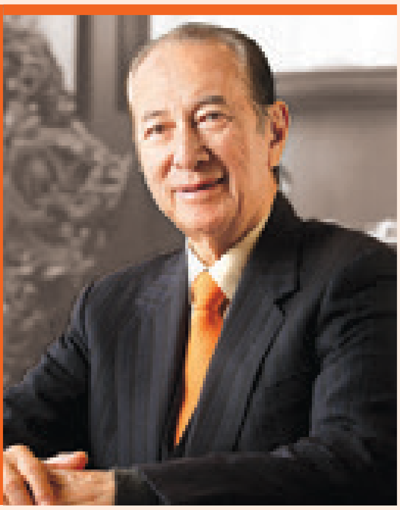
Chairman's Statement



On the back of a strong economy, all divisions have turned in encouraging results. This allows us the financial viability to invest prudently in new projects that complement our existing company portfolio, and reinforce the Shun Tak brand as a leader in integrated developments and tourism products.

Dear Shareholders,

It gives me great pleasure to announce that profit attributable to shareholders of the Group for the year ended 31 December 2012 was HK$2,563 million (2011: HK$781 million). Basic earnings per share were HK 88.7 cents (restated 2011: HK 31.7 cents). Subject to approval by our shareholders at the Annual General Meeting scheduled for 7 June 2013, the Directors recommend a final dividend of HK 8.5 cents per share (2011: HK 4.0 cents per share). Total dividends for the year amounted to HK 8.5 cents per share (2011: HK 4.0 cents per share).

2012 is a year that holds remarkable significance. On the Group's 50th Anniversary, we are on one hand celebrating the solid bedrock we have laid, and on the other hand, refusing to rest on our laurels and excitedly charting new horizons. On the back of a strong economy, all divisions have turned in encouraging results. This allows us the financial viability to invest prudently in new projects that complement our existing company portfolio, and reinforce the Shun Tak brand as a leader in integrated developments and tourism products.

The transportation division made an encouraging recovery from a few testing years, with a stabilized operating environment. Following the integration of TurboJET and New World First Ferry Services (Macau) operations, the Group managed to restore economies of scale and maintain an efficient and sustainable cross border ferry service. Over the year, a growth in demand for luxury travel became evident. As such, TurboJET will continue to expand its Premier Jetfoil offering to optimize yield per sailing. Late 2012, Shun Tak – China Travel has taken up direct management of shipping services operations at the Macau Maritime Ferry Terminal. This allowed for better allocation of resources and enhanced consistency in the overall passenger experience.

Strong performance from our property division underpinned the commendable results of 2012 on the back of revenue from the sale of Chatham Gate, a resplendent residential development in Kowloon, as well as investment gains from the disposal of a valuable property within Star House in Tsim Sha Tsui. The division registered a 179% increase in operating profit as compared with last year. Progressing with the same momentum, sale proceeds from a pipeline of projects including Nova Park in Macau and remaining units of Chatham Gate shall provide a dependable income stream for the Group in the next quarters.

Another key step for the Group is the decision to make its foray in property development in Northern China. A site in the new business district of Beijing – Tongzhou, has been identified to develop an iconic architecture comprising retail, office and serviced apartments. With the new strategic value of Tongzhou, as well as comprehensive transportation network connecting the property with the rest of the capital city, the Group is convinced about the potential of the project.

Hospitality division experienced broad-based growth in its hotel investment, destination management, product distribution and MICE businesses, benefiting from a tailwind in strong regional tourism expansion.

In Hong Kong, the Group has won a management contract for the new Kai Tak Cruise Terminal through a three-way consortium. Harnessing our profound experience in managing passenger terminals, we are excited to contribute our know-how in this important chapter of Hong Kong's tourism development.

For years, management has been committed to forging a well-rounded tourism brand under the umbrella of Shun Tak, and this vision is gradually taking shape. Today, we have established a strong presence in China through acquisitions and partnership, and in 2013, the Group has further plans to expand by launching tourism products that carry a uniquely oriental flavor.

Investment division performed satisfactorily on the back of dividend income from Sociedade de Turismo e Diversões de Macau, S.A. ("STDM"). It is expected that STDM will be declaring dividends twice yearly on a regular basis in the future, contributing to a stable stream of revenue for the Group.

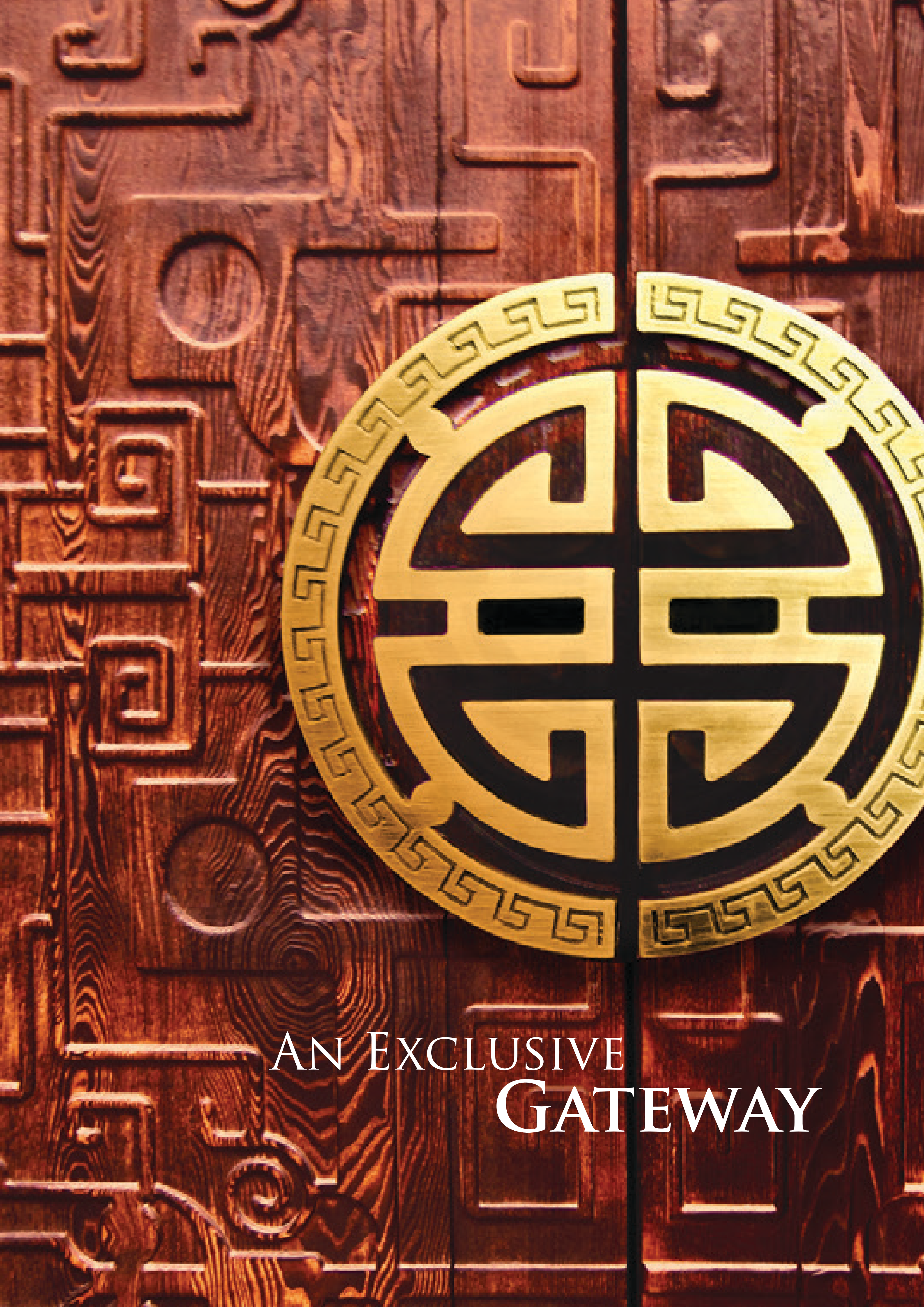
In March 2012, the Group undertook a rights issue exercise where a capital of HK$1.6 billion has been raised, attracting an oversubscription of approximately 19 times. One year later, in March 2013, the Group announced a US$400 million 7-year guaranteed notes at an annual coupon of 5.7%. This also resulted in an approximately 12-time oversubscription. Such strong market responses reflected the public's vote of confidence in the financial solidarity and growth potential of our Group.

I would like to take this opportunity in thanking our board of directors for remaining committed to meritocracy as well as diversity, as well as applauding our approximately 3,270 staff members for their unwavering dedication in elevating the Group to new heights. I look forward to the many exciting plans set out for 2013.

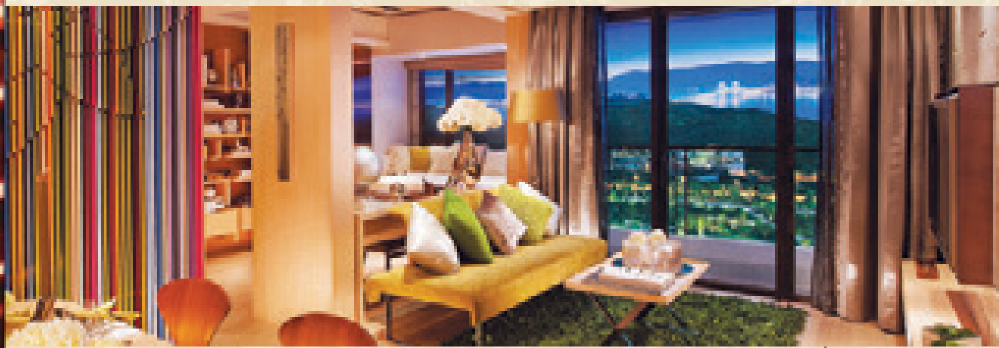
By order of the Board

Stanley Ho
Group Executive Chairman

25 March 2013



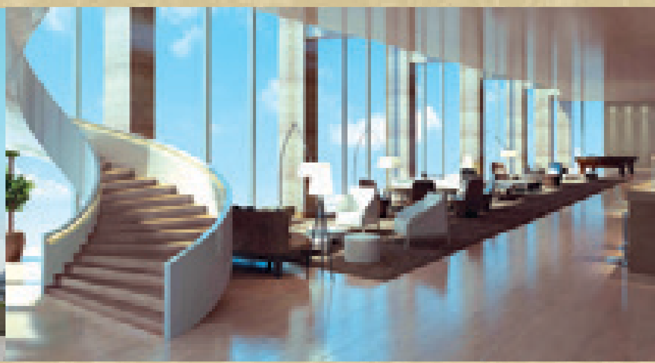
An Exclusive Gateway



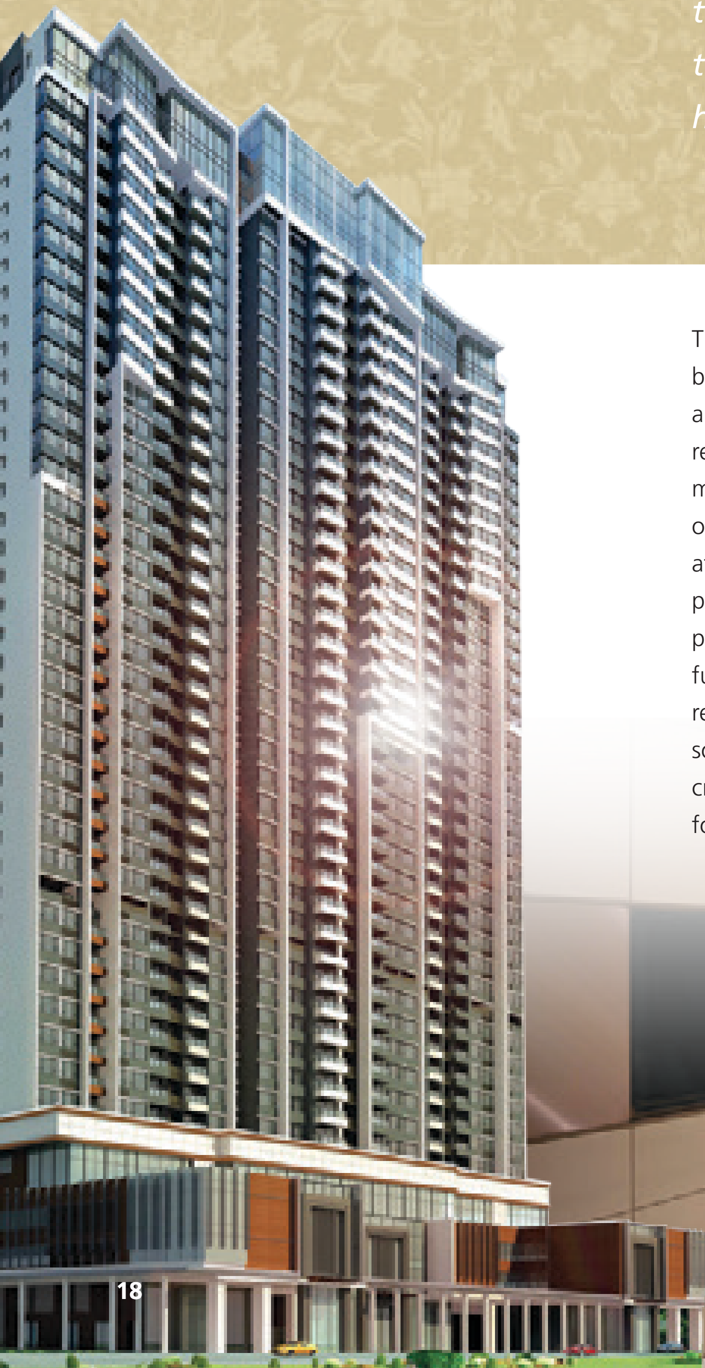
PROPERTY

With acute foresight and innovation, we bring new living concepts to life. Apart from building houses, we build homes, communities and environments that blend in perfect harmony.

PROPERTY



The strong performance is indicative of a solid customer base for reputable developments, and the Group has created the brands and reputation to capitalize upon such demands for quality homes.



The division delivered promising results in 2012 on the back of bookings from the sale of Chatham Gate and the disposition of an investment property at Star House in Hong Kong. The division registered an operating profit of HK$518 million (2011: HK$186 million), plus HK$1,473 million (2011: HK$460 million) in share of profits from jointly controlled entities and associates, primarily attributable to the One Central project. The aggregate divisional profit, after excluding revaluation surplus arising from investment properties, is HK$761 million (2011: HK$545 million). In addition, further launches of Nova Park in Macau were met with favorable responses from the market. The strong performance is indicative of a solid customer base for reputable developments, and the Group has created the brands and reputation to capitalize upon such demands for quality homes.

Property Developments

Projects Completed with Recent Sales

IN MACAU

One Central

One Central, a prominent architectural feature on the Macau Peninsula waterfront, is a mixed use property developed in partnership with Hongkong Land Holdings Limited, with the Group holding a 51% interest.

99% of the seven residential towers in One Central Residences has been sold as of 31 December 2012, with six featured units sold within the year. As for The Residences and Apartments at Mandarin Oriental, Macau, 8 units were sold in year 2012, with only 2 units remaining.

Taipa Hills Memorial Garden

The project is a contemporary columbarium in Macau that opened in 2011 in which the Group holds a 79% interest. 3,810 niches have been sold on the launched levels including the smoke-free ground floor and first floor catered for Chinese religions as of 31 December 2012.

The Group has planned to further support this columbarium project by expanding its business to funeral service in Hong Kong, which offers tailored solutions to families opting for one-stop services. A new brand, Wing Nim Memorial Services, was launched in the first quarter of 2013 for the purpose.

IN HONG KONG

Chatham Gate

The Group holds 51% interest in this grand residential mansion and the appending shopping arcade covering a gross floor area of approximately 370,000 square feet. It comprises two luxurious residential towers offering units that range from 392 square feet to 2,080 square feet in versatile studio to four-bedroom configurations. Occupation permit was issued in October 2012. Handover of units commenced in the first quarter of 2013 while the shopping arcade is expected to open in the third quarter of 2013.

As of 31 December 2012, 236 out of 334 residential units have been sold with an average selling price of approximately HK$11,500 per square feet.

Projects under Development with Recent Sales

IN MACAU

Nova Park

Nova Park, phase 4 of Nova City, is a striking urban park-side residential development set at the heart of the thriving Taipa community with an unimpeded view of the stunning Taipa Central Park, newly opened for public use in December 2012. Its three residential towers will cover a gross floor area of approximately 680,000 square feet and will become yet another asset in our varied product portfolio.

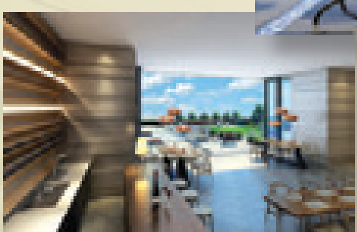
Foundation work has been completed and superstructure works have commenced. Project completion is slated for the fourth quarter of 2014. The development has been launched for sale in March and June of 2012, with both occasions attracting fervent response from the market. As of 31 December 2012, 334 units have been sold with an average selling price of HK$5,200 per square feet.

Projects under Development

IN MACAU

Nova City Phase 5

The next phase of this popular residential community comprises over 2.3 million square feet of residential units in eight towers. These towers will sit above a large-scale lifestyle shopping centre with a gross floor area of over 650,000 square feet. It will house a diverse range of tenants including supermarkets, dining outlets, leisure retail and entertainment



components to provide unparalleled convenience and comfort to become the gathering hub of the entire Taipa community. The project is under planning and foundation works are expected to commence by mid-2013.

Harbour Mile

The premium residential development at the Nam Van site, adjoining the Macau Tower Convention & Entertainment Centre ("Macau Tower"), is under planning. The Macau SAR Government is continuing to review the Master Plan of the entire Nam Van district. It is anticipated that the Macau SAR Government will need more time to finalize the Master Plan.

Hotel Development at Cotai Site

The Group controls 100% interest in the Cotai project and is the sole developer of the site. Application for land grant was made, and the Group is in discussion with the Macau SAR Government on its plan to develop five-star hotels on the site.

IN HONG KONG

Proposed House Development at Chung Hom Kok

This proposed development comprises five luxury residential houses in a premium and tranquil location at Chung Hom Kok on the southern side of Hong Kong Island. Superstructure works are in progress and the project is scheduled for completion in the fourth quarter of 2013.

IN CHINA

Beijing Tongzhou Integrated Development

In October 2012, the Group entered a consortium to develop an iconic landmark in the new business district of Beijing – the Tongzhou District comprising retail, office and serviced apartment components. It is located on a prime site fronting the famous Grand Canal and enjoys direct connectivity to future subway and bus interchange stations. Total gross floor area of the project approximates 402,000 square meters. The Group holds 24% interest in the project.

Property Investments

IN MACAU

One Central Shopping Mall

Directly appending to MGM Macau and the premium 213-room Mandarin Oriental, Macau hotel, One Central Shopping Mall houses leading worldwide designer brands, many of which have selected this prime location to establish their strategic flagship stores. Occupancy averaged at 95% in 2012, generating extremely favorable yield on the investment, and achieved satisfactory rental revision.

Shun Tak House

The property, situated in the bustling tourist locale Senado Square at the heart of Macau Peninsula, covers over 28,000 square feet of leasable area and consistently maintains 100% occupancy with two major retail anchor tenants.

IN HONG KONG

The Westwood

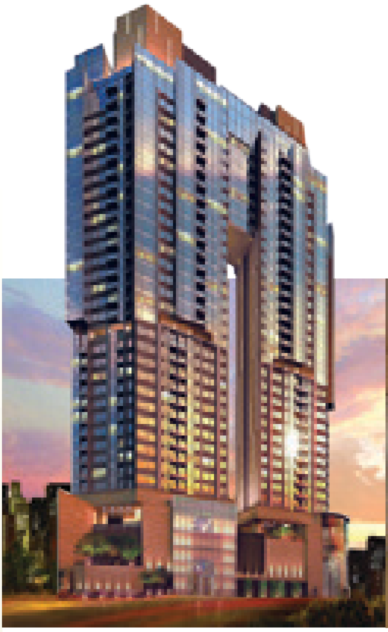
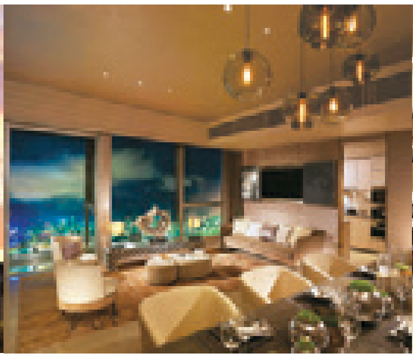
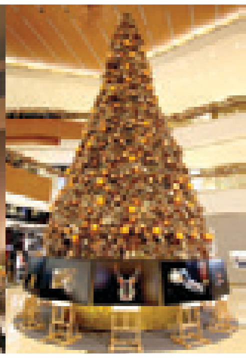
Home to a myriad of chain retailers, The Westwood, a five-storey shopping centre at The Belcher's with approximately 158,000 square feet of leasable area, is the largest shopping destination in the Western Mid-Levels. As of 31 December 2012, the occupancy rate stood above 95%. Accessibility to The Westwood will be further improved when construction work of the MTR West Island Line is completed in 2014.

Liberté Place

Liberté Place, the shopping podium of Liberté, offers a wide variety of dining and household conveniences to residents of the West Kowloon community, including the neighboring Banyan Garden and The Pacifica. Occupancy consistently stands close to 100%. After the opening of a direct access connecting to Lai Chi Kok MTR Station, foot traffic has been further enhanced.

Disposal of Asset

In August 2012, the Group completed the disposal of a long term valuable investment located within Star House in Hong Kong, after identifying a favorable opportunity to capitalize upon a substantial valuation gain. Based on


agreed cash consideration of HK$645 million, the Group recorded a fair value gain of HK$269 million in respect of this sale transaction. After taking into account of relevant transaction costs of approximately HK$7 million, the Group recognised a net gain of approximately HK$262 million in total. This is a strategic step to consolidate resources leading to improvements in portfolio return for the future.

IN CHINA

Guangzhou Shun Tak Business Centre

The property is a 32-storey office tower on a 6-storey shopping arcade. It registered satisfactory leasing performance in 2012. The Group holds 60% interest in the property.

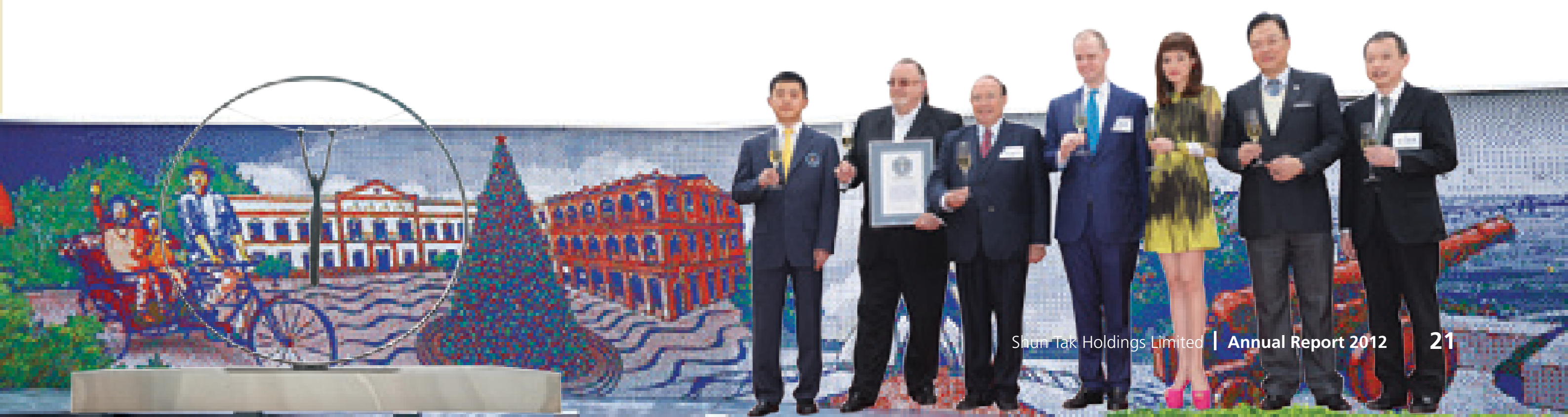
Property Services

Shun Tak Property Management Limited ("STPML"), the Group's wholly owned subsidiary engaging in property management, oversees a portfolio size of 16.3 million square feet across Hong Kong and Macau. Beyond traditional property management, it also operates complementing businesses including property cleaning under Shun Tak Macau Services Limited, and laundry services under Clean Living (Macau) Limited. STPML is a vital part of the fabric of the community, and has been steadfast in improving service quality and sustainability. It is the proud recipient of the Caring Company Award for ten consecutive years.

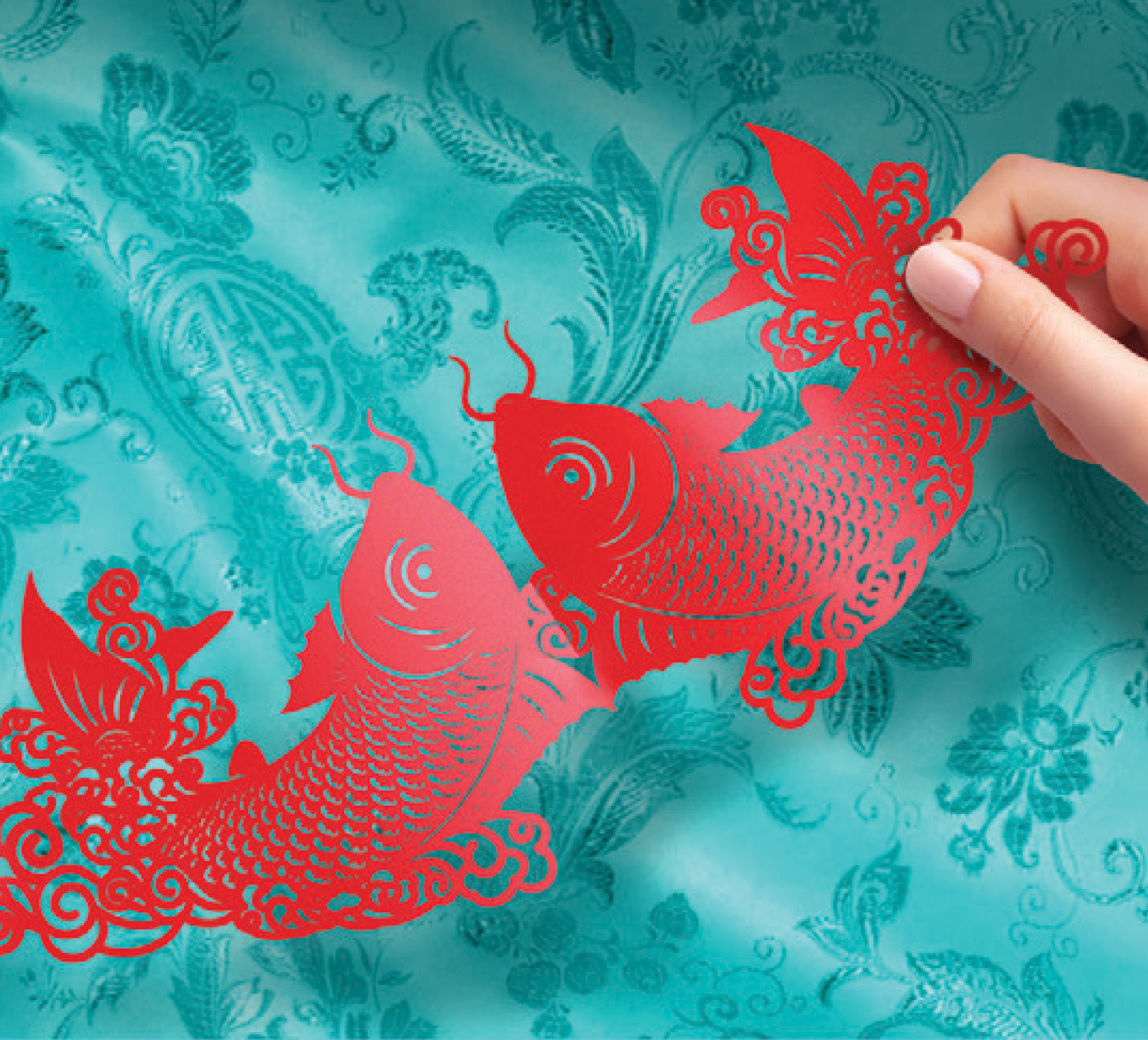
10 consecutive years 商界展關懷 caringcompany® 2002-12

Awarded by The Hong Kong Council of Social Service 香港社會服務聯會頒發

"10 Consecutive Years Caring Company" Award from Hong Kong Council of Social Service



A Bridged Network



TRANSPORTATION

Combining the wealth of experience from our team and extensive resources, we spearhead a seamless cross-modal transportation network for the region to bring people and business together.

TRANSPORTATION

The Group successfully integrated the Kowloon – Macau route and expanded its network to operate between Taipa and Hong Kong to cover all passenger ports across the two SARs.

"CILT Award 2011 — Enterprise Award" by the Chartered Institute of Logistics and Transport (CILT) in Hong Kong

"2011 Hong Kong Awards for Environmental Excellence — Gold Award in Transport and Logistics Sector" by Environmental Campaign Committee and Environmental Protection Dept. in Hong Kong

"2012 Asian Excellence Brand Award 2012" by Yazhou Zhoukan

"Eco-brand Award 2012" by East Week

"Silver Label 2012" by Low-carbon Office Operation Programme (LOOP)

"Smiling Enterprises Award 2011 — Transportation Services (Macau)" by Mystery Shopper Service Association

Year 2012 marks an exciting and eventful 50th anniversary for TurboJET, the division's flagship ferry operation. A number of significant developments have helped to strengthen its financial position and reestablish profitability. The transportation division collectively posted HK$65 million in operating profit which represents a 743% year-on-year improvement.

Two significant events paved way for the recovery of TurboJET towards the end of 2011. Firstly, a fare increment with the approval from the Macau SAR Government alleviated pressure from high fuel cost. Secondly, a strategic acquisition of New World First Ferry Services (Macau) enabled economies of scale and allowed TurboJET to penetrate high-volume tour group market departing from Kowloon.

In June 2012, the Group successfully integrated the Kowloon-Macau route under the brand name of TurboJET. In the same month, the Group also expanded its network to operate routes between Taipa Temporary Ferry Terminal and Hong Kong. The expansion of service network provides valuable flexibility and convenience for TurboJET passengers. In 2012, TurboJET serviced 13.9 million passengers on the Hong Kong-Macau routes including Kowloon service, recording an increase of 20% as compared to 2011.

TurboJET has an upgrading scheme in place for its Jetfoil fleet to improve yield and meet the growing demand for premium passenger ferry services. The third overhauled ferry was launched in the third quarter of 2012, enabling TurboJET to provide Premier Jetfoil service every hour throughout the day. Popularity of this superior service testifies to a rapidly growing luxury segment in the Macau tourism market. TurboJET aims to provide half-hourly sailings by the fleet of Premier Jetfoils.

In November 2012, shipping services operations at the Macau Maritime Ferry Terminal were transferred under the direct management of Shun Tak – China Travel. Through this self-handling arrangement, TurboJET is able to effectively consolidate resources and streamline operations at the terminal, and to enhance passengers' pre-boarding experience.

In keeping with the Group's commitment in forging a multimodal transportation network within the Pearl River Delta, it continued its strategic alliances with mainland ferry operators by offering passenger ferry services to Shenzhen, Shekou and Nansha. In August 2012, the Group further enhanced its network by launching ferry service between Taipa Temporary Ferry Terminal and Shekou. In addition, the Group's joint venture, Hong Kong International Airport Ferry Terminal Services Limited, had been awarded by the Airport Authority Hong Kong to continue the management of the ferry operations at SkyPier from April 2013. In 2012, SkyPier continued to show encouraging growth, setting record numbers in terms of passenger throughput at 2.6 million, achieving an 8.3% year-on-year growth.

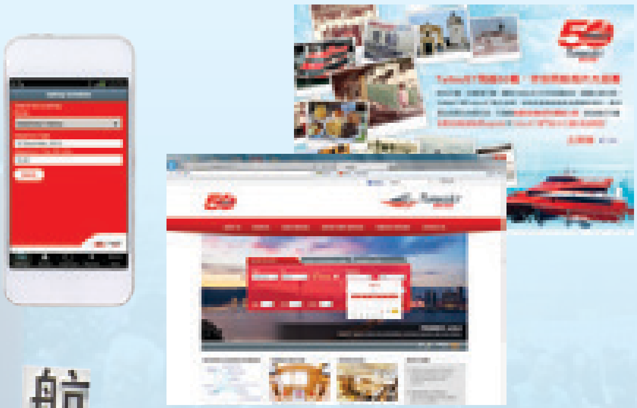
The Group is committed to enhancing passenger convenience by using innovative technology. During the year, TurboJET launched a new mobile application, allowing passengers to search and reserve available sailings by using their smartphones. Passengers are also able to have instant access to booking account and receive alert messages for departure time through the mobile application.

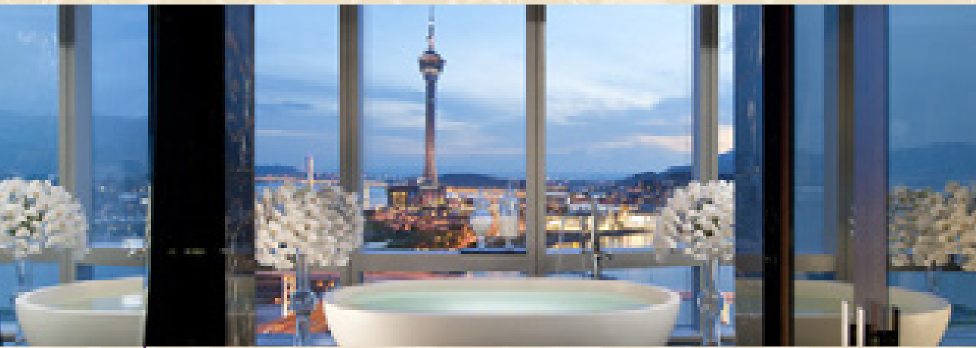
To celebrate its 50th Anniversary, various promotional events such as the "TurboJET Snapshot Gallery@Time Square" and the "TurboJET – A Journey through 50 Glorious Years Photo Contest" were held to recognize and reward its fans through engaging activities.

In mid-2012, TurboJET received two major industry awards in recognition of its quality service and environmental excellence, namely CILT Award 2011 – Enterprise Award by the Chartered Institute of Logistics and Transport (CILT) in Hong Kong and 2011 Hong Kong Awards for Environmental Excellence – Gold Award in Transport and Logistics Sector by Environmental Campaign Committee and Environmental Protection Department in Hong Kong.

Shun Tak & CITS Coach (Macao) Limited

On land, the coach bus rental business continued to deliver strong returns with revenue of HK$95 million (2011: HK$88 million). Shun Tak & CITS Coach (Macao) Limited operates a fleet of 131 vehicles for cross-border and local rental services.





Hospitality

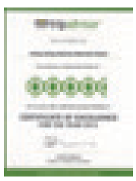
As a forerunner in the business of premium hotels, hospitality and MICE services, the Group is moving on to harness the myriad of opportunities arising in Mainland China.

A Harmonious Interplay

The division demonstrated all-rounded growth in multiple facets of its hospitality business. Having consolidated a staunch foundation and resourceful network, the Group is poised to further complete its vision as a comprehensive travel and tourism group in 2013.

"The Best Airport Hotel in China" by China Hotel Starlight Awards

"Best Business Hotel in China" by Business Destination Travel Awards

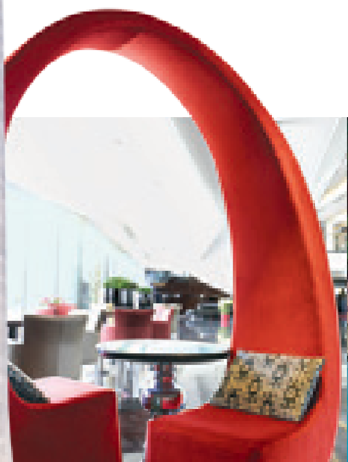


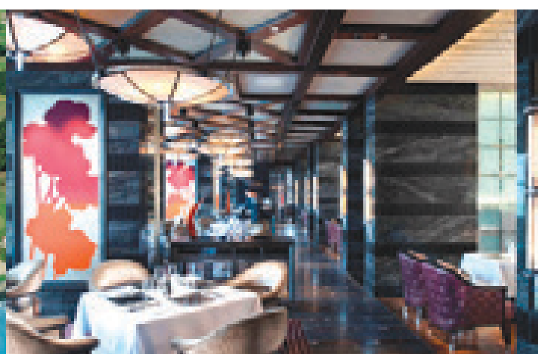
"Winner Certificate of Excellence 2012" by Trip Advisor

The division continued to benefit from an unprecedented level of tourist arrivals, and demonstrated all-rounded growth in multiple facets of its hospitality business. The division posted HK$98 million in operating profit, an exemplary 75% year-on-year growth. Having consolidated a staunch foundation and resourceful network, the Group is poised to advance its hospitality business into new realms that will further complete its vision as a comprehensive travel and tourism group in 2013.

Hotels

In Hong Kong, the 658-room SkyCity Marriott Hotel located close to the AsiaWorld-Expo, the Hong Kong International Airport and the SkyPier, delivered impressive results in 2012. The management executed an effective sales management control system by targeting specific high yielding market





segments which resulted in room rate growth. Combined with a strict cost regime, the hotel achieved a year of record profits, registering a strong 18% increase in revenue amounting to HK$345 million, and an average occupancy of 81%.

Hong Kong SkyCity Marriott has won the "Best Business Hotel in China" by Business Destination Travel Awards, "Winner Certificate of Excellence 2012" from Trip Advisor, as well as "The Best Airport Hotel in China" by China Hotel Starlight Awards. The hotel also received a global "Hotel of the Year" nomination, out of over 800 Marriott branded hotels.

Mandarin Oriental, Macau leveraged upon its convenient location, strong brand affiliation, and signature service to achieve an average occupancy rate of over 67% and revenue of MOP194 million. It continued to lead the room rates in its competitive set for year 2012. The hotel received a prestigious award in the "Five Star Rated Spa" category by 2012 Forbes Travel Guide. Vida Rica Restaurant and Bar was also rated as "Recommended" restaurant by the 2012 Forbes Travel Guide.

Westin Hotel continued to focus on delivering value resort experiences for holidaymakers who prefer a tranquil, leisurely and non-gaming environment near the beach and mountains of Coloane. The management team continued its collaboration with Macau Golf & Country Club, and implemented an innovative and extensive marketing plan, including exploration of new overseas markets, that returned encouraging results. The property achieved a 70% occupancy rate and satisfactory revenue.

Hospitality Management

Macau Tower registered strong performance in Banquet and MICE business in 2012, having held top class events such as The Global Tourism Economy Forum • Macau 2012 and many important official government occasions. Nonetheless, observation admission dropped marginally due to a circumstantial decline in visitor numbers from two major markets, namely India and Japan. AJ Hackett-Macau Tower continued to fare well with its world's highest commercial Bungy Jump leading in popularity amongst other urban adventure products. In September 2012, it stood out from 37 towers across 20 countries and clinched the Award of Excellence in Innovation — Promotional from World Federation of Great Towers with its creative promotional campaign "Crazy Bungy Battle".

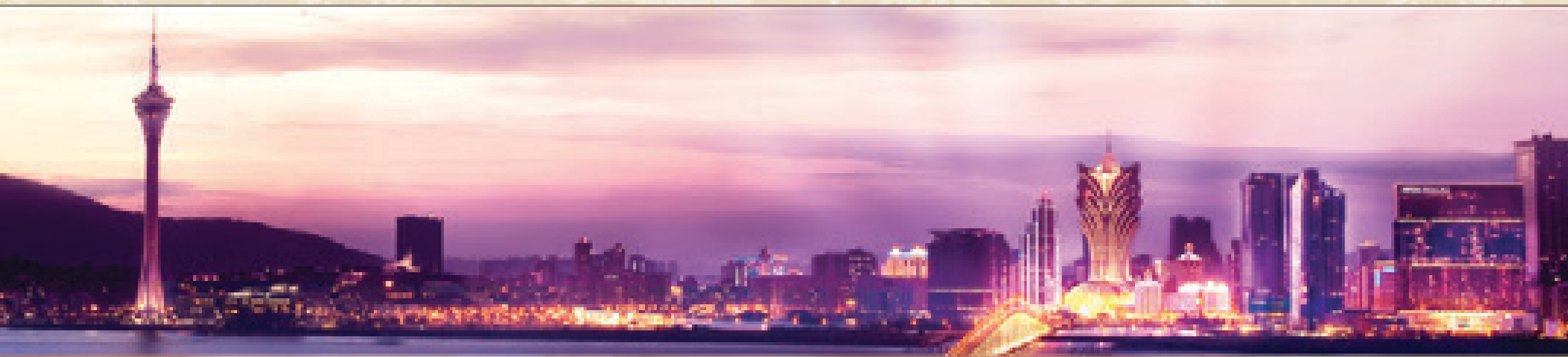
Travel and MICE

Shun Tak Travel achieved remarkable growth in sales buoyed by the stable Asian economy and healthy regional tourism expansion. The division enjoyed a broad increase in all segments of business including leisure, corporate and MICE. In particular, a hike in ferry ticket sales followed the acquisition of New World First Ferry Services (Macau) by the Group. In China, Shun Tak is making a name in tailored corporate hospitality solution, having serviced many large enterprises and leading brands, including the Tianjin Summer Davos 2012. All in all, the division attained a record gross revenue of HK$365 million, representing a 19% year on year growth.

"Award of Excellence in Innovation — Promotional" from World Federation of Great Towers

INVESTMENT

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.



A Well Paced Rhythm

Review of Operations
INVESTMENT

It is expected that STDM will be declaring dividends twice yearly on a regular basis in the future, contributing to a stable stream of revenue for the Group.

The investment division recorded a gain of HK$87 million (2011: HK$54 million) in 2012, with the income mainly attributable to dividend from Sociedade de Turismo e Diversões de Macau, S.A. ("STDM"). It is expected that STDM will be declaring dividends twice yearly on a regular basis in the future, contributing to a stable stream of revenue for the Group.

The Group owns an effective interest in STDM of approximately 11.5%, which in turn owns approximately 54.98% effective shareholding in SJM Holdings Limited ("SJM Holdings"), a listed company in Hong Kong, SJM Holdings owns the entire shareholding interests of Sociedade de Jogos de Macau S.A., one of six gaming concessionaires licensed by the Macau SAR Government to operate casinos in Macau.

The Group is poised to participate in the exciting and dynamic new cruise terminal at Kai Tak, through a consortium with Worldwide Flight Services Holding SA and Royal Caribbean Cruises Ltd. The facility is slated for completion by mid-2013, and the awarded contract comprises of a 10-year tenancy agreement. The new cruise terminal is located on the former Kai Tak runway with two alongside berths, which can accommodate the new class of mega-cruisers and instrumental in developing Hong Kong into an international cruise hub.

Macau Matters Company Limited is the Group's retail arm, operating Toys "R" Us Macau in Macau Tower.

Financial Activities

Such strong market responses reflected the public's vote of confidence in the financial solidarity and growth potential of our Group.

Through a rights issue exercise, the Group successfully raised HK$1.6 billion in March 2012 as general working capital and to finance new investment opportunities. An oversubscription of approximately 19 times of the total number of rights shares available was recorded, at the subscription price of HK$2.02 each and on the basis of 3 rights shares for every 8 ordinary shares.

In October 2012, the Group, at the option of the bondholders, redeemed an aggregate principal amount of HK$716.2 million of convertible bonds (Stock Code: 4313), at the conversion price of HK$7.17. The original aggregate principal amount issued in year 2009 was HK$1,550 million, bearing an annual interest of 3.3%.

In February 2013, the Group announced the establishment and listing of a US$1 billion guaranteed medium term note programme (the "MTN Programme") on The Stock Exchange of Hong Kong Limited. In March 2013, the Group further announced a US$400 million 7-year guaranteed notes at 5.7% due in March 2020 (Stock Code: 5910) issued under the MTN Programme, an oversubscription of approximately 12 times was recorded. The proceeds are intended to be used for financing new investment opportunities and for general working capital purposes.

Recent Developments and Prospect

Strong performance from the property division was underpinned by revenue generated from the sale of Chatham Gate and the disposal of a valuable property within Star House. In 2013, the Group expects to further launch some of the remaining units at Nova Park and Chatham Gate.

Moreover, the Group undertook a key decision to make its foray in property development in Northern China. A site in the new business district of Beijing – Tongzhou, has been identified to develop an iconic architecture comprising retail, office and serviced apartments. With the new strategic value of Tongzhou, as well as comprehensive transportation network connecting the property with the rest of the capital city, the Group is convinced about the potential of the project.

The transportation division made promising recovery in 2012, benefiting from a stabilized operating environment and an increase in ticket price. Following the integration of TurboJET and New World First Ferry Services (Macau), the Group managed to restore economies of scale and maintain an efficient and sustainable cross border ferry service. In June 2012, TurboJET commenced service to Taipa Temporary Ferry Terminal, which marks a significant step in its network expansion to cover all seaports across Hong Kong and Macau.

The hospitality division made remarkable progress in 2012 with broad-based growth in all sectors. The positive results bear testimony to the Group's profound understanding of the region's hospitality landscape, as well as its strategic approach in diversifying its portfolio in asset investments and business development.

In Hong Kong, the Group has won a management contract for the new Kai Tak Cruise Terminal through a three-way consortium, and will primarily be responsible for the leasing of commercial space within the terminal when it opens in 2013.

For years, management has been committed to forging a well-rounded tourism brand under the umbrella of Shun Tak, and this vision is gradually taking shape. The Group has established a strong presence in China through acquisitions and partnership, and in 2013, it has further plans to expand by launching tourism products that carry a uniquely oriental flavor.

In March 2012, the Group undertook a rights issue exercise where a capital of HK$1.6 billion has been raised, attracting an oversubscription of approximately 19 times.

One year later, in March 2013, the Group announced a US$400 million 7-year guaranteed notes at an annual coupon of 5.7%. This also resulted in an approximately 12-times oversubscription. Such strong market responses reflected the public's vote of confidence in the financial solidarity and growth potential of our Group.

With a reliable track record and clear expansion plan, Shun Tak Group is at the cusp of breaking through new realms with prudence and determination. Year 2013 promises to be exciting and rewarding, marking further steps in our commitment to generate sustainable value for shareholders in the future.

1

Our CSR philosophy is to weave responsible environment, social and governance practices into our day-to-day business. Apart from financial performance, we also gauge our success based on criteria such as community care, employee engagement and concern for our environment.

The Company scored an ESG rating (environmental, social and governance) of "A+" from RepuTex.

For a Brighter Tomorrow

In 2012, the Group has been upgraded from a Grade A to a Grade A+ ESG rating (environmental, social and governance) by the independent research firm RepuTex who works in partnership with Hang Seng Index Company for the management and compilation of the Hang Seng Corporate Sustainability Index Series, of which the Company is a constituent member.

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Our Employees

Employees are our greatest asset. They are the building blocks that define the company. It is therefore a priority to ensure that a safe, healthy and indiscriminating work environment can be offered, where our staff can perform to their best ability and maintain a good work-life balance. Over the year, the Group supported a number of seminars and workshops to improve the well being of our colleagues and bring them closer together, including health talks, interest classes and hobby groups.

Our Community

With greater success comes greater responsibility to give back to the community that has helped us grow. Other than making donations, our employees take every opportunity to reach out and serve the needy directly.

In June 2012 over the Tuen Ng holiday, 31 volunteers paid home visits to senior citizens who live alone and brought gifts of rice dumplings to celebrate the festival with the elderly. In Christmas 2012, a group of 71 staff participated in 4 voluntary services to share the love and joy with over 210 service recipients of Po Leung Kuk, Hong Kong Aged Concern Limited, Tung Wah Group of Hospitals & The Boys' and Girls' Club Association by giving out toys, books and daily amenities. Other fundraising events we supported include New World Cycling Charity Championship 2012 and Tung Wah • ING Beach Party.

Our Environment

Another of our key focuses is building sustainability into business to ensure that our operations will not compromise the natural environment. Each operational division is bound by a list of environmental objectives; apart from guiding internal processes, these policies also set standards for external contractors and suppliers. Working with various external consultants, the Group implemented changes to reduce carbon footprint, save resources and promote eco-friendly practices. In 2012, shipping division renewed its Hong Kong Awards for Environmental Excellence Wastewi$e Label. Property management division has also clinched numerous green awards in properties within its portfolio, including Excellent Class Indoor Air Quality (IAQ) Certificate and Hong Kong Green Awards 2012. These divisions also participated in the Earth Hour campaign organized by World Wide Fund to promote energy conservation.

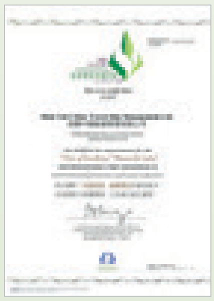
Our Future

For the 6th consecutive year, the Group participated in a School – Company – Parent program organized by the Young Entrepreneurs Development Council. 25 students were invited to gain first-hand insights on estate management and commercial operations through 4 workshops.

TurboJET continued to offer its annual scholarship in support of students who have opted for maritime or transportation studies.

Captions

(1&10)	Tung Wah • ING Beach Party
(2-5)	Christmas Voluntary Service – Visiting Po Leung Kuk, Hong Kong Aged Concern Limited, Tung Wah Group of Hospitals & The Boys'and Girls' Club Association
(6)	School – Company – Parent program organized by the Young Entrepreneurs Development Council
(7)	Tuen Ng Voluntary Service – Visiting senior citizens
(8)	Hong Kong Awards for Environmental Excellence "Class of Excellence" Wastewi$e Label
(9)	Hong Kong Green Awards 2012
(11)	New World Cycling Charity Championship 2012



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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 2012	Estimated Completion Date
Hong Kong						
Chatham Gate	15,172 (Note 1)	3,786	Residential	51%	Completed	—
No. 388 Chatham Road North, Kowloon						
	114 motor car parking spaces (Note 1)		Carpark		Completed	—
	13 motorcycle parking spaces		Carpark		Completed	—
Nos. 44-50 Chung Hom Kok Road	2,223	2,964	Residential	100%	Superstructure works in progress	2013
YTM Lots 30 & 31, Yau Tong	—	1,802	—	50%	Land bank	—
Macau						
One Central		18,344		51%		
One Central Residences	696 (Note 1)		Residential		Completed	—
	561 motor car parking spaces		Carpark		Completed	—
	141 motorcycle parking spaces		Carpark		Completed	—
The Residences & Apartments at Mandarin Oriental Macau	921 (Note 1)		Residential		Completed	—
Nova City				100%		
Phase IV - Nova Park (Taipa Lot BT35)	27,987 (Note 1)	5,426	Residential		Superstructure works in progress	2014
Phase V (Taipa Lot BT2/3)	275,815	23,843	Residential/ Commercial		Under planning	—
Taipa Hills Memorial Garden Avenida Son On Nos. 1-7, Taipa	6,522	2,200	Columbarium	79%	Completed	—
PRC						
Plots 13, 14-1 and 14-2 Tongzhou District, Beijing	401,548 (Note 2)	78,769	Commercial/ Office/Serviced Apartment	24%	Under planning	2016

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 2012	Estimated Completion Date
Macau						
Harbour Mile (Note 3)	401,166 (Note 4)	63,409 (Note 4)	Residential	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 2012	Year of Lease Expiry
Macau						
Baia de Nossa Senhora de Esperança, Taipa, Macau (Note 5)	200,000	80,656	Hotel	100%	Land bank	2049
Thailand						
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 2012	Year of Lease Expiry
Hong Kong						
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						
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
Edificio Industrial Fu Tai, Macau Unit A4 on 4/F	350	—	Plant	100%	—	2013 renewable to 2049

Schedule of Major Properties

Investment and Hotel Properties

	Approx. Total Gross Floor Area (Sq.m)	Approx. Total Site Area (Sq.m)	Primary Use	Group's Interest	Approx. Lettable Floor Area (Sq.m)	Year of Lease Expiry
Hong Kong						
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
Chatham Place, 388 Chatham Road North, Kowloon	5,679	—	Commercial	51%	4,527	2030
Chatham Place, 388 Chatham Road North, Kowloon	24 motor car parking spaces	—	Carpark	51%	—	2030
	3 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

	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 Exping
Hong Kong SkyCity Marriott Hotel 1 Sky City Road East, Hong Kong International Airport, Lantau, Hong Kong	42,616	13,776	Hotel	70%	—	2047
Macau						
Mandarin Oriental Macau	30,094	18,344	Hotel	51%	—	2031
One Central Retail Complex, Macau	37,017	—	Commercial	51%	18,610	2031
One Central Retail Carpark, Macau	243 motor car parking spaces	—	Carpark	51%	—	2031
	102 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%	—	2023 renewable to 2049
PRC						
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 motor car parking spaces	—	Carpark	60%	—	2035

Notes:

(1) Remaining gross floor area or number of car parking spaces for sale as at 31 December 2012.

(2) The gross floor area, which includes basement area, shall be subject to the PRC Government approval and design development.

(3) Completion date of the acquisition is extended to on or before 31 December 2013 because additional time is needed for the Macau SAR Government to finalize the Master Plan for the Nam Van District before the development plans for Harbour Mile can be finalized.

(4) Subject to the finalization of the Master Plan for the Nam Van District by the Macau SAR Government, the site area and gross floor area of the project, to be approved, may be less than the area as stated.

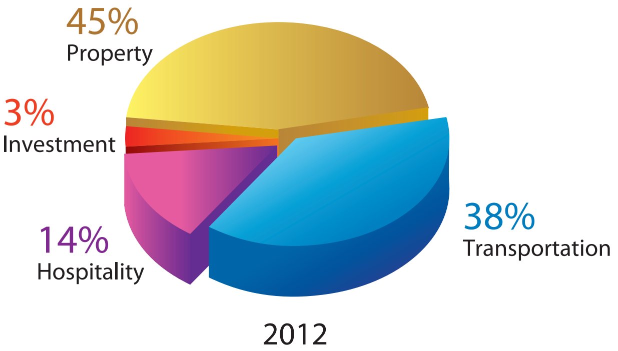
(5) Subject to agreement with the Macau SAR Government for replacement of another site having the same area in Macau.

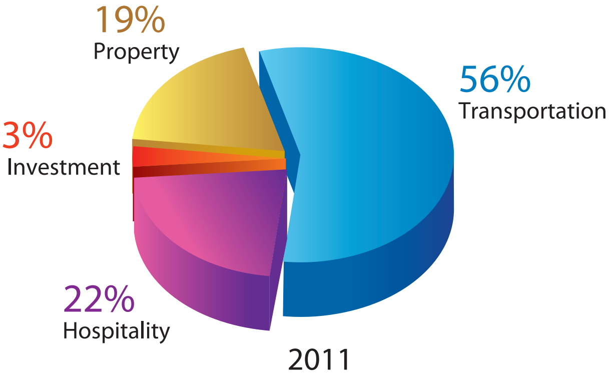
(6) The hotel development at Cotai Site with proposed gross floor area of approximately 248,488m^2 is under application and subject to the Macau SAR Government approval.

Group Financial Review

Turnover Analysis

Turnover by Division





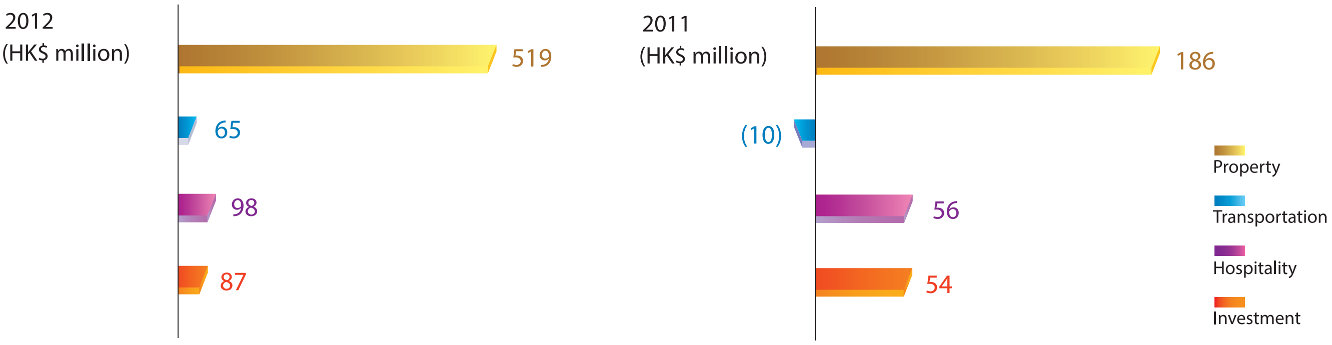
(HK$ million)	2012	2011	Variance	%	Remarks
Property	**2,466**	547	1,919	351	The increase was mainly attributable to the sales recognised for residential units of Chatham Gate, partly eroded by decrease in sales of niches for the Taipa Hills Memorial Garden in Macau.
Transportation	**2,104**	1,666	438	26	Turnover rose for the year reflecting the effect of acquisition of New World First Ferry Services (Macau) in September 2011 and fare increment since July 2011.
Hospitality	**784**	658	126	19	The variance was mainly attributable to the robust revenue growth generated from the SkyCity Marriott Hotel at the Hong Kong International Airport.
Investment	**141**	97	44	45	The growth was mainly attributable to the dividend income generated from STDM.
Total	**5,495**	2,968	2,527	85	

Turnover by Geographical Area

(HK$ million)	2012	2011	Variance	%	Remarks
Hong Kong	**3,944**	1,556	2,388	153	The increase was mainly attributable to the sales recognised for residential units of Chatham Gate.
Macau	**1,404**	1,289	115	9	Turnover rose for the year (i) reflecting the effect of acquisition of New World First Ferry Services (Macau) in September 2011 and fare increment since July 2011; and (ii) dividend growth of STDM for the year. The favourable impact was partly eroded by decrease in sales of niches for the Taipa Hills Memorial Garden in Macau.
Others	**147**	123	24	20	The increase was mainly attributable to travel related business in Mainland China.
Total	**5,495**	2,968	2,527	85	

Profit and Loss Analysis

Operating Profit by Division



(HK$ million)	2012	2011	Variance	%	Remarks
Property	**518**	186	332	178	The increase was mainly attributable to the profit recognised for the sales of residential units at Chatham Gate, partly eroded by decrease in sales of niches for the Taipa Hills Memorial Garden in Macau.
Transportation	**65**	(10)	75	750	The improvement was mainly attributable to the fare increment of TurboJET approved by the Macau Government and strategic acquisition of New World First Ferry Services (Macau).
Hospitality	**98**	56	42	75	Benefited from the unprecedented level of tourist arrivals, the SkyCity Marriott Hotel delivered impressive results during the year attributing to the profit increase.
Investment	**87**	54	33	61	The dividend income growth from STDM continued to contribute to the profit improvement during the year.
Unallocated net expenses	**19**	(6)	25	417	The variance was mainly attributable to increased interest from bank deposits during the year.
Fair value changes on investment properties	**1,150**	420	730	174	The fair value gain on investment properties reflected the resilient property market.
Operating profit	**1,937**	700	1,237	177	
Finance costs	**(181)**	(134)	(47)	(35)	The variance was mainly attributable to cost on early redemption of convertible bond and higher average loan interest rate during the year.
Share of results of associates	**12**	12	—	—	The performance of associates remained stable during the year.
Share of results of jointly controlled entities	**1,451**	423	1,028	243	Due to resilient property market in 2012, the increase was mainly attributable to the fair value gain of investment property of the 51% owned One Central property project in Macau.
Profit before taxation	**3,219**	1,001	2,218	222	
Taxation	**(156)**	(75)	(81)	(108)	The increment was mainly related to taxable profit generated from Chatham Gate project.
Profit for the year	**3,063**	926	2,137	231	
Profit attributable to non-controlling interests	**(500)**	(145)	(355)	(245)	The variance was mainly attributable to the combined effect on profit or loss shared by non-controlling shareholders in property and transportation divisions.
Profit attributable to owners of the Company	**2,563**	781	1,782	228	

Liquidity, Financial Resources and Capital Structure

At 31 December 2012, the Group's total net assets increased by 25% over last year to HK$23,028 million. Cash and liquidity position remains strong and healthy. During the year, net cash generated from operating activities amounted to HK$750 million which was resulted mainly from sale of properties of Chatham Gate in Hong Kong. Major cash from investing activities included HK$841 million of repayment for shareholders' loan and dividend received from a jointly controlled entity holding the One Central property project in Macau and HK$638 million from disposal of an investment property. The major cash used in investing activities consisted of HK$764 million capital contributions to an associate and HK$2,104 million increase in bank deposits with a maturity over three months. Net cash from financing activities of HK$762 million was mainly attributable to the composite effect of new loans, rights issue and early redemption of convertible bonds.

Cash Flow Variance Analysis (HK$ million)	**2012**	2011	Variance
Operating activities	**750**	(302)	1,052
Investing activities	**(1,284)**	540	(1,824)
Financing activities	**762**	844	(82)
Net increase in cash and cash equivalents	**228**	1,082	(854)

The Group's bank balances and deposits stood at HK$7,682 million as at 31 December 2012. 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 2012, total bank loan facilities available to the Group was HK$12,585 million, of which HK$6,635 million remained undrawn. The Group's bank borrowings outstanding at the year end amounted to HK$5,950 million. Apart from the bank borrowings, the Group's borrowings also comprised the liability component of guaranteed convertible bonds of HK$813 million.

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

Maturity Profile

Within 1 year	1-2 years	2-5 years	Total
46%	22%	32%	100%

As the Group had a net cash balance at the year end, no gearing ratio is presented (at 31 December 2011: a gearing ratio of 12.0% expressed as a ratio of net borrowings to equity attributable to owners of the Company). The Group will continue with its financial strategy of maintaining a healthy gearing ratio and consider steps to effectively manage its finance costs.

In March 2012, the Company strengthened its equity base by an issue of 814,603,832 new ordinary shares at HK$2.02 each by way of rights issue. Net proceeds of approximately HK$1.6 billion was received.

On 6 June 2012, the shareholders of the Company passed an ordinary resolution to increase the authorised share capital of the Company from HK$1,000 million to HK$1,500 million by the creation of 2,000,000,000 additional ordinary shares at par value of HK$0.25 each.

In October 2012, the convertible bonds with nominal value of HK$716 million were redeemed and cancelled at a consideration of HK$728 million including accrued interest.

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.

Event after the the Balance Sheet date

On 29 October 2012, the Group successfully tendered for a property located at Shop No. 402, 4th floor of the retail podium of Shun Tak Centre at a price of HK$770 million. The transaction was completed in January 2013 and financed by internal resources of the Group and bank loans. As at 31 December 2012, a deposit of HK$77 million was made for this purchase.

On 20 February 2013, the Group's wholly owned subsidiary (the "issuer") established a US$1,000 million (equivalent to approximately HK$7,750 million) medium term note (MTN) programme. The MTN may be issued by the issuer from time to time and will be unconditionally and irrevocably guaranteed by the Company. On 7 March 2013, the Group has drawn down US$400 million (equivalent to approximately HK$3,100 million) under the programme by issuing MTNs to professional investors at an annual coupon of 5.7% for financing new investment opportunities and for general working capital purposes. The note will mature on 7 March 2020.

Charges on Assets

At the year end, bank loans to the extent of approximately HK$1,610 million (2011: HK$1,775 million) were secured with charges on certain assets of the Group amounting to an aggregate carrying value of HK$9,479 million (2011: HK$8,964 million). Out of the above secured bank loans, an aggregate amount of HK$1,449 million (2011: HK$1,505 million) was also secured by pledges of shares in certain subsidiaries.

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 guaranteed convertible 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 96% 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 3,270 employees at the year end. The Group adopts competitive remuneration packages for its employees. Promotion and salary increments 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 and developments.

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 2012.

Group Activities

The principal activity of the Company is investment holding. The activities of its principal subsidiaries, associates and joint ventures are set out in note 47 to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries (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 2012 and the state of affairs of the Company and of the Group at that date are shown in the financial statements on pages 78 to 168. Commentary on the annual results is included in the Chairman's Statement on pages 14 to 15 and Review of Operations on pages 16 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 in note 47 to the financial statements.

Dividend

No interim dividend was paid during the year ended 31 December 2012 (2011: Nil). The board of Directors (the "Board") has recommended a final dividend of HK 8.5 cents per share (2011: HK 4.0 cents per share) in respect of the year ended 31 December 2012. Subject to shareholders' approval at the forthcoming annual general meeting of the Company, the proposed final dividend will be paid on or around 28 June 2013 to shareholders of the Company whose names appear on the register of members of the Company on 18 June 2013.

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 40 to 43.

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 83 to 84 respectively.

Distributable reserves of the Company as at 31 December 2012 amounted to HK$2,477,594,000 (2011: HK$2,225,348,000) of which HK$253,885,000 (2011: HK$119,475,000) has been proposed as final dividend.

Donations

During the year, the Group made donations for charitable and community purposes of HK$475,000 (2011: HK$1,180,000).

Convertible Bonds

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

Group Borrowings

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

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, less than 30% of the Group's total turnover was attributable to the Group's five largest customers. 63.6% of the Group's total purchases was attributable to the Group's five largest suppliers combined, with the largest supplier accounting for 16.9% of the Group's total purchases.

Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung, Mrs. Louise Mok, Ms. Pansy Ho, Ms. Daisy Ho, Ms. Maisy Ho, Mr. David Shum and Ranillo Investments Limited, a substantial shareholder of the Company, 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. Save as disclosed, no other Directors, their associates (as defined in the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) 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. Rogier Verhoeven *(appointed on 22 February 2012)*

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. Michael Ng *(re-designated on 20 December 2012)*

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.

Mr. Michael Ng has been re-designated from Non-Executive Director to Independent Non-Executive Director of the Company on 20 December 2012. Save and except holding the office as Non-Executive Director of the Company immediately prior to his re-designation, Mr. Ng has not held any executive or management function or position in the Company or its subsidiaries since his designation as Non-Executive Director. Furthermore, the Company has received a confirmation of independence from each of the Independent Non-Executive Directors, namely Sir Roger Lobo, Mr. Norman Ho, Mr. Charles Ho and Mr. Michael Ng, 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 10.

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 the highest standards of corporate governance. Information on the corporate governance practices adopted by the Company during the year ended 31 December 2012 is set out in the Corporate Governance Report on pages 65 to 76.

Directors' Interests in Contracts and Connected Transactions

1. Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung, Mrs. Louise Mok, Ms. Pansy Ho, Ms. Daisy Ho, Ms. Maisy Ho and Mr. David Shum have beneficial interests in STDM. STDM is a substantial shareholder of Interdragon Limited ("Interdragon"), a 60% subsidiary of the Company. Dr. Stanley Ho is a director of STDM. Ms. Pansy Ho is an appointed representative of the Company, which is a corporate director of STDM. Ms. Daisy Ho is an appointed representative of Lanceford Company Limited, which is a corporate director of STDM. Mr. David Shum is an appointed representative of Interdragon, which is a corporate director of STDM. During the year, Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung and Mr. David Shum are directors of SJM Holdings Limited ("SJM"), a non wholly-owned subsidiary of STDM. The shares of SJM are listed on the Main Board of the Stock Exchange. Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung, Ms. Maisy Ho 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) Shun Tak - China Travel Shipping Investments Limited ("ST-CTSI"), a non wholly-owned subsidiary of the Company, purchased HK$407.2 million of fuel from the STDM Group in Macau for its shipping operations. ST-CTSI is effectively 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 Arrangement 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 28 October 2010, ST-CTSI signed an amendment agreement to the Fuel Arrangement Agreement with STDM to continue the arrangement for 3 years from 1 January 2011 to 31 December 2013, which is thereafter renewable for an additional 3 years or such other period as may be mutually agreed, unless early terminated by either party giving specified period of prior written notice.

   (b) On 28 October 2010, ST-CTSI and STDM signed an amendment agreement to an agency agreement (collectively, the "Agency Agreement") to extend the agreement for 3 years from 1 January 2011 to 31 December 2013, which is thereafter renewable for an additional 3 years or such other period as may be mutually agreed, unless early terminated by either party giving specified period of prior written notice.

   During the year, HK$108.4 million of ferry tickets were sold to STDM. A discount of up to a maximum of 12% (depending on the volume of the bulk purchase), totalling HK$5.4 million, was granted by ST-CTSI on bulk purchases of ferry tickets from STDM under the Agency Agreement. The discount rates for STDM are within the range of discount rates granted by ST-CTSI to other bulk purchases.

   (c) On 4 February 2010, the Company entered into a master property services agreement (the "Master Property Services Agreement") with STDM to set out a framework for the provision of property related services by the Group to the STDM Group on a mutually non-exclusive basis, including 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 then existing agreements (including the management agreement dated 14 December 2001 entered into between Shun Tak Management Services Group Limited ("STMSG"), an indirect wholly-owned subsidiary of the Company, and STDM in relation to the provision of operational and property management service for the Macau Tower Convention & Entertainment Centre by STMSG) shall remain in full force and effect notwithstanding the terms of the Master Property Services Agreement. New property services agreements made under the Master Property Services Agreement were for fixed terms of not more than 3 years. The property service fee was determined by reference to the prevailing market service fee.

During the year, the aggregate service fees received by the Group from the STDM Group under the Master Property Services Agreement (including service fees received for the operation and property management of the Macau Tower Convention & Entertainment Centre) amounted to HK$22.3 million.

The Master Property Services Agreement had expired on 31 December 2012. On 20 December 2012, the Company and STDM entered into a new master property services agreement to set out a framework for the provision of property related services by the Group to the STDM Group on a mutually non-exclusive basis, including without limitation, sales, leasing, 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 for a term of 3 years from 1 January 2013 to 31 December 2015, which is thereafter renewable for successive terms of 3 years by mutual agreement in writing. Further details of such new master property services agreement were disclosed in the Company's announcement dated 21 December 2012.

2. On 4 February 2010, 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 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).

   On 21 December 2012, the annual cap for the year ended 31 December 2012 has been revised from HK$37.6 million to HK$44.0 million. Details were disclosed in the Company's announcement dated 21 December 2012.

   During the year, ST-CTSI paid commission of HK$42.3 million under the CTSHK Agreement to CTSHK.

   The CTSHK Agreement had expired on 31 December 2012. On 20 December 2012, ST-CTSI and CTSHK entered into a new agency agreement to continue with the aforesaid appointment of CTSHK for a term of 3 years from 1 January 2013 to 31 December 2015, which is hereafter renewable for successive terms of three years by mutual agreement in writing. Further details of such new agency agreement were disclosed in the Company's announcement dated 21 December 2012.

3. On 4 February 2010, Shun Tak Properties Limited ("STP"), an indirect wholly-owned subsidiary of the Company which manages Shun Tak Centre (a commercial property and shopping mall in Sheung Wan, Hong Kong), entered into a consultancy agreement (the "Consultancy Agreement") to engage Kiu Lok Service Management Company Limited ("Kiu Lok"), 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. Kiu Lok is owned as to more than 50% by an associate (as defined in the Listing Rules) of Dato' Dr. Cheng Yu Tung, and hence a connected person of the Company.

   On 30 June 2011, STP and Kiu Lok entered into a new consultancy agreement (the "Renewed Consultancy Agreement") to continue the aforesaid appointment for the period from 4 March 2011 to 3 March 2013.

   During the year, the total consultancy fees paid by STP to Kiu Lok under the Consultancy Agreement and the Renewed Consultancy Agreement amounted to HK$4.8 million.

Under Chapter 14A of the Listing Rules, the transactions mentioned in sub-paragraphs 1 to 3 above 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 3 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 3 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 the relevant announcements.

4. On 11 November 2004, Shun Tak Nam Van Investment Limited ("Shun Tak Nam Van"), an indirect wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Sai Wu Investment Limited ("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 7 February 2012, the completion date of the acquisition was further extended from 30 June 2012 to on or before 31 December 2013.

5. On 6 January 2012, Nova Taipa-Urbanizações, Limitada ("NTU"), an indirect wholly-owned subsidiary of the Company and the developer of the mixed-use development named Nova City Phase 5 situates at Lote BT2/3, Taipa, Macau with total gross floor area of approximately 275,815 square metres (the "Mixed-Use Development"), entered into a foundation contract (the "Foundation Contract") with Vibro (Macau) Limited ("Vibro"), an indirect subsidiary of New World Development Company Limited ("NWD"), whereby Vibro was appointed as the contractor for the foundation works of the Mixed-Use Development at a contract sum of MOP660 million (approximately HK$641 million) payable on a monthly basis based on the progress of works properly executed and of materials and goods delivered on site as certified by the architects appointed by NTU and subject to retention. Vibro's performance of its obligations under the Foundation Contract is secured by a performance bond issued by a licensed bank in Hong Kong for a sum not less than 10% of the contract sum. The foundation works is expected to be completed in 2013.

6. On 19 January 2012, The Hongkong and Shanghai Banking Corporation Limited ("HSBC"), Platinum Securities Company Limited ("Platinum"), Megaprosper Investments Limited ("Megaprosper", a company owned as to 51% by Ms. Pansy Ho, 39% by Ms. Daisy Ho and 10% by Ms. Maisy Ho, each being a director of the Company) and the Company entered into an underwriting agreement (the "Underwriting Agreement"), whereby HSBC, Platinum and Megaprosper have agreed to underwrite all the underwritten shares that are not taken up by the qualifying shareholders, except the undertaking shareholders, in the rights issue subject to the terms and conditions stipulated in the Underwriting Agreement. The underwriting commission is 2.75% of the aggregate subscription price of the total underwritten shares and the commission received by Megaprosper under the Underwriting Agreement is HK$6.4 million.

7. On 9 July 2012, Grace Wealth Development Limited ("Grace Wealth"), an indirect wholly-owned subsidiary of the Company and the developer of the residential development at no. 1 Horizon Drive and nos. 44-50 Chung Hom Kok Road, Hong Kong (the "Chung Hom Kok Development"), entered into a main contract (the "Main Contract") with Hip Hing Construction Company Limited ("Hip Hing"), an indirect subsidiary of NWD, whereby Hip Hing was appointed as the main contractor for the construction of the Chung Hom Kok Development with a total gross floor area of approximately 2,223 square metres at a contract sum of approximately HK$197.1 million (excluding the HK$24 million for optional works) payable on a monthly basis based on the progress of works properly executed and of materials and goods delivered on site as certified by the architect appointed by Grace Wealth and subject to retention. Hip Hing's performance of its obligations under the Main Contract is secured by a surety bond issued by a licensed bank in Hong Kong for a sum of not less than 10% of the contract sum. The construction is expected to be completed by the end of 2013.

Under Chapter 14A of the Listing Rules, the transactions mentioned in sub-paragraphs 4 to 7 above constituted connected transactions of the Company for the year which require disclosures in the annual report of the Company.

A summary of significant related party transactions entered into by the Group during the year ended 31 December 2012 is contained in note 37 to the financial statements. The transactions in relation to the fuel purchase from the STDM Group, ferry tickets sold to the STDM Group, property related services provided to the STDM Group, relevant transaction amounts paid to a jointly controlled entity on Chatham Gate redevelopment project, underwriting commission on rights issue paid to Megaprosper and refundable deposit paid by a subsidiary to Sai Wu as described in note 37 all fall under the definitions of "continuing connected transactions" or "connected transactions" under the Listing Rules.

The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the year ended 31 December 2012.

8. 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 2012, the total outstanding sum of the shareholders' loan was HK$145.5 million.

Save for the transactions mentioned in sub-paragraphs 1 to 8 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 during the year 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 Group has the following connected transaction:

1. On 25 March 2013, STP entered into a new consultancy agreement ("2013 Consultancy Agreement") with Kiu Lok to continue its appointment as a consultant to advise and assist in management of Shun Tak Centre for the period from 4 March 2013 to 3 March 2016 at a consultancy fee based on 50% of the manager remuneration from Shun Tak Centre. Further details of the 2013 Consultancy Agreement were disclosed in the Company's announcement dated 25 March 2013.

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 is a director of and has beneficial interests in Shun Tak Centre Limited ("STC") which is also engaged in the business of property investment. Ms. Pansy Ho, Ms. Daisy Ho, Ms. Maisy Ho and Mr. David Shum are also directors of STC.

Dr. Stanley Ho is a director of STDM which is also engaged in the businesses of property investment, property development and/or hospitality. Ms. Pansy Ho is an appointed representative of the Company, a corporate director of STDM. Ms. Daisy Ho is an appointed representative of Lanceford Company Limited, a corporate director of STDM. Mr. David Shum is an appointed representative of Interdragon, a corporate director of STDM.

Dato' Dr. Cheng Yu Tung was a director of NWD (retired on 1 March 2012), Chow Tai Fook Enterprises Limited, Melbourne Enterprises Limited and Lifestyle International Holdings Limited together with its respective group of companies, which are also engaged in the businesses of property investment, property development, property management, transportation services and/or hospitality.

The above-mentioned competing businesses are managed by separate entities with independent management and administration. The Directors are 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.

Save as disclosed above, none of the Directors or their respective associates had any interest in any company or business which competes or may compete with the business of the Group during the year.

Disclosure of Interests

(1) Directors' Interests

As at 31 December 2012, the interests or short positions of the Directors and chief executive of the Company and their respective 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 (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "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

Name of Director	Nature of interests	Number of shares held				Approximate percentage of total issued shares
		Personal interests	Note	Corporate interests	Note	Note (i)
Dr. Stanley Ho	Interests in unissued shares	—		148,883,374	(iv)	4.98%
	Interests in underlying shares	1,798,559	(ii)	—		0.06%
Sir Roger Lobo	Interests in underlying shares	1,132,124	(ii)	—		0.04%
Mr. Norman Ho	Interests in underlying shares	1,132,124	(ii)	—		0.04%
Mr. Charles Ho	Interests in underlying shares	1,132,124	(ii)	—		0.04%
Mr. Michael Ng	Interests in underlying shares	11,244,660	(iii)	—		0.38%
Dato' Dr. Cheng Yu Tung	Interests in underlying shares	1,132,124	(ii)	—		0.04%
Mrs. Louise Mok	Interests in issued shares	471,112		—		0.02%
	Interests in underlying shares	1,132,124	(ii)	—		0.04%
Ms. Pansy Ho	Interests in issued shares	64,745,455		313,798,627	(v)	12.67%
	Interests in unissued shares	—		148,883,374	(iv)	4.98%
	Interests in underlying shares	11,509,669	(ii)	—		0.39%
Ms. Daisy Ho	Interests in issued shares	66,860,489		134,503,471	(vi)	6.74%
	Interests in unissued shares	—		148,883,374	(iv)	4.98%
	Interests in underlying shares	13,775,856	(ii)	—		0.46%
Ms. Maisy Ho	Interests in issued shares	16,060,598		31,717,012	(vii)	1.60%
	Interests in underlying shares	22,840,605	(ii)	—		0.76%
Mr. David Shum	Interests in underlying shares	5,660,337	(ii)	—		0.19%

Notes:

(i) As at 31 December 2012, the total number of issued shares of the Company was 2,986,880,719.

(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 comprised (a) 5,665,860 underlying shares in respect of share options granted by the Company, details of which are disclosed in sub-paragraph (2) headed "Share Options" below; and (b) 5,578,800 shares issuable to Mr. Michael Ng upon conversion of the Convertible Bonds (as defined here under in sub-paragraph (1)(d) headed "Interests of the Directors in Debentures of Other Associated Corporation of the Company") for an aggregate nominal amount of HK$40,000,000 held by him as at 31 December 2012 and based on the adjusted conversion price of HK$7.17 (with effect from 6 February 2012) per share, details of which are disclosed in sub-paragraph (1)(d) headed "Interests of the Directors in Debentures of Other Associated Corporation of the Company" below.

(iv) These 148,883,374 unissued shares, in 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 issued to Alpha Davis Investments Limited ("ADIL") upon completion of the acquisition as described in the Company's circular dated 17 December 2004. ADIL is owned as to 47% by Innowell Investments Limited ("IIL") and 53% by Megaprosper Investments Limited ("MIL"). IIL is wholly owned by Dr. Stanley Ho. MIL is owned as to 51% by Ms. Pansy Ho and 39% by Ms. Daisy Ho.

(v) These 313,798,627 shares, in which Ms. Pansy Ho was deemed to be interested by virtue of the SFO, comprised 184,396,066 shares held by Beeston Profits Limited ("BPL") and 129,402,561 shares held by Classic Time Developments Limited ("CTDL"). Both BPL and CTDL are wholly-owned by Ms. Pansy Ho.

(vi) These 134,503,471 shares, in 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.

(vii) These 31,717,012 shares, in 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 company	Corporate interests	Percentage of total issued shares Note (i)
Dr. Stanley Ho	Shun Tak Cultural Centre Limited	4 ordinary shares	40.00%

Note:

(i) As at 31 December 2012, there was a total of 10 ordinary shares of Shun Tak Cultural Centre Limited in issue.

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

Name of Director	Name of company	Corporate interests	Note	Approximate percentage of total issued shares
Ms. Pansy Ho	Shun Tak & CITS Coach (Macao) Limited	750 shares	(i)	15.00%
Mr. Rogier Verhoeven	Shun Tak Magsaysay China Recruitment and Training Limited	1,900 shares	(ii)	9.86%

Notes:

(i) As at 31 December 2012, there was a total of 5,000 shares of Shun Tak & CITS Coach (Macao) Limited in issue.

(ii) As at 31 December 2012, there was a total of 19,273 shares of Shun Tak Magsaysay China Recruitment and Training Limited in issue.

(d) *Interests of the Directors in Debentures of Other Associated Corporation of the Company*

Name of Director	Name of company	Personal interests	Approximate percentage of aggregate nominal amount of the Convertible Bonds in issue Note (i)
Mr. Michael Ng	Joyous King Group Limited	HK$40,000,000 Note (ii)	4.80%

Notes:

(i) As at 31 December 2012, the remaining outstanding aggregate principal amount of the 3.3% guaranteed convertible bonds due 2014 (Stock Code: 4313) were HK$833,800,000 in issue by Joyous King Group Limited, an indirect wholly-owned subsidiary of the Company (the "Convertible Bonds").

(ii) These Convertible Bonds for an aggregate nominal amount of HK$40,000,000 held by Mr. Michael Ng as at 31 December 2012 would be convertible into 5,578,800 shares of the Company, representing approximately 0.19% of the issued share capital of the Company as at 31 December 2012, at the adjusted conversion price of HK$7.17 (with effect from 6 February 2012) per share during the conversion 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 as disclosed in sub-paragraph (1)(a) headed "Interests of the Directors in Shares and Underlying Shares of the Company" above.

All the interests disclosed in sub-paragraphs (1)(a) to (1)(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 (1)(a) to (1)(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 2012.

(2) Share Options

The share option scheme approved by the shareholders of the Company on 31 May 2002 (the "2002 Share Option Scheme") expired on 30 May 2012. Thereafter, no further options will be granted under the 2002 Share Option Scheme but the subsisting options granted thereunder prior to the expiry date will continue to be valid and exercisable in accordance with the terms of the 2002 Share Option Scheme. At the annual general meeting of the Company held on 6 June 2012 ("2012 AGM"), the shareholders of the Company passed a resolution for the adoption of a new share option scheme (the "2012 Share Option Scheme") under which the Directors may grant options to eligible persons to subscribe for the Company's shares subject to the terms and conditions as stipulated therein. Details of the 2002 Share Option Scheme and the 2012 Share Option Scheme are set out below.

2002 Share Option Scheme

Details of share options granted to the Directors under the 2002 Share Option Scheme and outstanding share options as at the beginning and end of the year were as follows:

Name of Director	Note	Date of grant	Exercise period	Original exercise price per share (HK$)	Adjusted exercise price per share Note (iv) (HK$)	Number of share options outstanding At 1 January 2012	Adjustment during the year Note (iv)	At 31 December 2012
Dr. Stanley Ho	(i)	25 May 2004	25 May 2004 to 24 May 2014	3.15	2.78	1,587,300	211,259	1,798,559
Sir Roger Lobo	(i)	29 March 2011	29 March 2011 to 27 March 2021	4.37	3.86	1,000,000	132,124	1,132,124
Mr. Norman Ho	(i)	29 March 2011	29 March 2011 to 27 March 2021	4.37	3.86	1,000,000	132,124	1,132,124
Mr. Charles Ho	(i)	29 March 2011	29 March 2011 to 27 March 2021	4.37	3.86	1,000,000	132,124	1,132,124
Mr. Michael Ng	(ii)	1 February 2010	1 April 2010 to 31 January 2015	4.68	4.13	2,500,000	332,930	2,832,930
	(iii)	1 February 2010	1 April 2011 to 31 January 2015	4.68	4.13	2,500,000	332,930	2,832,930
Dato' Dr. Cheng Yu Tung	(i)	29 March 2011	29 March 2011 to 27 March 2021	4.37	3.86	1,000,000	132,124	1,132,124
Mrs. Louise Mok	(i)	29 March 2011	29 March 2011 to 27 March 2021	4.37	3.86	1,000,000	132,124	1,132,124
Ms. Pansy Ho	(i)	25 May 2004	25 May 2004 to 24 May 2014	3.15	2.78	10,157,740	1,351,929	11,509,669
Ms. Daisy Ho	(i)	25 May 2004	25 May 2004 to 24 May 2014	3.15	2.78	12,157,740	1,618,116	13,775,856
Ms. Maisy Ho	(i)	25 May 2004	25 May 2004 to 24 May 2014	3.15	2.78	20,157,740	2,682,865	22,840,605
Mr. David Shum	(i)	22 September 2004	22 September 2004 to 21 September 2014	4.20	3.71	5,000,000	660,377	5,660,377

Notes:

(i) These share options are exercisable during a period of 10 years commencing from their respective dates of grant. These share options were vested on their respective dates of grant.

(ii) These share options were vested on 1 April 2010.

(iii) These share options were vested on 1 April 2011.

(iv) The exercise prices and the number of shares of the Company to be issued under the 2002 Share Option Scheme were adjusted with effect from 9 March 2012, upon allotment and issue of rights shares to the shareholders of the Company, as announced by the Company on 9 March 2012.

(v) During the year, no share option was granted, exercised, cancelled or lapsed under the 2002 Share Option Scheme.

Save as disclosed above, as at 31 December 2012, none of the Directors of the Company or their spouses 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 2002 Share Option Scheme and 2012 Share Option Scheme.

A summary of the 2002 Share Option Scheme disclosed in accordance with the Listing Rules is set out below:

(i)	Purpose of the 2002 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 2002 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 2002 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 128,523,670 shares of the Company under the 2002 Share Option Scheme, which will continue to be valid and exercisable in accordance with the terms of the 2002 Share Option Scheme, as at the date of this annual report. No further options were granted upon expiry of the 2002 Share Option Scheme on 30 May 2012.
(iv)	Maximum entitlement of each participant under the 2002 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 2002 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 2002 Share Option Scheme	The 2002 Share Option Scheme was in force until 31 May 2012.

2012 Share Option Scheme

A summary of the 2012 Share Option Scheme disclosed in accordance with the Listing Rules is set out below:

(i)	Purpose of the 2012 Share Option Scheme	To recognise, motivate and incentivise the participants whom the Board considers to have made contributions, or will make contributions, to the Company; attract, retain or maintain ongoing relationship with the participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Company's business.
(ii)	Participants of the 2012 Share Option Scheme	(a) any person employed by the Company or its affiliates; any officer or director of the Company or its affiliates; or a person seconded to work for the Company or its affiliates; (b) a consultant, business or joint venture partner, franchisee, contractor, agent or representative of the Company or its affiliates; (c) a person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to the Company or its affiliates; (d) any person who provides goods and services to the Company or its affiliates; (e) an associate of any of the foregoing persons; or (f) any supplier, customer, strategic alliance partner or adviser to the Company or its affiliates.
(iii)	Total number of shares available for issue under the 2012 Share Option Scheme and percentage on issued share capital as at the date of this annual report	No share option has been granted under the 2012 Share Option Scheme as at the date of this annual report. The total number of shares available for issue under the 2012 Share Option Scheme is 298,688,071, representing 10.00% of the Company's issued share capital as at the date of this annual report. The Company has 2,986,880,719 shares in issue as at the date of this annual report.
(iv)	Maximum entitlement of each participant under the 2012 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 2012 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 15 business 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 at least the highest 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 2012 Share Option Scheme	The 2012 Share Option Scheme shall remain in force until 7 June 2022.

(3) Substantial Shareholders' and Other Persons' Interests

As at 31 December 2012, 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	Approximate percentage of total issued shares Note (i)
Ranillo Investments Limited ("Ranillo") and its subsidiaries	(ii)	Interests in issued shares	Interests of controlled corporation	Long position	553,077,677	18.52%
Hanika Realty Company Limited ("Hanika")	(ii)	Interests in issued shares	Beneficial owner	Long position	549,315,585	18.39%
Shun Tak Shipping Company, Limited ("STS") and its subsidiaries	(iii)	Interests in issued shares	Beneficial owner and interests of controlled corporation	Long position	423,578,668	14.18%
Beeston Profits Limited ("BPL")	(iv)	Interests in issued shares	Beneficial owner	Long position	184,396,066	6.17%

Notes:

(i) As at 31 December 2012, the total number of issued shares of the Company was 2,986,880,719.

(ii) These 553,077,677 shares comprised 549,315,585 shares held by Hanika which voting rights are owned as to 14.2% by Ms. Pansy Ho and 71.5% by Ranillo and 3,762,092 shares held by Lanceford Company Limited ("Lanceford"), which is wholly-owned by Ranillo. Ms. Pansy Ho, Ms. Daisy Ho and Ms. Maisy Ho have beneficial interests in Ranillo, Hanika and Lanceford. Accordingly, part of the interests of Ranillo in the Company duplicate the interests of Hanika in the Company as described above. Ms. Pansy Ho, Ms. Daisy Ho and Ms. Maisy Ho are directors of Hanika and Lanceford. Ms. Pansy Ho and Daisy Ho are directors of Ranillo.

(iii) Dr. Stanley Ho is a director of STS. Dato' Dr. Cheng Yu Tung, Ms. Pansy Ho and Ms. Daisy Ho have beneficial interests in and are directors of STS. Mrs. Louise Mok, Ms. Maisy Ho and Mr. David Shum have beneficial interests in STS.

(iv) Ms. Pansy Ho has 100% interests in and is a director of BPL.

Save as disclosed above, no other person (other than the Directors or the 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 2012.

Purchase, Sale or Redemption of Listed Securities

On 22 October 2012, the Convertible Bonds (Stock Code: 4313) having an aggregate principal amount of HK$716,200,000 were, at the option of the bondholders, redeemed at their principal amount together with interest accrued thereon. The Convertible Bonds so redeemed had forthwith been cancelled. Following the redemption and cancellation, the remaining outstanding aggregate principal amount of the Convertible Bonds is HK$833,800,000. The maximum number of shares issuable by the Company upon full conversion of the outstanding Convertible Bonds at the conversion price in effect (being HK$7.17) is 116,290,097 shares.

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 2012.

Arrangement to Purchase Shares or Debentures

Save as disclosed in the above sub-paragraphs headed "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 page 169.

Event after the Balance Sheet Date

A summary of the event after the balance sheet date is shown in note 44 to the financial statements.

Auditor

The financial statements for the year were audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

PricewaterhouseCoopers was appointed as the auditor of the Company with effect from 24 October 2012 by the Board to fill the casual vacancy arising from the resignation of H. C. Watt & Company Limited on 20 September 2012 and to hold office until the conclusion of the forthcoming annual general meeting. A resolution for the re-appointment of PricewaterhouseCoopers will be proposed at the forthcoming annual general meeting.

Save as disclosed above, there was no change in auditors of the Company in the past three years.

On behalf of the Board

Pansy Ho
Managing Director

Hong Kong, 25 March 2013

Corporate Governance Report

The board of directors of the Company (the "Board" or the "Directors") 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 (effective until 31 March 2012) and the Corporate Governance Code (the "CG Code") (effective from 1 April 2012) (collectively the "Codes") 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 Codes

The Listing Rules require every listed company to report how it applies the principles in the Codes and to confirm that it complies with the code provisions in the Codes 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 view of the latest amendments of the Listing Rules, necessary measures have been implemented by the Board to ensure the Company is in strict compliance with the Codes and the Board is of the opinion that the Company has applied the principles and complied with all relevant code provisions in the Codes throughout the year ended 31 December 2012, except for deviation from (i) the second part of the code provision A.6.7, which states that independent non-executive director and other non-executive director should attend general meetings. Dato' Dr. Cheng Yu Tung, a Non-Executive Director, Mr. Norman Ho and Mr. Charles Ho, both are Independent Non-Executive Directors, were unable to attend the annual general meeting of the Company held on 6 June 2012 ("AGM") as they had overseas and/or other engagements; and (ii) the first part of code provision E.1.2, which states that the chairman of the board should attend annual general meeting. In the absence of the Group Executive Chairman at the Company's AGM, the Managing Director (who is also a member of the remuneration committee and nomination committee) took the chair and, together with the members of the audit committee and other directors, made themselves available to answer Shareholders' questions regarding the activities of the Company and various Board committees.

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 2012 and up to the date of this annual report are set out below:

- Mr. Rogier Verhoeven was appointed as an Executive Director and a member of the Executive Committee with effect from 22 February 2012.
- Ms. Pansy Ho ceased to be the chairperson of the Remuneration Committee and Nomination Committee, but remains as a member of the said committees, all with effect from 30 March 2012.
- Sir Roger Lobo was appointed as the chairman of the Remuneration Committee with effect from 30 March 2012.
- Mr. Charles Ho was appointed as the chairman of the Nomination Committee with effect from 30 March 2012.
- Mr. Michael Ng was re-designated from a Non-Executive Director to an Independent Non-Executive Director and was appointed as a member of the Audit Committee, both with effect from 20 December 2012.

As at the date of this annual report, the Board consists of a total of 12 members, including the Group Executive Chairman (the "Chairman"), the Managing Director, the Deputy Managing Director, three other Executive Directors, and six Non-Executive Directors of whom four are Independent Non-Executive Directors. The number of Independent Non-Executive Directors represented one-third of the Board members as required by Rule 3.10A of the Listing Rules. 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 and the Nomination Committee is of the view that all the Independent Non-Executive Directors are independent in accordance with 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.

For the corporate governance duties, as at the date of this report, the Board has reviewed the compliance with the Codes and disclosure in this 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 of the Company (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 CG 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.

The Company has arranged appropriate directors' and officers' liabilities insurance in respect of legal action against the Directors.

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, Directors are provided with monthly updates on the Company's performance and position and each newly appointed Director is offered training on key areas of business operations and practices of the Company. Meanwhile, 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. Also all the directors are provided with "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" issued by Hong Kong Institute of Directors ("HKIoD") as guidelines on the general principles of duties of directors. All the Independent Non-Executive Directors are provided with "Guide for Independent Non-Executive Directors" issued by HKIoD.

The Company encourages the Directors to participate in relevant professional development courses to continually enhance their relevant knowledge and skills. The Company also constantly updates Directors in respect of the latest development on Listing Rules and other applicable laws and regulations, to ensure compliance and to facilitate Directors' awareness of good corporate governance practices. According to the records provided by the Directors, a summary of training received by Directors during the year is shown below:

Directors	**Type of Trainings**
Group Executive Chairman	
Dr. Stanley Ho	A
Non-Executive Directors	
Dato' Dr. Cheng Yu Tung	A
Mrs. Louise Mok	A
Independent Non-Executive Directors	
Sir Roger Lobo	A,B,C
Mr. Norman Ho	A,C
Mr. Charles Ho	A,B
Mr. Michael Ng	A
Managing Director	
Ms. Pansy Ho	A,B
Deputy Managing Director	
Ms. Daisy Ho	A
Executive Directors	
Ms. Maisy Ho	A
Mr. David Shum	A,B
Mr. Rogier Verhoeven	A

A: Reading material and/or attending board meetings for trainings provided by the Company in relation to updates of Listing Rules, latest development of the rules and regulations

B: Reading material and/or attending training sessions provided by other corporations on rules and regulations

C: Attending seminar and/or conference and/or forum

The roles of the Chairman and the Managing Director are separated, with Dr. Stanley Ho being the Chairman and mainly responsible for the leadership of the Board, while Ms. Pansy Ho, the Managing Director, is responsible for the overall performance of the Company and its subsidiaries (the "Group").

The Board 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 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 2012, ten Board meetings were held.

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

Name of Director	Board	Remuneration Committee	Nomination Committee	Audit Committee	Annual General Meeting
	(Number of Meetings Attended/Entitled to Attend)				
Group Executive Chairman					
Dr. Stanley Ho (Note 1)	0/10	n/a	n/a	n/a	0/1
Non-Executive Directors					
Dato' Dr. Cheng Yu Tung (Note 1)	0/10	n/a	n/a	n/a	0/1
Mrs. Louise Mok	10/10	n/a	n/a	3/3	1/1
Independent Non-Executive Directors					
Sir Roger Lobo	10/10	1/1	1/1	2/3	1/1
Mr. Norman Ho	9/10	1/1	1/1	3/3	0/1
Mr. Charles Ho	4/10	1/1	1/1	n/a	0/1
Mr. Michael Ng (Note 2)	8/10	n/a	n/a	n/a	1/1
Managing Director					
Ms. Pansy Ho	9/10	1/1	1/1	n/a	1/1
Deputy Managing Director					
Ms. Daisy Ho	10/10	1/1	1/1	n/a	1/1
Executive Directors					
Ms. Maisy Ho	10/10	n/a	n/a	n/a	1/1
Mr. David Shum	10/10	n/a	n/a	n/a	1/1
Mr. Rogier Verhoeven (Note 3)	9/9	n/a	n/a	n/a	1/1

Note 1: Dr. Stanley Ho and Dato' Dr. Cheng Yu Tung were unable to attend meetings due to health reasons.

Note 2: Mr. Michael Ng was re-designated from a Non-Executive Director to an Independent Non-Executive Director and was appointed as a member of the Audit Committee, both with effect from 20 December 2012.

Note 3: Mr. Rogier Verhoeven was appointed as an Executive Director with effect from 22 February 2012.

Model Code for Securities Transactions

Code provision A.6.4 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 2012.

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 no less exacting terms than those set out in the CG 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 proposals for the Executive Directors and senior management. 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 the Independent Non-Executive Directors), Ms. Pansy Ho (Managing Director) and Ms. Daisy Ho (Deputy Managing Director). Sir Roger Lobo is the chairman of the Remuneration Committee.

According to its written terms of reference, a copy of which is posted on the websites of the Company and the Stock Exchange, 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 2012, one Remuneration Committee meeting was held whereby the Remuneration Committee had reviewed and recommended to the Board for approval of (i) the remuneration packages of the Directors (including Executive Directors and Non-Executive Directors) and senior management; and (ii) the remuneration package of Mr. Michael Ng who was re-designated as Independent Non-Executive Director of the Company on 20 December 2012.

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 annually 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 the Independent Non-Executive Directors), Ms. Pansy Ho (Managing Director) and Ms. Daisy Ho (Deputy Managing Director). Mr. Charles Ho is the chairman of the Nomination Committee.

According to its written terms of reference, a copy of which is posted on the websites of the Company and the Stock Exchange, 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 2012, one Nomination Committee meeting was held at which the Nomination Committee had reviewed the structure, size and composition of the Board and recommended to the Board for approval of the re-designation of Mr. Michael Ng from Non-Executive Director to Independent Non-Executive Director. As at the date of the report, the Nomination Committee has also reviewed and made recommendations for the re-election of those retiring Directors who are subject for retirement by rotation at the forthcoming annual general meeting.

Executive Committee

For more efficient operation of the Board, the Executive Committee was established to (i) make recommendations on the strategic aims, objectives and priorities of the Company; (ii) perform corporate governance duties and to develop and review the Company's policies and practice on corporate governance and make recommendations to the Board; and (iii) 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. Rogier Verhoeven. 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 four members, namely, Sir Roger Lobo, Mr. Norman Ho and Michael Ng (being the 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 and Mr. Michael Ng have the professional accounting qualifications required by Rule 3.10(2) of the Listing Rules, details of which are set out in their biography in the "Management Profile" in this annual report.

According to its written terms of reference, a copy of which is posted on the websites of the Company and the Stock Exchange, 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 2012, three 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; 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; and reviewed and recommended to the Board for approval of the appointment of PricewaterhouseCoopers as new auditor of the Company to fill the causal vacancy arose from the resignation of H. C. Watt & Company Limited. As at the date of this report, the Audit Committee also considered and approved the annual audit and non-audit services fees and recommended the re-appointment of PricewaterhouseCoopers (being the retiring auditor at the forthcoming annual general meeting) as the Company's external auditor.

The Group's whistleblowing policy (the "Policy") was adopted by the Board in December 2011. With the introduction of the Policy, employees are provided a channel and guideline to report any serious misconduct, malpractice or impropriety concerns internally without the fear of reprisal or victimization. The Audit Committee was delegated with the overall responsibility for monitoring and reviewing the effectiveness of the Policy.

Auditors' Remuneration

For the year ended 31 December 2012, 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$3.4 million respectively. The non-audit services included interim report review, review of continuing connected transactions of the Company, taxation and other related 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 ("Ordinance") and the Listing Rules. In preparing the financial statements for the year ended 31 December 2012, 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 through audit sampling. 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 maintain 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 incorporating the identified control deficiencies and management's rectification plans 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 attends the Audit Committee meetings twice a year to report the progress in achieving the strategic audit plan and give a summary of the results of the audit reports issued during the period.

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 Codes on internal control.

Proactive Investor Relations

The Company aims 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 Board established a shareholder communication policy setting out the principles of the Company in relation to shareholders' communication, with the objective of ensuring direct, open and timely communications with all Shareholders. 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 strict compliance with Rule 13.39(4) of the Listing Rules, the Articles of Association of the Company has been amended to the effect that all resolutions proposed in a general meeting will be decided on poll except for procedural or administrative matters. The poll results will be posted 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 (www.shuntakgroup.com) 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.

Shareholders may at any time send their enquiries to the Board in writing to the Company Secretarial Department or Investor Relations Department with the contact details set out below:

Registered Office	:	Penthouse 39th Floor, West Tower, Shun Tak Centre 200 Connaught Road Central Hong Kong
Telephone	:	(852) 2859 3111
Facsimile	:	(852) 2857 7181
E-mail	:	enquiry@shuntakgroup.com ir@shuntakgroup.com

In relation to enquiries on the shareholding matters of the Company, Shareholders could send enquiries to the Company's share registrar, Computershare Hong Kong Investor Services Limited, with their contact details set out below:

Address	:	Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
Telephone	:	(852) 2862 8555
Facsimile	:	(852) 2865 0990
E-mail	:	hkinfo@computershare.com.hk

Shareholders' Rights

Procedures for Shareholders to Convene an Extraordinary General Meeting ("EGM")

In accordance with section 113 of the Ordinance, Shareholders holding not less than one-twentieth (1/20) of the paid up capital of the Company can make a requisition to convene an EGM. The requisition must state the objects of the meeting, and must be signed by the Shareholders concerned and deposited at the registered office of the Company for the attention of the Company Secretary. The requisition must also (a) state the name(s) of the requisitionist(s), (b) the contact details of the requisitionist(s) and (c) the number of ordinary shares of the Company held by the requisitionist(s). If the Directors do not within 21 days from the date of deposit of a request (after being verified to be valid) proceed to convene an EGM for a day not more than 28 days after the date on which the notice convening the EGM is given, the Shareholders concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, but any EGM so convened shall be held after the expiration of three months from the date of the deposit of request.

Procedures for Shareholders to Put Forward Proposals at Shareholders' Meeting

In accordance with section 115A of the Ordinance, Shareholder(s) representing not less than one-fortieth (1/40) of the total voting rights of all Shareholders; or not less than 50 Shareholders holding the shares in the Company on which there has been paid up an average sum of not less than HK$2,000 per Shareholder can submit a written request to move a resolution at the Shareholders' meeting of the Company. The written request must state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution, signed by the relevant Shareholder(s) and deposited at the registered office of the Company.

Constitutional Documents

During the year ended 31 December 2012, the Shareholders approved the amendments to the Memorandum and Articles of Association (the "M&A") of the Company at the AGM. In principle, the amendments reflected the recent changes to the Listing Rules. For details of the amendments to the M&A, please refer to the Notice of AGM dated 26 April 2012. The new Memorandum and Articles of Association of the Company is available on the websites of the Company and the Stock Exchange.

Looking Forward

The Company is one of the constituent stocks of the Hang Seng Corporate Sustainability Benchmark Index (Asia's first tradable sustainable index, and the region's first benchmark to track the performance of leading companies on environment). In collaboration with the Hang Seng Index, RepuTex ESG has given the Company a ranking of A+ (Satisfactory) (2011 ranking: A) and a ranking 13 among 636 companies for the Hong Kong market.

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 CG Code.

Hong Kong, 25 March 2013

Independent Auditor's Report

pwc 羅兵咸永道

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, the "Group") set out on pages 78 to 168, which comprise the consolidated and company balance sheets as at 31 December 2012, 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 information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 2012, 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.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2013

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
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Consolidated Income Statement

For the year ended 31 December

	Note	2012 (HK$'000)	2011 (HK$'000)
Turnover	4	**5,494,679**	2,968,318
Other income	4	**147,432**	127,059
		5,642,111	3,095,377
Other gains, net	5	**4,665**	60,657
Cost of inventories sold and services provided		**(3,199,690)**	(1,418,320)
Staff costs		**(970,428)**	(830,357)
Depreciation and amortisation		**(238,731)**	(198,467)
Other costs		**(451,116)**	(429,251)
Fair value changes on investment properties		**1,149,930**	420,152
Operating profit	6	**1,936,741**	699,791
Finance costs	8	**(180,974)**	(134,154)
Share of results of associates		**11,843**	11,676
Share of results of jointly controlled entities		**1,451,325**	423,165
Profit before taxation		**3,218,935**	1,000,478
Taxation	9(a)	**(156,455)**	(74,588)
Profit for the year		**3,062,480**	925,890
Attributable to:			
Owners of the Company		**2,562,794**	780,591
Non-controlling interests		**499,686**	145,299
Profit for the year		**3,062,480**	925,890
Earnings per share (HK cents)	11		(restated)
– basic		**88.7**	31.7
– diluted		**85.2**	31.5

Details of the dividends proposed for the year are disclosed in note 10.

Consolidated Statement of Comprehensive Income

For the year ended 31 December

	2012 (HK$'000)	2011 (HK$'000)
Profit for the year	**3,062,480**	925,890
Other comprehensive income/(loss)		
Available-for-sale investments:		
Changes in fair value	**17,807**	(75,270)
Reversal of reserve upon disposal of available-for-sale investments	**16,265**	29,598
Cash flow hedges:		
Changes in fair value, net of tax	**—**	19,047
Reversal of reserve upon the closure of cash flow hedges, net of tax	**833**	(52,090)
Properties:		
Changes in reserve upon the disposal of properties, net of tax	**—**	4,357
Exchange differences on translation of financial statements of foreign operations	**10,676**	19,066
Other comprehensive income/(loss) for the year, net of tax	**45,581**	(55,292)
Total comprehensive income for the year	**3,108,061**	870,598
Attributable to:		
Owners of the Company	**2,605,458**	736,386
Non-controlling interests	**502,603**	134,212
Total comprehensive income for the year	**3,108,061**	870,598

Consolidated Balance Sheet

	Note	As at 31 December 2012 (HK$'000)	2011 (HK$'000)
Non-current assets			
Property, plant and equipment	12	**2,262,702**	2,476,640
Investment properties	13	**5,049,944**	3,993,927
Prepaid premium for land lease	14	**8,414**	8,658
Associates	16	**962,362**	190,848
Jointly controlled entities	17	**3,569,337**	2,664,040
Intangible assets	18	**365,047**	365,497
Available-for-sale investments	19	**1,017,242**	1,006,602
Mortgage loans receivable	20	**14,020**	7,049
Deferred tax assets	9(c)	**25,747**	33,332
Other non-current assets	21	**675,174**	874,567
		13,949,989	11,621,160
Current assets			
Properties for or under development	22	**8,238,777**	10,726,517
Inventories	23	**1,945,670**	384,408
Trade and other receivables, and deposits paid	24	**2,431,154**	1,216,998
Derivative financial instruments	25	**4,749**	—
Taxation recoverable		**1,344**	6,359
Cash and bank balances	26	**7,681,879**	5,348,927
		20,303,573	17,683,209
Current liabilities			
Trade and other payables, and receipts in advance	27	**1,012,239**	670,655
Deposits received from sale of properties		**497,441**	74,224
Bank borrowings	28	**3,103,025**	1,950,400
Convertible bonds	30	**—**	1,487,465
Derivative financial instruments	25	**—**	998
Provision for employee benefits	29	**18,015**	18,873
Taxation payable		**86,247**	68,079
		4,716,967	4,270,694
Net current assets		**15,586,606**	13,412,515
Total assets less current liabilities		**29,536,595**	25,033,675

	Note	2012 (HK$'000)	2011 (HK$'000)
		As at 31 December	
Non-current liabilities			
Receipts in advance	27	**40,896**	33,226
Bank borrowings	28	**2,847,000**	3,815,025
Convertible bonds	30	**813,379**	—
Deferred tax liabilities	9(c)	**1,011,077**	949,173
Loans from non-controlling shareholders	31	**1,796,316**	1,798,342
		6,508,668	6,595,766
Net assets		**23,027,927**	18,437,909
Equity			
Share capital	32	**746,720**	543,069
Share premium	32	**8,851,587**	7,449,074
Reserves	34(a)	**10,144,536**	7,793,009
Proposed dividends		**253,885**	119,475
Equity attributable to owners of the Company		**19,996,728**	15,904,627
Non-controlling interests		**3,031,199**	2,533,282
Total equity		**23,027,927**	18,437,909

Pansy Ho
Director

Daisy Ho
Director

Balance Sheet

	Note	2012 (HK$'000)	2011 (HK$'000)
		As at 31 December	
Non-current assets			
Property, plant and equipment	12	**1,054**	890
Subsidiaries	15	**630,805**	630,805
Associates	16	**250**	250
Available-for-sale investments	19	**233,679**	233,679
Other non-current assets	21	**9,512,096**	9,210,366
		10,377,884	10,075,990
Current assets			
Trade and other receivables, and deposits paid	24	**14,466**	6,075
Cash and bank balances	26	**2,476,415**	446,775
		2,490,881	452,850
Current liabilities			
Trade and other payables, and receipts in advance	27	**660,948**	179,528
Provision for employee benefits	29	**3,713**	3,618
		664,661	183,146
Net current assets		**1,826,220**	269,704
Net assets		**12,204,104**	10,345,694
Equity			
Share capital	32	**746,720**	543,069
Share premium	32	**8,851,587**	7,449,074
Reserves	34(b)	**2,351,912**	2,234,076
Proposed dividends		**253,885**	119,475
Total equity		**12,204,104**	10,345,694

Pansy Ho
Director

Daisy Ho
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Equity attributable to owners of the Company														Non-controlling interests (HK$'000)	Total equity (HK$'000)
	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)		
At 1 January 2012	543,069	7,449,074	100,170	28,048	80,397	9,452	(151,413)	67,948	(355)	1,179,563	64,912	6,414,287	119,475	15,904,627	2,533,282	18,437,909
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	2,562,794	–	2,562,794	499,686	3,062,480
Available-for-sale investments																
Changes in fair value	–	–	–	–	–	–	–	17,807	–	–	–	–	–	17,807	–	17,807
Reversal of reserve upon disposal of available-for-sale investments	–	–	–	–	–	–	–	16,265	–	–	–	–	–	16,265	–	16,265
Cash flow hedges																
Reversal of reserve upon the closure of cash flow hedges, net of tax	–	–	–	–	–	–	–	–	355	–	–	–	–	355	478	833
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	–	–	–	–	8,237	–	–	8,237	2,439	10,676
Other comprehensive income for the year	–	–	–	–	–	–	–	34,072	355	–	8,237	–	–	42,664	2,917	45,581
Total comprehensive income for the year	–	–	–	–	–	–	–	34,072	355	–	8,237	2,562,794	–	2,605,458	502,603	3,108,061
Issue of shares on right issue	203,651	1,402,513	–	–	–	–	–	–	–	–	–	–	–	1,606,164	–	1,606,164
Early redemption of convertible bonds	–	–	–	–	(37,149)	–	–	–	–	–	–	37,149	–	–	–	–
2011 final dividend	–	–	–	–	–	–	–	–	–	–	–	–	(119,475)	(119,475)	–	(119,475)
2012 final dividend	–	–	–	–	–	–	–	–	–	–	–	(253,885)	253,885	–	–	–
Dividend to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(4,732)	(4,732)
Transfer of reserve	–	–	–	–	–	110	–	–	–	–	–	(156)	–	(46)	46	–
Share of reserve movement of jointly controlled entities	–	–	–	–	–	341	–	–	–	–	–	(341)	–	–	–	–
Share of reserve of an associate	–	–	–	–	–	55	–	–	–	–	–	(55)	–	–	–	–
	203,651	1,402,513	–	–	(37,149)	506	–	–	–	–	–	(217,288)	134,410	1,486,643	(4,686)	1,481,957
At 31 December 2012	746,720	8,851,587	100,170	28,048	43,248	9,958	(151,413)	102,020	–	1,179,563	73,149	8,759,793	253,885	19,996,728	3,031,199	23,027,927

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Equity attributable to owners of the Company															
	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)	Non-controlling interests (HK$'000)	Total equity (HK$'000)
At 1 January 2011																
as original stated	543,069	7,449,074	100,170	18,169	80,397	8,972	(151,413)	113,620	13,721	1,175,206	53,726	5,692,600	130,337	15,227,648	2,385,101	17,612,749
adjustment on adoption of amendments to HKAS 12	–	–	–	–	–	–	–	–	–	–	–	61,190	–	61,190	15,286	76,476
as restated	543,069	7,449,074	100,170	18,169	80,397	8,972	(151,413)	113,620	13,721	1,175,206	53,726	5,753,790	130,337	15,288,838	2,400,387	17,689,225
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	780,591	–	780,591	145,299	925,890
Available-for-sale investments																
Changes in fair value	–	–	–	–	–	–	–	(75,270)	–	–	–	–	–	(75,270)	–	(75,270)
Reversal of reserve upon disposal of available-for-sale investments	–	–	–	–	–	–	–	29,598	–	–	–	–	–	29,598	–	29,598
Cash flow hedges																
Changes in fair value, net of tax	–	–	–	–	–	–	–	–	8,114	–	–	–	–	8,114	10,933	19,047
Reversal of reserve upon the closure of cash flow hedges, net of tax	–	–	–	–	–	–	–	–	(22,190)	–	–	–	–	(22,190)	(29,900)	(52,090)
Properties																
Changes in reserve upon the disposal of properties, net of tax	–	–	–	–	–	–	–	–	–	4,357	–	–	–	4,357	–	4,357
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	–	–	–	–	11,186	–	–	11,186	7,880	19,066
Other comprehensive income/(loss) for the year	–	–	–	–	–	–	–	(45,672)	(14,076)	4,357	11,186	–	–	(44,205)	(11,087)	(55,292)
Total comprehensive income/(loss) for the year	–	–	–	–	–	–	–	(45,672)	(14,076)	4,357	11,186	780,591	–	736,386	134,212	870,598
Share options granted	–	–	–	9,879	–	–	–	–	–	–	–	–	–	9,879	–	9,879
2010 final dividend	–	–	–	–	–	–	–	–	–	–	–	–	(130,337)	(130,337)	–	(130,337)
2011 final dividend	–	–	–	–	–	–	–	–	–	–	–	(119,475)	119,475	–	–	–
Dividend to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(1,456)	(1,456)
Transfer of reserve	–	–	–	–	–	96	–	–	–	–	–	(235)	–	(139)	139	–
Share of reserve movement of jointly controlled entities	–	–	–	–	–	336	–	–	–	–	–	(336)	–	–	–	–
Share of reserve of an associate	–	–	–	–	–	48	–	–	–	–	–	(48)	–	–	–	–
	–	–	–	9,879	–	480	–	–	–	–	–	(120,094)	(10,862)	(120,597)	(1,317)	(121,914)
At 31 December 2011	543,069	7,449,074	100,170	28,048	80,397	9,452	(151,413)	67,948	(355)	1,179,563	64,912	6,414,287	119,475	15,904,627	2,533,282	18,437,909

Consolidated Cash Flow Statement

For the year ended 31 December

	Note	2012 (HK$'000)	2011 (HK$'000)
Operating activities			
Profit before taxation		**3,218,935**	1,000,478
Adjustments for:			
Depreciation and amortisation		**238,731**	198,467
Finance costs		**180,974**	134,154
Interest income		**(105,562)**	(78,811)
Dividend income from investments		**(113,338)**	(72,650)
Share of results of associates		**(11,843)**	(11,676)
Share of results of jointly controlled entities		**(1,451,325)**	(423,165)
Profits recognised from asset revaluation reserve upon sales of properties		**—**	(847)
Net gain on disposal of property, plant and equipment		**(17,150)**	(9,562)
Net loss/(gain) on disposal of investment properties		**6,684**	(4,500)
Gain on acquisition	35	**—**	(2,359)
Loss/(gain) on available-for-sale investments and other financial instruments		**1,990**	(35,445)
Share-based payments		**—**	9,879
Impairment losses on available-for-sale investments		**9,547**	43,200
Impairment losses on trade receivables		**3,789**	378
Fair value changes on investment properties		**(1,149,930)**	(420,152)
Operating profit before working capital changes		**811,502**	327,389
Decrease/(increase) in properties for or under development and inventories of properties, excluding net finance costs capitalised		**439,269**	(498,120)
Increase in other inventories		**(18,374)**	(192,997)
Increase in trade receivables, other receivables and deposits paid		**(1,205,889)**	(15,842)
Increase in trade and other payables and receipt in advance		**366,316**	105,561
Increase in sales deposits received		**423,217**	73,311
(Decrease)/increase in provision for employee benefits		**(858)**	3,298
Cash generated from/(used in) operations		**815,183**	(197,400)
Total income taxes paid		**(65,088)**	(104,324)
Net cash from/(used in) operating activities		**750,095**	(301,724)

Consolidated Cash Flow Statement

For the year ended 31 December

	Note	2012 (HK$'000)	2011 (HK$'000)
Investing activities			
Purchase of property, plant and equipment		**(36,324)**	(98,502)
Advances to an associate		**—**	(1,214)
Capital contributions to an associate		**(763,822)**	—
Capital contributions to jointly controlled entities		**(53)**	—
Advances to jointly controlled entities		**(8,057)**	(2,231)
Repayments from jointly controlled entities		**289,073**	449,619
Acquisition of available-for-sale investments and other financial instruments		**(14,454)**	(3,435)
New mortgage loan receivable		**(8,466)**	—
Repayments of mortgage loans		**1,184**	3,941
Net cash outflow on acquisition of subsidiaries	35	**(2,372)**	(323,160)
Deposits paid for acquisition of investment properties		**(77,000)**	—
Proceeds from disposal, redemption or maturity of available-for-sale investments and other financial instruments		**20,297**	40,579
Capital refund from an investment fund		**1,417**	848
Proceeds from disposal of property, plant and equipment		**20,305**	17,549
Net proceeds from disposal of investment properties		**638,316**	260,000
Increase in bank deposits with maturities over three months		**(2,103,895)**	—
Interest received		**91,410**	104,136
Dividends received from available-for sale investments		**113,338**	72,650
Dividends received from associates		**4,151**	1,500
Dividends received from jointly controlled entities		**550,766**	17,584
Net cash (used in)/from investing activities		**(1,284,186)**	539,864
Financing activities			
Drawdown of new loans		**1,674,500**	4,066,875
Repayments of loans		**(1,500,669)**	(2,905,343)
Net proceeds from issue of shares		**1,606,164**	—
Redemption of convertible bonds		**(716,200)**	—
Finance costs (including interests and bank charges) paid		**(176,967)**	(185,666)
Dividends paid to shareholders		**(119,962)**	(130,243)
Dividends paid to non-controlling shareholders		**(4,732)**	(1,456)
Net cash from financing activities		**762,134**	844,167
Net increase in cash and cash equivalents		**228,043**	1,082,307
Effect of foreign exchange rates changes		**1,014**	2,605
Cash and cash equivalents at 1 January		**5,348,927**	4,264,015
Cash and cash equivalents at 31 December		**5,577,984**	5,348,927
Analysis of cash and cash equivalents			
Cash and bank balances	26	**7,681,879**	5,348,927
Bank deposits with maturities over three months		**(2,103,895)**	—
Cash and cash equivalents at 31 December		**5,577,984**	5,348,927

Notes to the Financial Statements

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 also the functional currency of the Company.

The principal activity of the Company is investment holding while the activities of its principal subsidiaries are set out in note 47.

2 Summary of significant accounting policies

(a) Accounting policies

These 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 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 (collectively 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 (including derivative financial instruments) which have been measured at fair value.

(c) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its direct and indirect subsidiaries made up to 31 December. The financial statements of the subsidiaries are prepared for the same reporting period as the Company. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Subsidiaries are all entities (including special purpose entities) 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 Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

2 Summary of significant accounting policies *(Continued)*

(c) Basis of consolidation *(Continued)*

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet depending on the nature of the liability.

(i) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Dilution gains or losses on transaction with non-controlling interests are also recorded in equity.

(ii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2 Summary of significant accounting policies *(Continued)*

(c) Basis of consolidation *(Continued)*

(iii) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

(d) Goodwill

Goodwill arising on business combination represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

Goodwill arising on business combination represents the excess of the cost of business combination over the Group's interest in the net fair value of the acquiree's identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on business combination of a subsidiary is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associates and jointly controlled entities, goodwill is included in the carrying amount thereof, rather than as a separately identified asset in the consolidated balance sheet.

2 Summary of significant accounting policies *(Continued)*

(d) Goodwill *(Continued)*

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash generating units) is less than the carrying amount, an impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then, to reduce the carrying amount of the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

(e) Subsidiaries

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

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 Summary of significant accounting policies *(Continued)*

(f) 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 investments 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 of associates is recognised in profit or loss, and its share of the post-acquisition movements in 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 investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Adjustments are made to bring into line any dissimilar accounting policies that may exist. Dilution gains and losses arising in investments in associates are recognised in the income statement.

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profit/(loss) of an associate" in the income statement.

(g) Joint ventures

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

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 of jointly controlled entities is recognised in profit or loss, and its share of the post-acquisition movements in 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. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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.

2 Summary of significant accounting policies *(Continued)*

(h) Revenue recognition

Revenue of a transaction is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and these benefits can be measured reliably, on the following bases:

Revenue from sale of properties is recognised upon the later of the completion of the properties and the sale and purchase contracts, where the significant risks and rewards of ownership of properties are transferred to the purchasers. Deposits and instalments received from purchasers prior to the stage of revenue recognition are included in current liabilities.

Revenue from passenger transportation services is recognised upon the departure of ferries at terminals.

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, facilities or goods 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 accrued on a time proportion basis on the principal outstanding and at the effective interest rate applicable.

2 Summary of significant accounting policies *(Continued)*

(i) Property, plant and equipment

Property, plant and equipment including buildings and leasehold land held for own use (classified as finance leases) 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 cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (note 2(x)). 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. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation if the recognition criteria are satisfied.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected to arise from its use or disposal. Any gain or loss on derecognition, calculated as the difference between the net disposal proceeds and the carrying amount of the relevant asset, is included in the income statement in the period in which the asset is derecognised.

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 of their estimated residual value, using the straight-line method, at the following annual rates:

Hotel buildings	2% or over the remaining lease terms, if shorter
Leasehold land held under finance leases	Over the remaining lease terms
Leasehold buildings	1.7% – 2.3% or over the remaining lease terms, if shorter
Vessels and pontoons	5% – 6.7%
Showroom	50%
Other assets	5% – 25%

The residual values and useful lives of items of property, plant and equipment are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(bb)).

No depreciation is provided on properties under development.

2 Summary of significant accounting policies *(Continued)*

(j) Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, 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. These include properties that are being constructed or developed for future use as investment properties. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date, unless they are still in the course of construction or development at the balance sheet date and their fair value cannot be reliably determined at that time. Changes in fair value are recognised in the income statement.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected to arise from its disposal. Any gain or loss on derecognition, calculated as the difference between the net disposal proceeds and the carrying amount of the property, is included in the income statement in the period in which the asset is derecognised.

(k) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals are recognised as expenses in the periods in which they are incurred.

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is treated as prepaid lease payments and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease.

2 Summary of significant accounting policies *(Continued)*

(l) Properties for or under development for sale

Properties for or under development for sale are classified under current assets and stated at the lower of cost and net realisable value. Costs include the acquisition cost of land, aggregate cost of development, borrowing costs capitalised and other direct expenses. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

(m) 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 3 to 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.

(n) Inventories and completed properties for sale

Inventories and completed properties for sale are stated at the lower of cost and net realisable value. In respect of unsold properties, cost is determined by apportionment of the total land and development costs, borrowing costs capitalised and other direct expenses 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 of anticipated sale proceeds based on prevailing market conditions. In respect of other inventories, cost comprises all costs of purchase and is determined using the first-in first-out basis or weighted average basis as appropriate. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(o) Financial assets

Classification

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 they are 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.

2 Summary of significant accounting policies *(Continued)*

(o) Financial assets *(Continued)*

Classification (Continued)

(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 bank balances" in the balance sheet (note 2(p)).

(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.

Recognition and measurement

Regular way 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 financial assets not carried at FVTPL. Financial assets carried 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, except for impairment losses and exchange differences on monetary investments.

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

2 Summary of significant accounting policies *(Continued)*

(o) Financial assets *(Continued)*

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 investments, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

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

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

– the disappearance of an active market for that financial assets because of financial difficulties.

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 financial assets carried at cost, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

For available-for-sale investments carried at fair value, when an investment is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised 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 to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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 and accumulated in the investments revaluation reserve. In respect of available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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

2 Summary of significant accounting policies *(Continued)*

(p) Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment, except where the effect of discounting would be immaterial. In such cases, 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.

(q) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair values. Changes in fair value of derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

For cash flow hedge, where instruments are designated to hedge against the variability in cash flows attributable to a particular risk associated with 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 are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are 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 non-financial liability, the gains or losses previously deferred in equity are 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, any cumulative gain or loss existing 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, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

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 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 treated as designated at FVTPL on initial recognition.

2 Summary of significant accounting policies *(Continued)*

(r) 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, i.e. 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.

(s) Bank borrowings

Bank borrowings are initially recognised at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is recognised in the income statement.

(t) 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. 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 retained 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.

(u) Trade and other payables

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

2 Summary of significant accounting policies *(Continued)*

(v) Taxation

Income tax expense represents the sum of the current tax and deferred tax.

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

Deferred tax is recognised on temporary 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. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilised. Such deferred tax 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 associated with 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model in accordance with HKAS 40, "Investment Property", the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

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.

2 Summary of significant accounting policies *(Continued)*

(w) Contingent liabilities

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

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

(x) Capitalisation of borrowing costs

Borrowing costs are expensed as incurred, except to the extent that they are capitalised as being directly attributable to the construction or production of assets which necessarily take a substantial period of time to get ready for their intended use or sale. Capitalisation of such borrowing costs begins when construction or production activities commence and ceases when the assets are substantially ready for their intended use or sale. 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.

(y) Foreign currencies

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets (accounting treatment for available-for-sale investments is included in note 2(o)) and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates prevailing at the dates of transaction. 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 are reported as part of the fair value gain or loss. Exchange differences on non-monetary financial assets and liabilities such as equities held at FVTPL are recognised in the income statement as part of the fair value gain or loss. Exchange differences on non-monetary financial assets such as equities classified as available-for-sale are included in the other comprehensive income.

On consolidation, the assets and liabilities for each balance sheet of all the Group's entities that have a functional currency different from the presentation currency are translated into Hong Kong dollars at the closing rate at the balance sheet date, and the income and expenses for each income statement 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 accumulated separately in equity in the exchange reserve. On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the gain or loss on disposal is recognised.

2 Summary of significant accounting policies *(Continued)*

(z) Employee benefits

Cost of accumulating compensated absences is recognised as an expense 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 as incurred.

(aa) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the Group.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

2 Summary of significant accounting policies *(Continued)*

(bb) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its assets (other than financial assets, investment properties, properties for or under development for sale, inventories and deferred tax assets) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The Group estimates recoverable amount based on the best information available making whatever estimates, judgements and projections considered necessary. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Such impairment loss is recognised 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 treated as a revaluation decrease. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Impairment testing on goodwill is described in note 2(d).

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

Impairment testing of the investments in subsidiaries, associates or jointly controlled entities is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary, associate or jointly controlled entity in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(cc) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2 Summary of significant accounting policies *(Continued)*

(dd) Share-based payments

Equity-settled share-based payments to employees 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, with a corresponding increase in equity. 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.

The policy described above is applied to all equity-settled share-based payment transactions that were granted after 7 November 2002 and vested after 1 January 2005. No amounts have been recognised in the consolidated financial statements in respect of other equity-settled share-based payments.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, with a corresponding increase in equity, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

(ee) 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 resources and assess performance of the segment. The executive committee is identified as the Group's chief operating decision maker who makes strategic decisions.

3 Impact of New or Revised Hong Kong Financial Reporting Standards

(a) Adoption of new standards

Other than HKAS 12 "Income Taxes" which was early adopted last year, there are no HKFRSs or HK(IFRIC) interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would have a material impact on the Group.

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

A number of new standards and amendments to standards and interpretations, that are relevant to the Group, are issued but not yet effective for financial periods beginning on or after 1 January 2013, and have not been applied in preparing these consolidated financial statements.

HKAS 1 (Revised) (Amendments)	Presentation of Financial Statements[1]
HKAS 27 (2011)	Separate Financial Statements[2]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurements[2]
Amendments to HKFRS 10, HKFRS 11 & HKFRS 12	Transition Guidance[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2015

The Group has already commenced an assessment of the impact of these new or revised HKFRSs, certain of which are relevant to our Group's operation and will give rise to changes in presentation, disclosures and measurements of certain items in the financial statements.

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of HKFRS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. Also, the cost option is no longer available and all unquoted equity investments must be stated at fair value. The Group is yet to assess HKFRS 9's full impact and intends to adopt HKFRS 9 no later than the accounting period beginning on or after 1 January 2015. The Group will also consider the impact of the remaining phases of HKFRS 9 when completed by the Board.

Other than HKFRS 9, other new and revised HKFRSs would not be expected to have a material impact on the Group.

4 Turnover and other income

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

	Group	
	2012 (HK$'000)	2011 (HK$'000)
Revenue		
Revenue from sales of properties	**2,183,006**	271,835
Revenue from passenger transportation services	**2,231,243**	1,739,256
Revenue from sale of fuel	**45,125**	50,884
Revenue from travel agency services	**130,203**	130,113
Revenue from hotel operation	**345,067**	293,256
Rental income	**185,133**	170,016
Interest income from mortgage loans receivable	**736**	679
Management fees and others	**260,828**	239,629
	5,381,341	2,895,668
Dividend income from available-for-sale investments	**113,338**	72,650
Turnover	**5,494,679**	2,968,318
Other income		
Interest income	**104,826**	78,132
Others	**42,606**	48,927
	147,432	127,059
Turnover and other income	**5,642,111**	3,095,377

5 Other gains, net

	Group	
	2012 (HK$'000)	2011 (HK$'000)
Net (loss)/gain on disposal of investment properties (note 13)	**(6,684)**	4,500
Net gain on disposal of property, plant and equipment	**17,150**	9,562
Net (loss)/gain on disposal of available-for-sale investments	**(6,740)**	35,461
Gain on acquisition (note 35)	**—**	2,359
Others	**939**	8,775
	4,665	60,657

6 Operating profit

	Group	
	2012 (HK$'000)	2011 (HK$'000)
After crediting:		
Interest income		
– bank deposits and mortgage loans	**105,562**	78,811
Total interest income on financial assets	**105,562**	78,811
Rental income from investment properties	**172,856**	168,100
Less: Direct operating expenses arising from investment properties	**(10,613)**	(12,512)
	162,243	155,588
Dividend income from listed investments	**9,079**	8,369
Dividend income from unlisted investments		
– Sociedade de Turismo e Diversões de Macau, S.A. ("STDM")	**104,080**	63,193
– others	**179**	1,088
Exchange gain, net	**959**	2,460
After charging:		
Cost of inventories (note 23)		
– properties	**1,524,813**	90,392
– fuel	**967,489**	748,512
– others	**112,128**	80,089
	2,604,430	918,993
Depreciation of property, plant and equipment	**238,037**	197,863
Amortisation		
– intangible assets (note 18)	**450**	360
– prepaid premium for land lease (note 14)	**244**	244
Auditors' remuneration		
– audit services	**6,175**	6,798
– non-audit services	**2,607**	2,429
Minimum lease payments of properties under operating leases	**37,906**	30,432
Contingent rental payment	**10,364**	8,870
Impairment losses		
– available-for-sale investments	**9,547**	43,200
– trade receivables, net (note 24)	**3,488**	378
Staff costs		
– salaries and wages	**899,374**	764,712
– provident fund contributions	**40,475**	33,475
– share-based payments (note 7)	**—**	9,879
– directors' emoluments (note 7)	**30,579**	22,291

7 Directors' emoluments and five highest paid individuals

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

Group

2012	Fees (HK$'000)	Salaries, allowances and benefits (HK$'000)	Performance bonus (HK$'000)	Provident fund contributions (HK$'000)	Share-based payments (note b) (HK$'000)	Total (HK$'000)
Executive Directors						
Dr. Stanley Ho	**72**	**—**	**—**	**—**	**—**	**72**
Ms. Pansy Ho	**110**	**7,999**	**1,110**	**470**	**—**	**9,689**
Ms. Daisy Ho	**110**	**4,800**	**1,005**	**240**	**—**	**6,155**
Ms. Maisy Ho	**88**	**3,600**	**755**	**180**	**—**	**4,623**
Mr. David Shum	**110**	**2,760**	**580**	**138**	**—**	**3,588**
Mr. Rogier Verhoeven	**43**	**4,040**	**800**	**163**	**—**	**5,046**
Non-Executive Directors						
Dato' Dr. Cheng Yu Tung	**50**	**—**	**—**	**—**	**—**	**50**
Mrs. Louise Mok	**50**	**100**	**—**	**—**	**—**	**150**
Mr. Michael Ng (note a)	**48**	**—**	**—**	**—**	**—**	**48**
Independent Non-Executive Directors						
Sir Roger Lobo	**300**	**107**	**—**	**—**	**—**	**407**
Mr. Norman Ho	**300**	**130**	**—**	**—**	**—**	**430**
Mr. Charles Ho	**300**	**8**	**—**	**—**	**—**	**308**
Mr. Michael Ng (note a)	**10**	**3**	**—**	**—**	**—**	**13**
	1,591	**23,547**	**4,250**	**1,191**	**—**	**30,579**
2011						
Executive Directors						
Dr. Stanley Ho	65	—	—	—	—	65
Ms. Pansy Ho	65	7,645	636	424	—	8,770
Ms. Daisy Ho	65	4,599	536	230	—	5,430
Ms. Maisy Ho	5	3,413	398	171	—	3,987
Mr. David Shum	65	2,622	306	131	—	3,124
Non-Executive Directors						
Dato' Dr. Cheng Yu Tung	5	—	—	—	1,797	1,802
Mrs. Louise Mok	5	100	—	—	1,797	1,902
Mr. Michael Ng	5	—	—	—	894	899
Independent Non-Executive Directors						
Sir Roger Lobo	200	100	—	—	1,797	2,097
Mr. Norman Ho	200	100	—	—	1,797	2,097
Mr. Charles Ho	200	—	—	—	1,797	1,997
	880	18,579	1,876	956	9,879	32,170

7 Directors' emoluments and five highest paid individuals *(Continued)*

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 are directors (2011: four are directors) of the Company and the details of their emoluments have been disclosed above. The emoluments of the individual not included above in 2011 consisted of salaries, allowances and benefits of HK$2,591,000, performance bonus of HK$257,000 and provident fund contributions of HK$103,000.

Notes:

(a) Mr. Michael Ng has been re-designated as Independent Non-Executive Director and appointed as a member of the Audit Committee of the Company, both with effect from 20 December 2012.

(b) This represents the estimated fair value of share options granted under the Company's share option scheme. The value of these share options is measured in accordance with the accounting policy for share-based payment in note 2(dd). Details of benefits in kind under the share option scheme to the Directors are disclosed in section (2) under disclosure of interests in the Report of the Directors.

8 Finance costs

	Group	
	2012 (HK$'000)	2011 (HK$'000)
Interest on bank loans and overdraft wholly repayable within 5 years	**81,073**	69,888
Interest on convertible bonds wholly repayable within 5 years (note 30)	**69,021**	74,513
Interest on loans from non-controlling shareholders	**8,743**	2,206
Cost of early redemption of convertible bonds (note 30)	**24,243**	—
Other finance costs	**20,232**	60,421
Total interest expenses	**203,312**	207,028
Less: Amount capitalised in properties under development	**(22,338)**	(72,874)
	180,974	134,154

Finance costs have been capitalised at weighted average rate of 1.86% (2011: 3.77%) per annum for properties under development.

9 Taxation

(a) Taxation in the consolidated income statement represents:

	Group	
	2012 (HK$'000)	2011 (HK$'000)
Current taxation		
Hong Kong profits tax		
– tax for the year	**80,904**	21,545
– over-provision in respect of prior years	**(557)**	(1,065)
Overseas taxation		
– tax for the year	**14,101**	52,160
– (over)/under-provision in respect of prior years	**(6,177)**	446
	88,271	73,086
Deferred taxation		
Origination and reversal of temporary differences	**68,184**	1,502
Total tax expenses	**156,455**	74,588

Hong Kong profits tax is calculated at 16.5% (2011: 16.5%) on the estimated assessable profits for the year. Overseas taxation is calculated at tax rates applicable to jurisdictions in which the Group operates.

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

	Group	
	2012 (HK$'000)	2011 (HK$'000)
Profit before taxation	**3,218,935**	1,000,478
Tax at the applicable tax rate of 16.5% (2011: 16.5%)	**531,124**	165,079
Income not subject to tax	**(184,206)**	(64,606)
Expenses not deductible for tax purposes	**43,863**	33,502
Utilisation of tax losses and deductible temporary differences not previously recognised	**(7,485)**	(10,063)
Tax losses and deductible temporary differences not recognised	**27,024**	21,698
Share of results of associates and jointly controlled entities	**(241,423)**	(71,749)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(7,899)**	(1,985)
Over-provision in prior years	**(6,734)**	(619)
Others	**2,191**	3,331
Total tax expenses	**156,455**	74,588

9 Taxation *(Continued)*

(c) Deferred tax assets and liabilities recognised

The movement in deferred tax assets and liabilities (prior to offsetting balances with the same taxation jurisdiction) during the year is as follows:

Deferred tax assets

	Accelerated accounting depreciation (HK$'000)	Tax losses (HK$'000)	Cash flow hedges (HK$'000)	Others (HK$'000)	Total (HK$'000)
Group					
At 1 January 2011	(321)	(131,513)	—	(25,529)	(157,363)
Charge/(credit) to income statement	(47)	5,406	—	(2,409)	2,950
Credit to other comprehensive income	—	—	(165)	—	(165)
At 31 December 2011	**(368)**	**(126,107)**	**(165)**	**(27,938)**	**(154,578)**
Charge to income statement	**45**	**8,370**	**—**	**15,503**	**23,918**
Charge to other comprehensive income	**—**	**—**	**165**	**—**	**165**
At 31 December 2012	**(323)**	**(117,737)**	**—**	**(12,435)**	**(130,495)**
Company					
At 1 January 2011		(137)			
Charge to income statement		13			
At 31 December 2011		**(124)**			
Credit to income statement		**(31)**			
At 31 December 2012		**(155)**			

9 Taxation *(Continued)*

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

Deferred tax liabilities

	Accelerated tax depreciation (HK$'000)	Revaluation of investment properties (HK$'000)	Cash flow hedges (HK$'000)	Fair value adjustments on business combination (HK$'000)	Total (HK$'000)
Group					
At 1 January 2011					
as originally stated	222,820	165,231	6,364	732,668	1,127,083
adjustment on adoption of amendments to HKAS 12	—	(76,476)	—	—	(76,476)
as restated	222,820	88,755	6,364	732,668	1,050,607
Exchange adjustment	1,550	1,325	—	—	2,875
Acquisition of subsidiaries (note 35)	16,511	—	—	7,641	24,152
Charge/(credit) to income statement	1,203	5,723	—	(8,374)	(1,448)
Charge/(credit) to other comprehensive income	—	—	(6,364)	597	(5,767)
At 31 December 2011	**242,084**	**95,803**	**—**	**732,532**	**1,070,419**
Exchange adjustment	**507**	**633**	**—**	**—**	**1,140**
Charge/(credit) to income statement	**2,381**	**43,581**	**—**	**(1,696)**	**44,266**
At 31 December 2012	**244,972**	**140,017**	**—**	**730,836**	**1,115,825**
Company					
At 1 January 2011	137				
Credit to income statement	(13)				
At 31 December 2011	**124**				
Charge to income statement	**31**				
At 31 December 2012	**155**				

9 Taxation *(Continued)*

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

Deferred tax assets and liabilities are netted off when the taxes related to the same taxation authority and where the offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the balance sheet.

	Group		Company	
	2012 (HK$'000)	2011 (HK$'000)	**2012 (HK$'000)**	2011 (HK$'000)
Deferred tax assets recognised	**(25,747)**	(33,332)	**—**	—
Deferred tax liabilities recognised	**1,011,077**	949,173	**—**	—
	985,330	915,841	**—**	—

(d) Deferred tax assets unrecognised

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

	Group		Company	
	2012 (HK$'000)	2011 (HK$'000)	**2012 (HK$'000)**	2011 (HK$'000)
Tax losses	**1,009,527**	892,175	**512,413**	448,484
Deductible temporary differences	**115,449**	106,393	**—**	—
	1,124,976	998,568	**512,413**	448,484

Included in the unrecognised tax losses of the Group are losses of HK$33,604,000 (2011: HK$41,230,000) that will expire on various dates through to 2017 (2011: 2016) from the balance sheet date. Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

10 Dividends

	2012 (HK$'000)	2011 (HK$'000)
Proposed final dividend of HK 8.5 cents on 2,986,880,719 shares (2011: HK 4.0 cents on 2,986,880,719 shares)	**253,885**	119,475

The total amount of dividend is calculated based on the number of shares after the rights issue (note 32).

11 Earnings per share

The calculation of basic earnings per share is based on profit attributable to owners of the Company of HK$2,562,794,000 (2011: HK$780,591,000) and the weighted average number of 2,889,291,226 shares (2011: 2,461,619,629 shares, after adjusting for the rights issue completed in March 2012) in issue during the year.

The calculation of diluted earnings per share is based on profit attributable to owners of the Company of HK$2,631,815,000 (2011: HK$780,591,000) and the weighted average number of 3,088,239,325 shares (2011: 2,474,808,721 shares, after adjusting for rights issue completed in March 2012) 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		
	2012 (HK$'000)	2011 (HK$'000)	**2012**	2011 (restated)	Note
Profit/number of shares for the purpose of basic earnings per share	**2,562,794**	780,591	**2,889,291,226**	2,461,619,629	(a)
Effect of dilutive potential ordinary shares					
– share options	**—**	—	**4,087,232**	13,189,092	
– convertible bonds	**69,021**	—	**194,860,867**	—	(b)
Profit/number of shares for the purpose of diluted earnings per share	**2,631,815**	780,591	**3,088,239,325**	2,474,808,721	

Notes:

(a) The earnings per share for the year ended 31 December 2011 have been restated to reflect the effect of rights issue during the year (note 32).

(b) The effect of convertible bonds issued in October 2009 is antidilutive and has been excluded from the calculation of diluted earnings per share for 2011.

12 Property, plant and equipment

Group

	Hotel buildings (HK$'000) (note 14)	Leasehold land and buildings (HK$'000)	Vessels and pontoons (HK$'000)	Other assets (HK$'000)	Total (HK$'000)
Cost					
At 1 January 2011	800,694	990,479	2,135,832	1,004,756	4,931,761
Exchange adjustment	—	—	—	241	241
Acquisition of subsidiaries (note 35)	—	—	366,530	8,001	374,531
Additions	9,038	—	2,717	86,747	98,502
Disposals	—	—	(39,072)	(8,770)	(47,842)
At 31 December 2011	**809,732**	**990,479**	**2,466,007**	**1,090,975**	**5,357,193**
Exchange adjustment	**—**	**—**	**—**	**60**	**60**
Additions	**725**	**—**	**1,250**	**34,349**	**36,324**
Disposals	**(9,345)**	**—**	**—**	**(128,406)**	**(137,751)**
Transfer	**—**	**15**	**—**	**(195)**	**(180)**
At 31 December 2012	**801,112**	**990,494**	**2,467,257**	**996,783**	**5,255,646**
Accumulated depreciation					
At 1 January 2011	42,369	363,284	1,580,802	735,762	2,722,217
Exchange adjustment	—	—	—	328	328
Charge for the year	20,773	16,497	78,520	82,073	197,863
Disposals	—	—	(32,135)	(7,720)	(39,855)
At 31 December 2011	**63,142**	**379,781**	**1,627,187**	**810,443**	**2,880,553**
Exchange adjustment	**—**	**—**	**—**	**40**	**40**
Charge for the year	**20,721**	**16,241**	**87,019**	**114,056**	**238,037**
Disposals	**—**	**—**	**—**	**(125,506)**	**(125,506)**
Transfer	**—**	**15**	**—**	**(195)**	**(180)**
At 31 December 2012	**83,863**	**396,037**	**1,714,206**	**798,838**	**2,992,944**
Net book value					
At 31 December 2012	**717,249**	**594,457**	**753,051**	**197,945**	**2,262,702**
At 31 December 2011	746,590	610,698	838,820	280,532	2,476,640

12 Property, plant and equipment *(Continued)*

Company

	Other assets (HK$'000)
Cost	
At 1 January 2011	3,762
Additions	240
Disposals	(179)
At 31 December 2011	**3,823**
Additions	**502**
Disposals	**(460)**
At 31 December 2012	**3,865**
Accumulated depreciation	
At 1 January 2011	2,769
Charge for the year	334
Disposals	(170)
At 31 December 2011	**2,933**
Charge for the year	**318**
Disposals	**(440)**
At 31 December 2012	**2,811**
Net book value	
At 31 December 2012	**1,054**
At 31 December 2011	890

Notes:

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

(b) Leasehold land of the Group with a net book value of HK$385,417,000 (2011: HK$395,883,000) is subject to agreement with the Macau SAR Government for replacement of another site in Macau, having the same area.

(c) Contingent rental payment amounting to approximately HK$10,364,000 (2011: HK$8,870,000) relating to the lease of hotel buildings is included in the consolidated income statement (note 6).

12 Property, plant and equipment *(Continued)*

The analysis of net book value of hotel buildings, leasehold land and buildings is as follows:

	Group	
	2012 (HK$'000)	2011 (HK$'000)
Hong Kong		
Long lease – leases of over 50 years		
Leasehold land and buildings	**12,809**	12,937
Medium-term lease – leases of 10-50 years		
Hotel buildings	**717,249**	746,590
Leasehold land and buildings	**184,740**	190,116
	914,798	949,643
Outside Hong Kong		
Medium-term lease – leases of 10-50 years		
Leasehold land and buildings	**395,761**	407,645
Short-term lease – leases of less than 10 years		
Leasehold land and buildings	**1,147**	—
	1,311,706	1,357,288

Certain property, plant and equipment of net book value of HK$1,280,099,000 (2011: HK$1,387,235,000) were pledged to banks as securities for bank loans granted to certain subsidiaries of the Group (note 28).

13 Investment properties

	Group	
	2012 (HK$'000)	2011 (HK$'000)
At valuation		
At 1 January	**3,993,927**	3,808,023
Exchange adjustment	**7,222**	21,252
Transfer from properties under development	**543,865**	—
Disposals (note)	**(645,000)**	(255,500)
Fair value changes	**1,149,930**	420,152
At 31 December	**5,049,944**	3,993,927

Note:

The Group entered into a sale and purchase agreement in May 2012 to dispose of the investment properties at Star House, Tsimshatsui at a cash consideration of HK$645,000,000. Based on the agreed consideration, the Group recorded a fair value gain of HK$269,000,000 bringing the carrying amount of Star House to HK$645,000,000. On disposal, transaction costs of approximately HK$6,684,000 were incurred by the Group (note 5).

13 Investment properties *(Continued)*

The analysis of carrying value of investment properties is as follows:

	Group	
	2012 (HK$'000)	2011 (HK$'000)
Hong Kong		
Long lease – leases of over 50 years	**160,600**	506,300
Medium-term lease – leases of 10-50 years	**3,575,199**	2,452,267
	3,735,799	2,958,567
Outside Hong Kong		
Medium-term lease – leases of 10-50 years	**746,145**	654,360
Freehold	**568,000**	381,000
	1,314,145	1,035,360
	5,049,944	3,993,927

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

A revaluation of all investment properties was performed at 31 December 2012 and 2011 on an open markets value basis, by reference to sales evidence as available on the market and where appropriate on the basis of capitalisation of net income. The revaluation for both years was conducted by Savills Valuation and Professional Services Limited, independent professional valuer.

14 Prepaid premium for land lease

	Group	
	2012 (HK$'000)	2011 (HK$'000)
Cost		
At 1 January and 31 December	**10,000**	10,000
Accumulated amortisation		
At 1 January	**1,342**	1,098
Amortisation for the year (note 6)	**244**	244
At 31 December	**1,586**	1,342
Net book value at 31 December	**8,414**	8,658

14 Prepaid premium for land lease *(Continued)*

The analysis of net book value of prepaid premium for land lease is as follows:

	Group	
	2012 (HK$'000)	2011 (HK$'000)
Hong Kong		
Medium-term lease – lease of 10-50 years	**8,414**	8,658

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 AsiaWorld-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 (note 12) and leasehold land will be transferred to the Airport Authority Hong Kong.

15 Subsidiaries

	Company	
	2012 (HK$'000)	2011 (HK$'000)
Unlisted shares, at cost	**630,805**	630,805

Particulars regarding the principal subsidiaries are set out on note 47.

16 Associates

	Group		Company	
	2012 (HK$'000)	2011 (HK$'000)	**2012 (HK$'000)**	2011 (HK$'000)
Unlisted shares, at cost	**—**	—	**250**	250
Share of net assets	**962,225**	190,711	**—**	—
Goodwill	**137**	137	**—**	—
	962,362	190,848	**250**	250

16 Associates *(Continued)*

The Group's share of the results of its associates and their assets and liabilities are as follows:

	2012 (HK$'000)	2011 (HK$'000)
Assets	**1,066,536**	294,283
Liabilities	**(104,174)**	(103,435)
Revenue	**209,227**	151,681
Profit for the year	**11,843**	11,676

Particulars regarding the principal associates are set out on note 47.

17 Jointly controlled entities

	Group	
	2012 (HK$'000)	2011 (HK$'000)
Share of net assets	**3,569,337**	2,664,040

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

	2012 (HK$'000)	2011 (HK$'000)
Share of assets and liabilities attributable to the Group		
Non-current assets	**4,222,245**	2,869,399
Current assets	**553,422**	1,132,993
Current liabilities	**(839,382)**	(1,147,024)
Non-current liabilities	**(366,948)**	(191,328)
Net assets	**3,569,337**	2,664,040
Share of income and expenses attributable to the Group		
Income	**2,236,483**	1,228,418
Expenses	**(785,158)**	(805,253)
Profit for the year	**1,451,325**	423,165

Particulars regarding the principal jointly controlled entities are set out on note 47.

18 Intangible assets

Group

	Goodwill (HK$'000)	Licences (HK$'000)	Franchises and royalties (HK$'000)	Total (HK$'000)
Cost				
At 1 January 2011 and 31 December 2011 and 2012	**364,728**	**2,999**	**4,617**	**372,344**
Accumulated amortisation and impairment loss				
At 1 January 2011	2,275	356	3,856	6,487
Amortisation for the year (note 6)	—	270	90	360
At 31 December 2011 and at 1 January 2012	**2,275**	**626**	**3,946**	**6,847**
Amortisation for the year (note 6)	**—**	**360**	**90**	**450**
At 31 December 2012	**2,275**	**986**	**4,036**	**7,297**
Net book value				
At 31 December 2012	**362,453**	**2,013**	**581**	**365,047**
At 31 December 2011	362,453	2,373	671	365,497

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 2012 has been allocated to the CGUs of properties for or under development in Macau acquired in 2007.

The recoverable amounts of goodwill attributable to CGUs are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering periods between four and six years which represents the period of property under development of sales of properties. The cash flow projections are based on management's past experience and its expectation for the market development and are consistent with their business plans. Management adopts a discount rate of 6% per annum (2011: 6% per annum) and they apply same selling price per gross floor area in the cash projection of properties for sale over the period. The discount rate used is pre-tax and reflects specific risks relating to the relevant segment. Management believes that any reasonably possible further change in the key assumptions on which recoverable amounts are based would not cause the aggregate carrying amounts to exceed the aggregate recoverable amounts of these CGUs. If the discount rate adopted increases by 1% or if the estimation of future selling price decreases by 5%, the estimated value would still be higher than net book value and would not result in an impairment of the goodwill.

19 Available-for-sale investments

	Group		Company	
	2012 (HK$'000)	2011 (HK$'000)	**2012 (HK$'000)**	2011 (HK$'000)
Equity securities				
Unlisted				
Cost	**893,209**	892,911	**233,679**	233,679
Impairment losses	**(77,289)**	(77,289)	**—**	—
	815,920	815,622	**233,679**	233,679
Listed in Hong Kong, at fair value	**177,274**	158,971	**—**	—
Listed outside Hong Kong, at fair value	**5,275**	4,843	**—**	—
	998,469	979,436	**233,679**	233,679
Investment funds				
Listed outside Hong Kong, at market value	**14**	14	**—**	—
Unlisted, at fair value	**18,759**	27,152	**—**	—
	18,773	27,166	**—**	—
	1,017,242	1,006,602	**233,679**	233,679

The fair values of listed securities are determined on the basis of their quoted market prices at the balance sheet date. 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, are not stated at fair value but at cost because they do not have a quoted market price in an active market, the range of reasonable fair value estimates is significant for these investments and the probabilities of the various estimates cannot be reasonably assessed. The directors of the Company are of the opinion that it is appropriate to state these available-for-sale investments at cost less any identified impairment loss at the balance sheet date.

20 Mortgage loans receivable

	Group	
	2012 (HK$'000)	2011 (HK$'000)
Mortgage loans receivable	**14,898**	7,615
Less: Current portion (note 24)	**(878)**	(566)
Non-current portion	**14,020**	7,049

Mortgage loans receivable are secured by second mortgage of properties and interest bearing at prime rate plus 1.75% and prime rate plus 2.75% (2011: prime rate plus 1.75% and prime rate plus 2.75%) per annum.

The carrying amount of mortgage loans receivable approximates its fair value.

21 Other non-current assets

	Group		Company	
	2012 (HK$'000)	2011 (HK$'000)	**2012 (HK$'000)**	2011 (HK$'000)
Amounts due by subsidiaries less provision	**—**	—	**9,512,096**	9,210,366
Amounts due by associates	**22,350**	22,350	**—**	—
Amounts due by jointly controlled entities	**575,684**	852,077	**—**	—
Club debentures	**140**	140	**—**	—
Deposit (note 44)	**77,000**	—	**—**	—
	675,174	874,567	**9,512,096**	9,210,366

Amounts due by subsidiaries are unsecured and with no fixed term of repayment. Amount of HK$236,655,000 (2011: HK$236,033,000) is interest bearing at prime rate (2011: 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 of HK$539,303,000 (2011: HK$828,044,000) and HK$7,870,000 (2011: Nil) are interest bearing at HIBOR plus 3% (2011: HIBOR plus 3%) and LIBOR plus 2% (2011: Nil) per annum respectively on loan principal. The remaining balances are non-interest bearing.

The carrying amounts approximate their fair values.

22 Properties for or under development

	Group	
	2012 (HK$'000)	2011 (HK$'000)
Properties for or under development, at cost	**8,238,777**	10,726,517

The analysis of carrying value of leasehold land included in properties for or under development is as follows:

	Group	
	2012 (HK$'000)	2011 (HK$'000)
Hong Kong		
Long lease – leases of over 50 years	**782,384**	782,384
Medium-term lease – leases of 10-50 years	—	1,914,954
	782,384	2,697,338
Outside Hong Kong		
Medium-term lease – leases of 10-50 years	**6,642,074**	6,745,293
	7,424,458	9,442,631

The amount of properties for or under development expected to be completed and recovered after more than one year is HK$7,198,667,000 (2011: HK$7,918,070,000). The remaining balance is expected to be completed and recovered within one year.

Properties for or under development of HK$7,702,088,000 (2011: HK$7,413,524,000) were pledged to banks as securities for bank loans granted to certain subsidiaries of the Group (note 28).

23 Inventories

	Group	
	2012 (HK$'000)	2011 (HK$'000)
Properties held for sale	**1,792,498**	249,610
Spare parts	**141,615**	122,821
Others	**11,557**	11,977
	1,945,670	384,408

The analysis of carrying value of leasehold land included in properties held for sale is as follows:

	Group	
	2012 (HK$'000)	2011 (HK$'000)
Hong Kong		
Medium-term lease – leases of 10-50 years	**767,590**	2,132
Outside Hong Kong		
Medium-term lease – leases of 10-50 years	**272,119**	180,986
	1,039,709	183,118

The analysis of the amount of inventories recognised as an expense is as follows:

	Group	
	2012 (HK$'000)	2011 (HK$'000)
Carrying amount of inventories sold	**2,604,111**	921,905
Write-down/(write-back) of inventories, net	**319**	(2,912)
	2,604,430	918,993

24 Trade and other receivables, and deposits paid

	Group		Company	
	2012 (HK$'000)	2011 (HK$'000)	**2012 (HK$'000)**	2011 (HK$'000)
Trade receivables (note a)	**127,713**	128,500	—	—
Less: Provision for impairment of trade receivables	**(4,400)**	(912)	—	—
	123,313	127,588	—	—
Deposit receipts and receivables from properties sales	**1,228,294**	—	—	—
Current portion of mortgage loans receivable (note 20)	**878**	566	—	—
Deposits for acquisitions of interests in land development rights (note b)	**814,542**	814,542	—	—
Amount due by a jointly controlled entity (note c)	**4,657**	4,734	—	—
Other debtors, deposits and prepayments	**259,470**	269,568	**14,466**	6,075
	2,431,154	1,216,998	**14,466**	6,075

Notes:

(a) Trade receivables

The carrying amounts of trade and other receivable approximate their fair values because of their immediate or short term maturity. The currencies of trade and other receivables are presented in note 41(c)(ii).

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 1 day 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	
	2012 (HK$'000)	2011 (HK$'000)
0 - 30 days	**92,183**	93,979
31 - 60 days	**25,058**	21,790
61 - 90 days	**4,969**	8,069
over 90 days	**5,503**	4,662
	127,713	128,500

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

	Group	
	2012 (HK$'000)	2011 (HK$'000)
Past due up to:		
0 - 30 days	**34,005**	32,517
31 - 60 days	**10,142**	10,682
61 - 90 days	**297**	3,881
over 90 days	**5,669**	2,862
	50,113	49,942

24 Trade and other receivables, and deposits paid *(Continued)*

Notes: *(Continued)*

(a) Trade receivables *(Continued)*

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

	Group	
	2012 (HK$'000)	2011 (HK$'000)
At 1 January	**912**	5,806
Impairment loss recognised during the year	**3,789**	378
Impairment loss reversed during the year	**(301)**	—
Uncollectible amounts written off	**—**	(5,272)
At 31 December	**4,400**	912

(b) Deposits for acquisitions of interests in land development rights

These represent refundable deposits paid by the Group for acquiring interests in land development rights from a third party and a related company in Macau. Upon completion of the acquisition, the balances will be reclassified to properties for or under development. The transaction is further disclosed in significant related party transactions (note 37(ix)).

(c) Amount due by a jointly controlled entity

It is unsecured and repayable within one year, of which HK$4,657,000 (2011: HK$4,657,000) is interest bearing at LIBOR plus 2% (2011: LIBOR plus 2%) per annum.

25 Derivative financial instruments

	Group	
	2012 (HK$'000)	2011 (HK$'000)
Current assets		
Fuel swap contracts	**4,749**	—
Current liabilities		
Fuel swap contracts	**—**	998

The Group uses fuel swap contracts to economic hedge its fuel price risk arising from highly probable forecast of fuel purchases. The Group used either the mark-to-market values quoted by independent financial institutions or the estimated future cash flows to estimate the fair values of these derivatives.

As at December 2012, the Group had outstanding fuel swap contract to buy approximately 84,000 (2011: 480,000) barrels of fuel. These contracts expire through December 2013 (2011: December 2012).

26 Cash and bank balances

	Group		Company	
	2012 (HK$'000)	2011 (HK$'000)	**2012 (HK$'000)**	2011 (HK$'000)
Bank deposits	**6,621,609**	4,651,233	**2,445,761**	420,231
Cash and bank balances	**1,060,270**	697,694	**30,654**	26,544
	7,681,879	5,348,927	**2,476,415**	446,775

The carrying amounts of bank deposits, cash and bank balances approximate their fair values because of their immediate or short term maturity.

Cash and bank balances are mainly denominated in Hong Kong dollars.

Cash and bank balances at the balance sheet date include cash and bank balances of HK$100,301,000 (2011: HK$101,168,000) held by subsidiaries which are not freely remittable to the Group because of currency exchange restrictions.

The balance at the balance sheet date includes amount of HK$438,771,000 (2011: HK$131,619,000) held under charge in favour of banks in respect of bank loan facilities of which, HK$336,669,000 (2011: HK$69,437,000) are property presale proceeds which can be utilised to settle relevant project construction cost payable while HK$102,102,000 (2011: HK$62,182,000) can be utilised under specified conditions by the Group.

27 Trade and other payables, and receipts in advance

	Group		Company	
	2012 (HK$'000)	2011 (HK$'000)	**2012 (HK$'000)**	2011 (HK$'000)
Amounts due to subsidiaries (note a)	**—**	—	**640,105**	163,578
Amount due to an associate (note a)	**2,846**	2,846	**—**	—
Amount due to a jointly controlled entity (note a)	**195**	40	**—**	—
Trade and other creditors, deposits and accrued charges (note b)	**1,008,062**	666,871	**20,843**	15,950
Current portion of receipts in advance (note c)	**1,136**	898	**—**	—
	1,012,239	670,655	**660,948**	179,528
Receipts in advance (note c)	**42,032**	34,124	**—**	—
Less: Current portion	**(1,136)**	(898)	**—**	—
Non-current portion	**40,896**	33,226	**—**	—

27 Trade and other payables, and receipts in advance *(Continued)*

Notes:

(a) Amounts due to subsidiaries, associate and jointly controlled entity are unsecured, non-interest bearing and with no fixed term of repayment. The carrying amounts approximate their fair values. The balances are mainly denominated in Hong Kong dollars.

(b) The carrying amounts of trade and other payables approximate their fair values because of their immediate or short term maturity. The currencies of trade and other payables are presented in note 41(c)(ii).

The ageing analysis of trade creditors is as follows:

	Group	
	2012 (HK$'000)	2011 (HK$'000)
0 - 30 days	**636,610**	316,671
31 - 60 days	**9,867**	7,156
61 - 90 days	**5,326**	4,701
over 90 days	**4,364**	5,588
	656,167	334,116

(c) The balance represents fee received in advance in respect of management services to be rendered for columbarium niches sold. The management fee receipts in advance are credited as revenue on straight-line method over the remaining leasehold land period from the date of the sale of niches.

28 Bank borrowings

	Group	
	2012 (HK$'000)	2011 (HK$'000)
Bank loans repayable as follows:		
Not exceeding 1 year	**3,103,025**	1,950,400
More than 1 year but not exceeding 2 years	**668,000**	2,103,025
More than 2 years but not exceeding 5 years	**2,179,000**	1,712,000
	5,950,025	5,765,425
Less: Current portion	**(3,103,025)**	(1,950,400)
Non-current portion	**2,847,000**	3,815,025

Bank loans to the extent of HK$1,610,025,000 (2011: HK$1,775,425,000) are secured by charges on properties under development of HK$7,702,088,000 (2011: HK$7,413,524,000) (note 22), property, plant and equipment of HK$1,280,099,000 (2011: HK$1,387,235,000) (note 12), and other assets of HK$497,025,000 (2011: HK$163,037,000) of the Group. Out of the above secured bank loans, an aggregate amount of HK$1,449,025,000 (2011: HK$1,505,425,000) is also secured by pledges of shares in certain subsidiaries (note 47). The balance is secured by corporate guarantees of the Company and/or certain subsidiaries.

Bank loans to the extent of HK$915,200,000 (2011: HK$1,225,600,000) are repayable by installments.

Bank loans are interest bearing at HIBOR plus 1.00% to HIBOR plus 1.84% (2011: HIBOR plus 0.42% to HIBOR plus 1.84%) per annum with the contractual interest repricing dates ranged within 6 months. The carrying amounts of bank borrowings approximate their fair values and are denominated in Hong Kong dollar.

All bank borrowings were wholly repayable within 5 years as at 31 December 2012 and 2011.

29 Provision for employee benefits

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

	Group		Company	
	2012 (HK$'000)	2011 (HK$'000)	**2012 (HK$'000)**	2011 (HK$'000)
At 1 January	**18,873**	15,575	**3,618**	2,988
Net amount provided during the year	**929**	4,462	**95**	998
Amount paid during the year	**(1,787)**	(1,164)	**—**	(368)
At 31 December	**18,015**	18,873	**3,713**	3,618

30 Convertible bonds

	Group (HK$'000)
As at 31 December 2011	**1,487,465**
Imputed interest expense (note 8)	**69,021**
Interest paid	**(51,150)**
Derecognition of liabilities upon redemption	**(691,957)**
As at 31 December 2012	**813,379**

On 22 October 2009, Joyous King Group Limited (the "Issuer"), 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 outstanding principal amount of the Bonds, if not converted or redeemed according to the terms or conditions of the Bonds, 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 at the initial conversion price of HK$8.18 per share. The conversion price was adjusted in accordance with the terms of the trust deed dated 22 October 2009 to HK$7.89 and HK$7.17 per share in June 2010 and February 2012, respectively.

30 Convertible bonds *(Continued)*

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

During the years ended 31 December 2012 and 2011, there was no conversion of the Bonds into shares of the Company by the bondholders.

During the year, the convertible bonds with nominal value of HK$716,200,000 (2011: Nil) were redeemed and cancelled at a consideration of HK$728,017,000 (2011: Nil) including accrued interest. Cost of HK$24,243,000 (2011: Nil) (Note 8) was recognised in the income statement and convertible bonds equity reserve of HK$37,149,100 (2011: Nil) has been reclassified to retained earnings upon derecognition of the respective liability component and equity component. The outstanding nominal value for the convertible bonds at 31 December 2012 was HK$833,800,000.

31 Loans from non-controlling shareholders

Loans from non-controlling shareholders are unsecured and amount of HK$1,570,396,000 (2011: HK$1,562,008,000) is repayable upon completion of properties sold while the remaining balance is expected to be repayable within two to five years. The Group has not provided any guarantee in favour of the non-controlling shareholders in respect of the loans advanced. The loans to the extent of HK$968,072,000 (2011: HK$973,389,000) are interest bearing at 1-month HIBOR plus 0.58% to 1-month HIBOR plus 1.8% per annum (2011: 1-month HIBOR plus 0.58% to 1-month HIBOR plus 1.5% per annum). The carrying amounts are not materially different from their fair values.

32 Share capital and share premium – Group and Company

	Number of shares	Ordinary shares (HK$'000)	Share premium (HK$'000)	Total (HK$'000)
Authorised:				
Ordinary shares of HK$0.25 each				
At 1 January 2011 and 31 December 2011	4,000,000,000	1,000,000		
Increase in authorised share capital (note a)	2,000,000,000	500,000		
At 31 December 2012	6,000,000,000	1,500,000		
Issued and fully paid:				
Ordinary shares of HK$0.25 each				
At 1 January 2011 and 31 December 2011	2,172,276,887	543,069	7,449,074	7,992,143
Rights issue (note b)	814,603,832	203,651	1,402,513	1,606,164
At 31 December 2012	2,986,880,719	746,720	8,851,587	9,598,307

Notes:

(a) On 6 June 2012, the shareholders of the Company passed an ordinary resolution to increase the authorised share capital of the Company from HK$1,000 million to HK$1,500 million by the creation of 2,000,000,000 additional ordinary shares at par value of HK$0.25 each.

(b) On 19 January 2012, the Company announced that it proposed to issue new ordinary shares of HK$0.25 each by way of a rights issue on the basis of three right shares for every eight existing ordinary shares held by qualifying shareholders on 9 February 2012 at a subscription price of HK$2.02 per rights share.

Accordingly, the Company has subsequently increased its issued share capital by 814,603,832 shares to 2,986,880,719 shares.

These newly issued shares rank pari passu in all respects with the existing ordinary shares. The net proceeds, after deduction of related expenses, of approximately HK$1,606 million from the rights issue will be applied for general working capital purposes and for financing new investment opportunities.

33 Share option scheme

The share option scheme adopted by the Company on 31 May 2002 (the "2002 Share Option Scheme") was expired on 30 May 2012 and the Company has currently a share option scheme (the "2012 Share Option Scheme") as approved by the shareholders of the Company at the annual general meeting of the Company held on 6 June 2012, whereby the board of directors of the Company may grant share options to eligible persons, including, among Directors and employees of the Company, to subscribe for ordinary shares in the Company, pursuant to the 2012 Share Option Scheme.

Details of the share options are as follows:

2012

Date of grant	Adjusted exercise price (vi)	Number of options At 1 January 2012	Granted during the year	Adjustment during the year	At 31 December 2012	Note
The 2002 share option scheme						
25 May 2004	HK$2.78	**44,060,520**	—	**5,864,169**	**49,924,689**	(i)
22 September 2004	HK$3.71	**5,000,000**	—	**660,377**	**5,660,377**	(i)
1 February 2010	HK$4.13	**5,000,000**	—	**665,860**	**5,665,860**	(ii)
29 March 2011	HK$3.86	**5,000,000**	—	**660,620**	**5,660,620**	(iii)
		59,060,520	—	**7,851,026**	**66,911,546**	(iv)
Weighted average exercise price		**HK$3.47**	—		**HK$3.06**	

2011

Date of grant	Exercise price	Number of options At 1 January 2011	Granted during the year	At 31 December 2011	Note
The 2002 share option scheme					
25 May 2004	HK$3.15	44,060,520	—	44,060,520	(i)
22 September 2004	HK$4.20	5,000,000	—	5,000,000	(i)
1 February 2010	HK$4.68	5,000,000	—	5,000,000	(ii)
29 March 2011	HK$4.37	—	5,000,000	5,000,000	(iii)
		54,060,520	5,000,000	59,060,520	(iv)
Weighted average exercise price		HK$3.39	HK$4.37	HK$3.47	

33 Share option scheme *(Continued)*

Notes:

(i) The share options outstanding at 31 December 2012 and 31 December 2011 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 5,000,000 share options were granted to a Director of the Company. 50% of which vested on 1 April 2010 and the remaining 50% vested on 1 April 2011.

The expiry date of the share options is 31 January 2015.

(iii) During 2011, 5,000,000 share options were granted on 29 March 2011 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 grant. The weighted average fair value of these share options granted is HK$1.80 per unit with total fair value of approximately HK$9.0 million. The valuation was based on the Hull-White Trinomial Model with the following data and assumptions:

• Closing price on the grant date	HK$4.26 per share
• Exercise price	HK$4.37 per share
• Expected volatility (based on the movement of share prices in recent years)	51.3% per annum
• Average expected life after taking into account the probability of early exercise behaviour	6.8 years
• Risk-free interest rate (based on Hong Kong Exchange Fund Notes as at the grant date)	2.7% per annum
• Expected dividend yield	1.5% per annum

The result of the valuation can be materially affected by changes in these assumptions, and therefore a share option's actual value may differ from the estimated fair value of the share option due to the model and assumptions adopted.

(iv) The weighted average remaining contractual life for the share options outstanding at 31 December 2012 is 2.03 years (2011: 3.06 years).

(v) During 2012 and 2011, no share options were exercised, cancelled or lapsed under the 2002 Share Option Scheme. During 2012, no share options were granted under the 2002 Share Option Scheme and the 2012 Share Option Scheme.

(vi) As a result of the Company's rights issue subsequent to 31 December 2011, the exercise price and the number of outstanding share options have been adjusted with effect from 9 March 2012.

34 Reserves

(a) Group

	2012 (HK$'000)	2011 (HK$'000)
Capital redemption reserve (note (i))	**100,170**	100,170
Capital reserve (note (ii))	**28,048**	28,048
Convertible bonds equity reserve (note (iii))	**43,248**	80,397
Legal reserve (note (iv))	**9,958**	9,452
Special reserve (note (v))	**(151,413)**	(151,413)
Investment revaluation reserve	**102,020**	67,948
Hedging reserve	**—**	(355)
Asset revaluation reserve (note (vi))	**1,179,563**	1,179,563
Exchange reserve	**73,149**	64,912
Retained profits	**8,759,793**	6,414,287
	10,144,536	7,793,009

34 Reserves *(Continued)*

(a) Group *(Continued)*

Notes:

(i) The application of capital redemption reserve is governed by Section 49H of the Hong Kong Companies Ordinance.

(ii) Capital reserve comprises (i) the portion of grant date fair value of unexercised share option granted to Directors of the Company; and (ii) the reserve is dealt with in accordance with the accounting policy adopted for share-based payments in note 2(dd).

(iii) 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 policy adopted for convertible bonds in note 2(t).

(iv) 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 or PRC laws whenever applicable.

(v) 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 non-controlling interests.

(vi) 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 and is dealt with in accordance with the accounting policy adopted for business combination achieved in stages under HKFRS 3 "Business Combinations".

(b) Company

	Capital redemption reserve (HK$'000)	Capital reserve (HK$'000)	Retained profits (HK$'000)	Total (HK$'000)
At 1 January 2011	100,170	18,154	2,342,678	2,461,002
Loss for the year	—	—	(117,330)	(117,330)
Share options granted	—	9,879	—	9,879
Dividends	—	—	(119,475)	(119,475)
At 31 December 2011	**100,170**	**28,033**	**2,105,873**	**2,234,076**
Profit for the year	—	—	**371,721**	**371,721**
Dividends	—	—	**(253,885)**	**(253,885)**
At 31 December 2012	**100,170**	**28,033**	**2,223,709**	**2,351,912**

35 Business combination – acquisition of subsidiaries

On 11 August 2011, Shun Tak-China Travel Shipping Investments Limited ("STCTSI"), a non-wholly owned subsidiary of the Company, entered into the conditional agreement with New World First Holdings Limited ("NWFH") to acquire the entire issued share capital of New World First Ferry Services (Macau) Limited ("NWFF") and New Ferry – Transporte Maritimo de Passageiros (Macau), Limitada ("NFTMP") and the loan ("Shareholder's Loan") advanced by NWS Transport Services Limited, the holding company of NWFH, to NWFF, for a consideration of HK$350 million (subject to adjustment as stated in the Company's circular dated 1 September 2011). The acquisition was completed on 30 September 2011, the date of acquisition, and the consideration was adjusted downward by HK$8.9 million to HK$341.1 million.

NWFF and its subsidiaries ("NWFF Group") and NFTMP and its subsidiaries ("NFTMP Group") currently operate passenger ferry business between Hong Kong and Macau (Outer Port Terminal).

The gain on acquisition of HK$2.4 million recorded as other gains, net in the consolidated income statement in 2011 mainly a arisen from the difference between the consideration transferred and the net asset value acquired.

The following table summarises the consideration paid for the acquisition and the amounts of the assets acquired and liabilities assumed of NWFF Group and NFTMP Group at the acquisition date.

	(HK$'000)
Consideration	
Cash paid in 2011	338,741
Cash paid in 2012	2,372
Total consideration	341,113

35 Business combination – acquisition of subsidiaries *(Continued)*

Recognised amounts of identifiable assets acquired and liabilities assumed

	NWFF Group (HK$'000)	NFTMP Group (HK$'000)	Total (HK$'000)
Property, plant and equipment (note 12)	370,023	4,508	374,531
Associates	3,042	—	3,042
Inventories	387	—	387
Trade receivables, other receivables and deposits paid	5,388	602	5,990
Cash and cash equivalents	15,578	3	15,581
Trade and other payables	(31,507)	—	(31,507)
Taxation payable	(400)	—	(400)
Amount due to the ultimate holding company	(192,100)	—	(192,100)
Deferred tax liabilities (note 9(c))	(23,906)	(246)	(24,152)
Total identifiable net assets	146,505	4,867	151,372
Assignment of Shareholder's Loan			192,100
			343,472
Gain on acquisition			(2,359)
			341,113

	(HK$'000)
Cash paid	338,741
Less: Cash and cash equivalents acquired	(15,581)
Net cash outflow on acquisition	323,160

Acquisition related costs of HK$1.2 million were recognised as other costs in the consolidated income statement in 2011.

No contingent consideration arrangements or contingent liabilities were identified at acquisition.

NWFH has contractually agreed to indemnify STCTSI for any additional tax liability falling on NWFF Group and NFTMP Group resulting from its operations and transactions prior to the acquisition date. The indemnification asset was valued at nil by the Group at the time of the acquisition and as at 31 December 2011.

The acquired business contributed revenue of HK$123.9 million and profit of HK$15.5 million for the period from the acquisition date to 31 December 2011. If the acquisition had occurred on 1 January 2011, consolidated revenue and consolidated profit for the year ended 31 December 2011 would have been increased by HK$341.2 million and decreased by HK$12.5 million respectively.

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 2011.

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.

36 Segment information *(Continued)*

(b) Segment results, assets and liabilities *(Continued)*

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

Group

2012

	Property (HK$'000)	Transportation (HK$'000)	Hospitality (HK$'000)	Investment (HK$'000)	Eliminations (HK$'000)	Consolidated (HK$'000)
Turnover and other income						
External turnover (note e)	2,466,137	2,104,285	783,948	140,309	—	5,494,679
Inter-segment turnover	2,926	221,339	44,337	—	(268,602)	—
Other income (external and excluding interest income)	6,824	31,065	3,471	1,246	—	42,606
	2,475,887	2,356,689	831,756	141,555	(268,602)	5,537,285
Segment results	518,291	64,884	98,224	87,385	—	768,784
Fair value changes on investment properties	1,149,930	—	—	—	—	1,149,930
Interest income						104,826
Unallocated income						939
Unallocated expense						(87,738)
Operating profit						1,936,741
Finance costs						(180,974)
Share of results of jointly controlled entities	1,471,487	12,813	(27,985)	(4,990)	—	1,451,325
Share of results of associates	1,245	581	8,240	1,777	—	11,843
Profit before taxation						3,218,935
Taxation						(156,455)
Profit for the year						3,062,480

36 Segment information *(Continued)*

(b) Segment results, assets and liabilities *(Continued)*

Group

2012

	Property (HK$'000)	Transportation (HK$'000)	Hospitality (HK$'000)	Investment (HK$'000)	Eliminations (HK$'000)	Consolidated (HK$'000)
Assets						
Segment assets	19,903,515	3,111,188	1,446,262	1,068,806	(44,825)	25,484,946
Associates	767,703	3,804	189,385	1,470	—	962,362
Jointly controlled entities	3,626,760	43,785	(88,039)	(13,169)	—	3,569,337
Unallocated assets						4,236,917
Total assets						34,253,562
Liabilities						
Segment liabilities	1,143,328	298,200	127,464	6,465	(36,975)	1,538,482
Unallocated liabilities						9,687,153
Total liabilities						11,225,635
Other information						
Additions to non-current assets (other than financial instruments and deferred tax assets)	*1,345,503	16,453	3,334	210		
Depreciation	55,328	115,656	64,039	1,946		
Amortisation						
– prepaid premium for land lease	—	—	244	—		
– intangible assets	200	—	160	90		
Impairment losses						
– available-for-sale investments	—	—	—	9,547		
– trade receivables	—	3,780	9	—		

* Included transfer from properties under development to investment property of HK$544 million and capital contributions to an associate of HK$764 million during the year.

36 Segment information *(Continued)*

(b) Segment results, assets and liabilities *(Continued)*

Group

2011

	Property (HK$'000)	Transportation (HK$'000)	Hospitality (HK$'000)	Investment (HK$'000)	Eliminations (HK$'000)	Consolidated (HK$'000)
Turnover and other income						
External turnover (note e)	546,886	1,665,662	658,124	97,646	—	2,968,318
Inter-segment turnover	3,148	157,386	35,752	—	(196,286)	—
Other income (external and excluding interest income)	4,977	39,575	2,785	1,590	—	48,927
	555,011	1,862,623	696,661	99,236	(196,286)	3,017,245
Segment results	185,587	(10,031)	56,090	53,699	—	285,345
Fair value changes on investment properties	420,152	—	—	—	—	420,152
Interest income						78,132
Unallocated income						1,103
Unallocated expense						(84,941)
Operating profit						699,791
Finance costs						(134,154)
Share of results of jointly controlled entities	459,963	10,845	(42,946)	(4,697)	—	423,165
Share of results of associates	(9)	185	9,799	1,701	—	11,676
Profit before taxation						1,000,478
Taxation						(74,588)
Profit for the year						925,890

36 Segment information *(Continued)*

(b) Segment results, assets and liabilities *(Continued)*

Group

2011

	Property (HK$'000)	Transportation (HK$'000)	Hospitality (HK$'000)	Investment (HK$'000)	Eliminations (HK$'000)	Consolidated (HK$'000)
Assets						
Segment assets	18,220,984	2,924,597	1,504,900	1,053,395	(47,001)	23,656,875
Associates	2,636	3,374	183,645	1,193	—	190,848
Jointly controlled entities	2,690,618	43,278	(61,677)	(8,179)	—	2,664,040
Unallocated assets						2,792,606
Total assets						29,304,369
Liabilities						
Segment liabilities	373,278	305,178	117,929	6,189	(34,211)	768,363
Unallocated liabilities						10,098,097
Total liabilities						10,866,460
Other information						
Additions to non-current assets (other than financial instruments and deferred tax assets)	72,978	385,804	13,195	344		
Depreciation	24,168	106,942	63,759	1,977		
Amortisation						
– prepaid premium for land lease	—	—	244	—		
– intangible assets	133	—	137	90		
Impairment losses						
– available-for-sale investments	—	—	—	43,200		
– trade receivables	301	—	77	—		
Net (write-back)/write-down of inventories	—	(3,301)	—	389		

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 associates, jointly controlled entities, financial instruments, deferred tax assets and other non-current 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 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)
2012				
Turnover and other income from external customers	**3,964,053**	**1,425,223**	**148,009**	**5,537,285**
Non-current assets	**5,581,820**	**1,353,913**	**750,374**	**7,686,107**
2011				
Turnover and other income from external customers	1,579,108	1,314,813	123,324	3,017,245
Non-current assets	4,999,390	1,188,153	657,180	6,844,723

(d) Information about major customers

In 2012 and 2011, the revenue from the Group's largest external customer amounted to less than 10% of the Group's total revenue.

(e) External turnover

External turnover is comprised of revenue by each reportable segment and dividend income from available-for-sale investments (note 4).

37 Significant related party transactions

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

	Note	2012 (HK$'000)	2011 (HK$'000)
STDM Group	(i)		
Dividend income from STDM		**104,080**	63,193
Ferry tickets sold (after discount) to STDM Group		**102,984**	126,098
Commission paid to STDM Group on ferry tickets sold by STDM Group		**18,800**	22,733
Fees received from STDM Group for provision of property related services		**22,309**	25,758
Rental and related expenses paid to STDM Group		**15,252**	13,865
Fuel purchased from STDM Group for Macau shipping operations		**407,207**	363,016
Amount collected by STDM Group for sale of ferry tickets and related services in Macau		**332,972**	447,548
Amount collected by STDM Group for sale of Bungy Jumping and other outdoor adventure activities in Macau Tower		**969**	13,435
Amount reimbursed to STDM Group for expenses incurred in respect of shipping operations in Macau		**37,006**	136,452
Amount reimbursed by STDM Group for staff expenses and administrative resources shared		**48,031**	23,210
Revenue of duty free goods sold on board collected for STDM		**10,939**	10,290
Shun Tak Centre Limited ("STC")	(ii)		
Rental and related expenses paid to STC		**13,012**	11,688
Associates			
Insurance premium paid to an associate		**37,263**	35,324
Fuel costs paid to an associate		**118,376**	40,430

37 Significant related party transactions *(Continued)*

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

	Note	**2012 (HK$'000)**	2011 (HK$'000)
Jointly controlled entities			
Ferry passengers handling fees received on behalf of a jointly controlled entity		**34,942**	33,973
Amounts paid to a jointly controlled entity in respect of the Chatham Gate redevelopment project for			
Management fee		**20,842**	12,791
Related construction cost and preliminary works		**471,177**	237,606
Key management personnel			
Directors' emoluments	(iii)		
Salaries and other short-term employee benefits		**29,388**	21,335
Post-employment benefits		**1,191**	956
Share-based payments		**—**	9,879
Underwriting commission on rights issue paid to Megaprosper Investments Limited ("Megaprosper")	(iv)	**6,424**	—

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

	Note	**2012 (HK$'000)**	2011 (HK$'000)
STDM Group	(i)		
Net receivable from/(payable to) STDM Group	(v)	**22,287**	(7,324)
Associates			
Amounts due by associates	(vi)	**22,350**	22,350
Jointly controlled entities			
Amounts due by jointly controlled entities	(vii)	**580,341**	856,811
Construction costs payable to a jointly controlled entity		**13,860**	43,320
Key management personnel			
Non-controlling shareholder's loan from a company in which Dr. Stanley Ho has beneficial interests	(viii)	**58,122**	87,707
Refundable deposit paid by a subsidiary to Sai Wu Investment Limited ("Sai Wu")	(ix)	**500,000**	500,000

37 Significant related party transactions *(Continued)*

Notes:

(i) Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung, Mrs. Louise Mok, Ms. Pansy Ho, Ms. Daisy Ho, Ms. Maisy Ho and Mr. David Shum, Directors of the Company, have beneficial interests in STDM. Dr. Stanley Ho is a director of STDM. Ms Pansy Ho is an appointed representative of the Company, which is a corporate director of STDM. Ms. Daisy Ho is an appointed representative of Lanceford Company Limited, which is a corporate director of STDM. Mr. David Shum is an appointed representative of Interdragon, which is a corporate director of STDM.

(ii) Dr. Stanley Ho is a director of and has beneficial interests in STC. Ms. Pansy Ho, Ms. Daisy Ho, Ms. Maisy Ho and Mr. David Shum are also directors of STC.

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

(iv) On 19 January 2012, Megaprosper (a company owned as to 51% by Ms. Pansy Ho, 39% by Ms. Daisy Ho and 10% by Ms. Maisy Ho, each being a director of the Company) together with two joint underwriters entered into an underwriting agreement (the "Underwriting Agreement") with the Company to underwrite all the underwritten shares that are not taken up by the qualifying shareholders, except the undertaking shareholders, in the rights issue subject to the terms and conditions stipulated in the Underwriting Agreement. Under the Underwriting Agreement, the underwriting commission is 2.75% of the aggregate subscription price of the total underwritten shares.

(v) Net receivable from/(payable to) STDM Group comprises trade and other receivables and payables.

(vi) Amounts due by associates are unsecured, non-interest bearing and with no fixed term of repayment.

(vii) Amounts due by jointly controlled entities are unsecured. Amount of HK$4,657,000 (2011: HK$4,734,000) is repayable within one year. Amount of HK$7,870,000 (2011: nil) is repayable by 31 December 2016 or such other date as may be agreed by the jointly controlled entity and its shareholders. The remaining balances of HK$567,814,000 (2011: HK$852,077,000) have no fixed term of repayment.

Amounts of HK$539,303,000 (2011: HK$828,044,000) and HK$12,527,000 (2011: HK$4,657,000) carry interest at HIBOR plus 3% (2011: HIBOR plus 3%) per annum and LIBOR plus 2% (2011: LIBOR plus 2%) per annum respectively on loan principal. The remaining balances are non-interest bearing. The related interest income for the year amounted to HK$21,650,000 (2011: HK$33,314,000). In 2011, amount due by a jointly controlled entity amounted to HK$23,692,000 was written off against the impairment loss previously provided.

(viii) The subsidiary, Shun Tak Cultural Centre Limited, holding 100% interest in Shun Tak Business Centre in Guangzhou, and is owned as to 60% by the Group and 40% by a company in which Dr. Stanley Ho has beneficial interests. The subsidiary received loans from both shareholders. Shareholder's loans are unsecured, non-interest bearing and with no fixed term of repayment.

(ix) 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 (note 24(b)). The refundable deposit of HK$500,000,000 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. The completion date of the acquisition was further extended to on or before 31 December 2013.

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.

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$1,250 to certain employees.

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 consolidated income statement for the year ended 31 December 2012 were HK$41,666,000 (2011: HK$34,430,000). 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$20,407,000 (2011: HK$23,089,000).

39 Commitments

(a) Capital commitments

Except for the commitments disclosed elsewhere in the consolidated financial statements, the Group held the following capital commitments as at year end:

	Group	
	2012 (HK$'000)	2011 (HK$'000)
Contracted but not provided for	**2,649**	8,879
Authorised but not contracted for	**840**	1,729
	3,489	10,608

39 Commitments *(Continued)*

(b) Lease commitments

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

	Group	
	2012 (HK$'000)	2011 (HK$'000)
Within one year	**29,530**	31,539
In the second to fifth year inclusive	**15,932**	24,226
	45,462	55,765

Pursuant to the Sub-lease Agreement as detailed in note 14, 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.

Contingent rental payment for the year amounting to approximately HK$10,364,000 (2011: HK$8,870,000) relating to the lease of hotel buildings is included in the consolidated income statement.

The leasing arrangements of land and buildings classified as being held under finance leases and land held under operating leases are set out in notes 12, 14, 22 and 23 to the financial statements. Apart from these leases, the Group's operating leases are for terms ranging from 1 to 6 years.

(c) Future minimum lease payments receivable

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

	Group	
	2012 (HK$'000)	2011 (HK$'000)
Within one year	**82,217**	108,940
In the second to fifth year inclusive	**109,407**	117,105
Over five years	**2,743**	4,164
	194,367	230,209

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

39 Commitments *(Continued)*

(d) Property development commitments

The Group had outstanding commitments of HK$1,726 million (2011: HK$741 million) under various contracts for property development projects.

In addition to the above, the Group had commitments of payment of HK$3,080 million (2011: HK$3,080 million) in cash and issue of 148,883,374 (2011: 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 (notes 24(b) and 37(ix)).

40 Contingency and financial guarantees

	Group		Company	
	2012 (HK$'000)	2011 (HK$'000)	**2012 (HK$'000)**	2011 (HK$'000)
Guarantees given by the Group to financial institutions on behalf of purchasers of flats	**4,536**	23,715	**4,536**	23,715
Guarantees issued by the Company for credit facilities granted to subsidiaries	**—**	—	**5,034,825**	4,834,825
Guarantees issued by the Company for bank guarantees issued for the Group	**8,180**	7,820	**8,180**	7,820
Guarantee for convertible bonds issued by a subsidiary (note 30)	**—**	—	**833,800**	1,550,000

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$2.4 million (2011: HK$2.3 million).

41 Financial instruments

Financial risk management

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including foreign exchange risk, interest rate risk and price risk). The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the senior management. The management manages and monitors these risk exposures to ensure appropriate measures are implemented on timely and effective manners.

(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 mortgage loans receivable, amounts due by associates and jointly controlled entities, trade and other debtors, derivative financial assets, bank deposits and cash at banks.

Credit risk arises from cash and bank balances, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a sound credit rating are accepted. 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 1 day 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. In addition, the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Management of the Group reviews regularly the recoverable amount of each individual trade receivables to ensure that adequate impairment provisions are made for irrecoverable amounts.

Amounts due by jointly controlled entities are granted taken into account of their financial position, past experience and other factors. The Group monitors the credibility of jointly controlled entities continuously.

41 Financial instruments *(Continued)*

(a) Credit risk (Continued)

Summary quantitative data

	Group		Company	
	2012 (HK$'000)	2011 (HK$'000)	**2012 (HK$'000)**	2011 (HK$'000)
Mortgage loans receivable	**14,898**	7,615	**—**	—
Other non-current assets (excluding deposits and club debentures)	**598,034**	874,427	**9,512,096**	9,210,366
Trade receivables, other receivables and deposits paid (excluding deposits and prepayments)	**1,396,269**	176,267	**14,092**	5,700
Derivative financial instruments	**4,749**	—	**—**	—
Cash and bank balances	**7,681,879**	5,348,927	**2,476,415**	446,775
	9,695,829	6,407,236	**12,002,603**	9,662,841

At the balance sheet date, the maximum exposure to credit risk is represented by the carrying amount of each financial asset. Except for the financial guarantees given by the Group as set out in note 40, the Group does not provide any other guarantees which would expose the Group or the Company to material credit risk.

Other non-current assets include amounts due by jointly controlled entities amounting to HK$576 million (2011: HK$852 million). The Group has concentration of credit risk on amount due by a jointly controlled entity of HK$558 million (2011: HK$843 million). As the jointly controlled entity has a strong financial position, the Directors consider that the credit risk is minimal.

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 bank balances, is limited because the counterparties are considered by the Directors to have high creditworthiness. The Directors assess the creditworthiness with reference to external credit ratings (if available) or to historical information about counterparty default rates.

None of the terms of financial assets which are past due or impaired have been renegotiated during the year ended 31 December 2012 and 2011.

41 Financial instruments *(Continued)*

(b) Liquidity risk

The Group is exposed to liquidity risk on financial liabilities. It is the Group's policy to regularly monitor its liquidity requirements and its compliance with any lending covenants, and to secure adequate funding and sufficient cash reserves to match with the cash flows required for working capital and investing activities. In addition, banking facilities have been put in place for contingency purposes. The table below analyses the Group's and the entity's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

2012

	Less than 1 year (HK$'000)	Later than 1 year and not later than 5 years (HK$'000)	Total undiscounted cash flows (HK$'000)	Carrying amount at 31 December (HK$'000)
Group				
Non-derivative financial liabilities				
Bank borrowings	3,185,861	2,934,091	6,119,952	5,950,025
Convertible bonds	27,515	861,315	888,830	813,379
Trade and other payables	988,062	—	988,062	988,062
Loans from non-controlling shareholders	—	1,805,508	1,805,508	1,796,316
	4,201,438	5,600,914	9,802,352	9,547,782
Company				
Trade and other payables	657,655	—	—	657,655

41 Financial instruments *(Continued)*

(b) Liquidity risk (Continued)

2011

	Less than 1 year (HK$'000)	Later than 1 year and not later than 5 years (HK$'000)	Total undiscounted cash flows (HK$'000)	Carrying amount at 31 December (HK$'000)
Group				
Non-derivative financial liabilities				
Bank borrowings	2,038,383	3,920,714	5,959,097	5,765,425
Convertible bonds	1,601,150	—	1,601,150	1,487,465
Trade and other payables	639,060	—	639,060	639,060
Loans from non-controlling shareholders	—	1,817,388	1,817,388	1,798,342
	4,278,593	5,738,102	10,016,695	9,690,292
Derivative financial liabilities				
Derivative financial instruments	998	—	998	998
	4,279,591	5,738,102	10,017,693	9,691,290
Company				
Trade and other payables	178,346	—	—	178,346

41 Financial instruments *(Continued)*

(c) Market risk

(i) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities. It is the Group's policy to regularly monitor and manage its interest rate risk exposure, 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

	2012 (HK$'000)	2011 (HK$'000)
Variable-rate financial assets/(liabilities)		
Mortgage loans receivable	**14,898**	7,615
Amounts due by jointly controlled entities	**551,830**	832,701
Bank balances and deposits	**7,356,152**	5,052,575
Bank borrowings	**(5,950,025)**	(5,765,425)
Loans from non-controlling shareholders	**(968,072)**	(973,389)
	1,004,783	(845,923)
Fixed-rate financial liabilities		
Convertible bonds	**(813,379)**	(1,487,465)
	(813,379)	(1,487,465)
Net interest-bearing assets/(liabilities)	**191,404**	(2,333,388)

41 Financial instruments *(Continued)*

(c) Market risk (Continued)

(i) Interest rate risk (Continued)

Company

	2012 (HK$'000)	2011 (HK$'000)
Variable-rate financial assets		
Amounts due by subsidiaries	236,655	236,033
Bank balances and deposits	2,457,900	428,620
	2,694,555	664,653

Sensitivity analysis

At 31 December 2012, if interest rates had been 50 basis points (2011: 50 basis points) higher/lower with all other variables held constant, the Group's profit after taxation and equity after taking into account the impact of finance costs capitalised in properties under development would have been HK$14.3 million higher (2011: HK$7.9 million higher)/ HK$9 million lower (2011: HK$5.1 million lower) arising mainly as a result of change in interest income, net on variable-rate financial assets/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.

41 Financial instruments *(Continued)*

(c) Market risk (Continued)

(ii) Currency risk

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

Summary quantitative data

Group

	USD (HK$'000)	MOP (HK$'000)	RMB (HK$'000)	Total (HK$'000)
2012				
Available-for-sale investments	**26,654**	**—**	**298**	**26,952**
Bank deposits	**57,368**	**25,368**	**70,604**	**153,340**
Cash and bank balances	**5,453**	**117,007**	**67,558**	**190,018**
Trade and other receivables	**1,305**	**11,119**	**20,744**	**33,168**
Trade and other payables	**(55,534)**	**(79,678)**	**(19,946)**	**(155,158)**
Derivative financial instruments	**4,749**	**—**	**—**	**4,749**
	39,995	**73,816**	**139,258**	**253,069**
2011				
Available-for-sale investments	34,614	—	—	34,614
Bank deposits	15,934	8,222	7,995	32,151
Cash and bank balances	11,422	97,453	105,322	214,197
Trade and other receivables	5,757	14,775	12,860	33,392
Trade and other payables	(47,300)	(71,781)	(15,913)	(134,994)
Derivative financial instruments	(998)	—	—	(998)
	19,429	48,669	110,264	178,362

41 Financial instruments *(Continued)*

(c) Market risk (Continued)

(ii) Currency risk (Continued)

Company

	USD (HK$'000)	MOP (HK$'000)	Total (HK$'000)
2012			
Cash and bank balances	**1,630**	**249**	**1,879**
2011			
Cash and bank balances	45	4	49

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 these 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. Since the currencies of financial assets and financial liabilities are primarily the functional currency of the respective company. Overall currency risk of the Group would be minimal and no sensitivity analysis is presented.

(iii) Equity price risk

The Group is exposed to equity price risk on listed and unlisted equity securities.

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.

41 Financial instruments *(Continued)*

(c) Market risk (Continued)

(iii) Equity price risk (Continued)

Summary quantitative data

	Group		Company	
	2012 (HK$'000)	2011 (HK$'000)	**2012 (HK$'000)**	2011 (HK$'000)
Financial assets, at fair value				
Available-for-sale investments	**201,322**	190,980	**—**	—
Financial assets, at cost less impairment losses				
Available-for-sale investments	**815,920**	815,622	**233,679**	233,679
	1,017,242	1,006,602	**233,679**	233,679

Sensitivity analysis

The Group's equity investments amounting to 90.7% (2011: 85.8%) 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% (2011: 10%) increase in stock prices at 31 December 2012 would have increased the equity by HK$18.3 million (2011: HK$16.4 million); an equal change in the opposite direction would have decreased the equity by HK$18.3 million (2011: HK$16.4 million).

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.

41 Financial instruments *(Continued)*

(c) Market risk (Continued)

(iv) Fuel price risk

The Group is exposed to fuel price risk on fuel swap contracts. It is the Group's policy to limit the exposure by hedging a percentage of its anticipated fuel consumption using fuel derivatives. Around 9% of the anticipated fuel consumption for 2013 was hedged at the balance sheet date.

Summary quantitative data

	Group	
	2012 (HK$'000)	2011 (HK$'000)
Financial assets/(liabilities), at fair value		
Fuel swap contracts	**4,749**	(998)

(d) 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	
	2012 (HK$'000)	2011 (HK$'000)	**2012 (HK$'000)**	2011 (HK$'000)
Financial assets				
Loan and receivables (including cash and bank balances)	**9,691,080**	6,407,236	**12,002,603**	9,662,841
Available-for-sale investments (note)	**1,017,242**	1,006,602	**233,679**	233,679
Derivative financial instruments	**4,749**	—	**—**	—
Financial liabilities				
Financial liabilities measured at amortised cost	**9,547,782**	9,690,292	**657,655**	178,346
Derivative financial instruments	**—**	998	**—**	—

Note:

Certain available-for-sale investments are stated at cost (note 19).

41 Financial instruments *(Continued)*

(e) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- 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).

2012

	Level 1 (HK$'000)	**Level 2 (HK$'000)**	**Level 3 (HK$'000)**	**Total (HK$'000)**
Assets				
Derivatives	**—**	**4,749**	**—**	**4,749**
Available-for-sale investments				
– equity securities	**182,549**	**—**	**—**	**182,549**
– investment funds	**14**	**18,759**	**—**	**18,773**
	182,563	**23,508**	**—**	**206,071**

2011

	Level 1 (HK$'000)	Level 2 (HK$'000)	Level 3 (HK$'000)	Total (HK$'000)
Assets				
Available-for-sale investments				
– equity securities	163,814	—	—	163,814
– investment funds	14	27,152	—	27,166
	163,828	27,152	—	190,980
Liabilities				
Derivatives used for hedging	—	(998)	—	(998)
	163,828	26,154	—	189,982

41 Financial instruments *(Continued)*

(e) Fair value estimation (Continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing 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 (for example, over-the-counter derivatives) 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 values of derivative financial instruments are determined either by reference to mark-to-market values quoted by the independent financial institutions or the estimated future cash flows at the balance sheet date.

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

During the year, there were no significant transfers between financial instruments in level 1, level 2 and level 3.

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 cash/debt-to-adjusted capital ratio. Net cash/debt is calculated as total debt, which includes current and non-current borrowings, less cash and bank balances. Adjusted capital comprises all components of equity attributable to owners of the Company less hedging reserve. During 2012, the Group's strategy, which was unchanged from 2011, was to maintain a healthy net cash/debt-to-adjusted capital ratio.

The net cash/debt-to-adjusted capital ratio at 31 December 2012 and 2011 was as follows:

	Group	
	2012 (HK$'000)	2011 (HK$'000)
Bank borrowings (note 28)	**5,950,025**	5,765,425
Convertible bonds (note 30)	**813,379**	1,487,465
Less: Cash and bank balances (note 26)	**(7,681,879)**	(5,348,927)
Net (cash)/debt	**(918,475)**	1,903,963
Equity attributable to owners of the Company	**19,996,728**	15,904,627
Add: Hedging reserve (note 34)	**—**	355
Adjusted capital	**19,996,728**	15,904,982
Net (cash)/debt-to-adjusted capital ratio	**(4.6%)**	12.0%

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 discussed below:

(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 best evidence of fair value is current prices in an active market for similar properties. In the absence of such information, the amount is determined within a range of reasonable fair value estimates. 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 any impairment, in accordance with the accounting policy stated in note 2(d). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates including discount rates, growth rates of future revenue and costs.

(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 charge 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 judgment 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 outcomes of these matters is different from the amounts that initially recorded, such differences will impact the current tax and deferred tax provision 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.

43 Critical accounting estimates and judgements *(Continued)*

(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.

(f) Estimate of fair values of unlisted available-for-sale investments

Certain available-for-sale investments of the Group, including an unlisted equity investment in STDM, are not stated at fair value but at cost because they do not have a quoted market price in an active market, the range of reasonable fair value estimates is significant for these investments and the probabilities of the various estimates cannot be reasonably assessed. The directors of the Company are of the opinion that it is appropriate to state these available-for-sale investments at cost less any identified impairment loss at the balance sheet date.

(g) 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.

(h) Estimated net realisable value of inventories

In determining whether allowances should be made for 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 for sale. An allowance is made if the estimated market value less than the carrying amount. For spare parts and other inventories, management reviews the inventories listing and identifies obsolete and slow moving inventory items which are no longer suitable for use or diminution in net realisable value.

Allowance was made by reference to the latest market value for those inventories identified. In addition, management carries out an inventory review and makes the necessary write-down for obsolete items.

44 Event after the balance sheet date

On 29 October 2012, the Group successfully tendered a property located at Shop No. 402, 4th floor of the retail podium of Shun Tak Centre at a price of HK$770 million. The transaction was completed in January 2013 and financed by internal resources of the Group and bank loan. As at 31 December 2012, a deposit of HK$77 million was made for this purchase (note 21).

On 20 February 2013, a wholly owned subsidiary of the Group (the "issuer") established a US$1,000 million (equivalent to approximately HK$7,750 million) medium term note (MTN) programme. The MTN may be issued by the issuer from time to time and will be unconditionally and irrevocably guaranteed by the Company. On 7 March 2013, the Group has drawn down US$400 million (equivalent to approximately HK$3,100 million) under the programme by issuing MTNs to professional investors at an annual coupon of 5.7% for financing new investment opportunities and for general working capital purposes. The note will mature on 7 March 2020.

45 Comparatives

Certain comparative figures of the consolidated income statement, consolidated balance sheet and consolidated cash flow statement have been reclassified to conform to the current year's presentation. These reclassifications have no impact on the Group's total equity as at both 31 December 2012 and 2011, or on the Group's profit and net change in cash and cash equivalents for the years ended 31 December 2012 and 2011.

46 Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 25 March 2013.

47 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 2012	Percentage held by the Group 2011	Principal activities
PROPERTY – HONG KONG					
Goform Limited	Hong Kong	HK$2	**100**	100	Property investment
Grace Wealth Development Limited ^^	Hong Kong	HK$1	**100**	100	Property development
Hocy Development Limited	Hong Kong	HK$2	**100**	100	Property investment
Iconic Palace Limited	Hong Kong	HK$20	**100**	100	Property investment
Megabright Investment Limited	Hong Kong	HK$2	**100**	100	Investment holding and financing
Ranex Investments Limited	Hong Kong	HK$100	**51**	51	Property investment and development
Shun Tak Development Limited	Hong Kong	HK$27,840,000	**100**	100	Investment holding
Shun Tak Property Investment & Management Holdings Limited	Hong Kong	HK$2	**100**	100	Property investment and management
Shun Tak Property Management Limited	Hong Kong/ Hong Kong-Macau	HK$2	**100**	100	Property management
PROPERTY – MACAU					
Ace Wonder Limited	British Virgin Islands/Macau	US$1	**100**	100	Investment holding
Basecity Investments Limited^	British Virgin Islands/Macau	US$10,000	**51**	51	Property investment and hotel owning
Companhia de Investimento Shun Tak South Lake, Limitada	Macau	MOP25,000	**100**	100	Property development
Eversun Company Limited	Hong Kong/Macau	HK$200	**100**	100	Property investment
Nova Taipa – Urbanizações, Limitada ^^	Macau	MOP10,000,000	**100**	100	Property investment and development
Oriental Pride Group Limited	British Virgin Islands/Macau	US$1	**100**	100	Investment holding and financing
Shun Tak Nam Van Investimento Limitada	Macau	MOP25,000	**100**	100	Property development
Companhia de Desenvolvimento Tin Wai Limitada	Macau	MOP100,000	**79**	79	Property investment and development
Winning Reward Investments Limited	British Virgin Islands/Macau	US$1	**100**	100	Investment holding and financing
PROPERTY – MAINLAND CHINA					
Guangzhou Shun Tak Real Estate Company Limited	PRC	HK$130,000,000@	**60**	60	Property investment
Shun Tak Cultural Centre Limited	Hong Kong	HK$10	**60**	60	Investment holding
Perennial Tongzhou Development Pte. Ltd @@	Singapore	S$382,190,002	**31.6**	—	Investment holding

47 Principal subsidiaries, associates and joint ventures *(Continued)*

	Place of incorporation/ Principal place of operation	Issued and paid up ordinary share capital/ Registered capital	Percentage held by the Group 2012	Percentage held by the Group 2011	Principal activities
TRANSPORTATION					
Conwick Investment Limited	Hong Kong/ Hong Kong-Macau	HK$2 HK$2+	**42.6**	42.6	Shipping
Far East Hydrofoil Company, Limited	Hong Kong/ Hong Kong-Macau	HK$2,000 HK$5,000,000+	**42.6**	42.6	Shipping
Glowfield Group Limited	British Virgin Islands	US$27	**42.6**	42.6	Investment holding
Hongkong Macao Hydrofoil Company, Limited	Hong Kong/ Hong Kong-Macau	HK$10,000,000	**42.6**	42.6	Shipping
Interdragon Limited	British Virgin Islands	US$10,000	**60**	60	Investment holding
Ocean Shipbuilding & Engineering Limited	Hong Kong	HK$200 HK$100,000+	**42.6**	42.6	Shipbuilding and repairs
Shun Tak-China Travel Ferries Limited	British Virgin Islands	US$2	**42.6**	42.6	Investment holding
Shun Tak-China Travel Ship Management Limited	Hong Kong/ Hong Kong-Macau	HK$200 HK$1,000,000+	**42.6**	42.6	Ship management
Shun Tak-China Travel Shipping Investments Limited	British Virgin Islands	US$10,000	**42.6**	42.6	Investment holding
Shun Tak Ferries Limited	Hong Kong	HK$2	**100**	100	Investment holding
Sunrise Field Limited	Hong Kong/ Hong Kong-Macau	HK$1	**42.6**	42.6	Shipping
Tai Tak Hing Shipping Company Limited	Hong Kong/ Hong Kong-Macau	HK$200 HK$5,200,000+	**42.6**	42.6	Shipping
Wealth Trump Limited	Hong Kong/ Hong Kong-Macau	HK$1	**42.6**	42.6	Shipping
Shun Tak-China Travel Macau Ferries Limited	British Virgin Islands/ Hong Kong-Macau	US$1	**42.6**	42.6	Shipping
Shun Tak China Travel – Companhia de Gestão de Embarcações (Macau), Limitada	Macau	MOP10,000,000	**42.6**	42.6	Ship management
Companhia de Serviços de Ferry STCT (Macau) Limitada	Macau	MOP100,000	**42.6**	42.6	Shipping
HOSPITALITY					
Shun Tak, Serviços Recreativos, S.A.	Macau	MOP1,000,000	**100**	100	Property holding
Shun Tak Travel Services Limited	Hong Kong	HK$2,000,000	**100**	100	Travel agency services
Sociedade de Turismo e Desenvolvimento Insular, S.A.R.L.#	Macau	MOP200,000,000	**35**	35	Hotel and golf club operations
Union Sky Holdings Limited^^	Hong Kong	HK$10,000	**70**	70	Hotel owning and operation
FINANCE					
Joyous King Group Limited	British Virgin Islands	US$1	**100**	100	Financing
Shun Tak Finance Limited	Hong Kong	HK$2	**100**	100	Financing
Step Ahead International Limited	British Virgin Islands/ Hong Kong	US$1	**100**	100	General investment

47 Principal subsidiaries, associates and joint ventures *(Continued)*

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.

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

^^ The subsidiaries were pledged to banks as securities for bank loans granted to certain subsidiaries of the Group (note 28).

@@ The associate was newly set up during the year

Five-Year Financial Summary

	2012 (HK$ million)	2011 (HK$ million)	2010 (HK$ million)	2009 (HK$ million)	2008 (HK$ million)
Consolidated Income Statement					
Turnover	**5,495**	2,968	3,097	3,066	4,182
Profit attributable to owners of the Company	**2,563**	781	867	2,891	101
Total dividends	**254**	120	130	456	29
Consolidated Balance Sheet					
Non-current assets	**13,950**	11,621	11,312	11,708	9,209
Current assets	**20,304**	17,683	15,852	14,662	15,352
Current liabilities	**(4,717)**	(4,270)	(4,184)	(2,908)	(3,392)
Non-current liabilities	**(6,509)**	(6,596)	(5,291)	(6,987)	(7,140)
Net assets	**23,028**	18,438	17,689	16,475	14,029
Share capital	**747**	543	543	506	564
Share premium	**8,851**	7,449	7,449	6,890	6,802
Reserves	**10,145**	7,793	7,167	6,369	4,421
Proposed dividends	**254**	120	130	378	29
Equity attributable to owners of the Company	**19,997**	15,905	15,289	14,143	11,816
Non-controlling interests	**3,031**	2,533	2,400	2,332	2,213
Total equity	**23,028**	18,438	17,689	16,475	14,029
Number of issued and fully paid shares (million)	**2,987**	2,172	2,172	2,024	2,257

Comparative figures for the year ended 31 December 2008 have not been restated to reflect the adoption of new/revised HKFRSs in 2011 as the Directors are of the opinion that it is impracticable to do so.

Performance Data					
Earnings per share (HK cents)		(restated)*			
– basic	**88.7**	31.7	42.1	135.2	4.4
– diluted	**85.2**	31.5	41.4	132.8	4.3
Dividends per share (HK cents)					
– interim	**—**	—	—	3.8	—
– final	**8.5**	4.0	6.0	18.7	1.3
Dividend cover	**10.4**	7.9	7.0	6.0	3.4
Current ratio	**4.3**	4.1	3.8	5.0	4.5
Gearing (%)	**N/A**	12.0	18.0	21.4	38.1
Return on equity attributable to owners of the Company (%)	**12.8**	4.9	5.7	20.4	0.9
Net asset value per share (HK$)	**7.7**	8.5	8.1	8.1	6.2

* Earnings per share for the year ended 31 December 2011 have been restated to reflect the effect of rights issue during the year ended 31 December 2012. Earnings per share for the years ended 31 December 2008, 2009 and 2010 have not been restated.

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.

	2012	2011	2010	2009	2008
Headcount by Division					
Head Office	**213**	210	201	197	206
Property	**399**	385	411	531	362
Transportation	**2,158**	1,839	1,587	1,684	1,844
Hospitality	**453**	452	427	457	441
Investment	**43**	44	51	39	27

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