



Shun Tak Holdings Limited  
信德集團有限公司

Stock Code 股份代號: 242



ANNUAL REPORT

2011 年報

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Dragons command a cardinal role throughout Chinese history. They are symbols of stature, gallantry and wisdom.

The cover design depicts a spirited dragon navigating the skies. It represents the Group's dynamic and progressive approach in forging a resourceful network in Hong Kong, Macau and Pearl River Delta. The Group readily responds to the growth needs of the region, and is instrumental in strengthening the integration of people, business and opportunities.

Moreover, dragons are signs of tremendous fortune. With its flying position forming a vivacious figure "50", the dragon celebrates the Group's golden anniversary. It represents the continuous dedication, respectable contributions and memorable achievements from the company over the past 50 years. And from here, Shun Tak is looking forward with confidence to yet another half a century of brilliance in the future.

# Corporate Information

## Board of Directors

**Dr. Stanley Ho**

*Group Executive Chairman*

**Sir Roger Lobo**

*Independent Non-Executive Director*

**Mr. Norman Ho**

*Independent Non-Executive Director*

**Mr. Charles Ho**

*Independent Non-Executive Director*

**Dato' Dr. Cheng Yu Tung**

*Non-Executive Director*

**Mrs. Louise Mok**

*Non-Executive Director*

**Mr. Michael Ng**

*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**

## Remuneration Committee

**Ms. Pansy Ho** *(Chairman)*

**Sir Roger Lobo**

**Mr. Norman Ho**

**Mr. Charles Ho**

**Ms. Daisy Ho**

## Nomination Committee

**Ms. Pansy Ho** *(Chairman)*

**Sir Roger Lobo**

**Mr. Norman Ho**

**Mr. Charles Ho**

**Ms. Daisy Ho**

## Company Secretary

**Ms. Angela Tsang**

## Registered Office

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

## Auditor

H. C. Watt & Company Limited

## Solicitor

Norton Rose

## Principal Bankers

Bank of China (Hong Kong) Limited  
The Hongkong and Shanghai Banking Corporation Limited  
Bank of China, Macau Branch  
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 Depository

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

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



Property

### 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 and sales effort will be continued in 2012.

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 commenced in November 2011 and foundation works for Phase 5 is scheduled for the 3rd quarter of 2012.

The Group holds a 79% interest in a Columbarium project in Taipa, Macau. Presale of the project has commenced in April, 2011.

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

be completed in the 4th quarter of 2012. Radcliffe, another residential property development project of the Group in Pokfulam, comprises exclusive duplex apartments and are sold out.

The Group currently provides property management services to 16.4 million square feet of residential, commercial and industrial properties across Hong Kong, Macau and China.

### 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.



## Transportation



## Hospitality



## Investment

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

On land, the Group's joint venture company, Shun Tak & CITS Coach (Macao) Limited, has an operating fleet of 129 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 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 Macau Hotel, will be built in the Cotai tourism epicenter upon 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. In December 2009, the Group secured a management contract for the Canton Tower. Opened in late September 2010 before the opening of

the 16th Asian Games in Guangzhou, the tower provides an alternative MICE venue complemented by a variety of dining, entertainment and retail attractions.

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

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

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

### Investment

The Group owns an effective interest in Sociedade de Turismo e Diversões de Macau, S.A. ("STDM") of approximately 11.5%, which in turn owns approximately 55.23% of 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. ("SJM SA"), one of six gaming concessionaries licensed by the Macau SAR Government to operate casinos in Macau SAR. Macau Matters Company Limited, the Group's retail arm, operates "Toys"R"Us" catering to the demand of local youngsters and tourists.

## Management Profile

### Dr. Stanley Ho

G.B.M., G.B.S.  
Group Executive Chairman  
aged 90

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

Dr. Stanley Ho is a director of Shun Tak Shipping Company, Limited\*, Innowell Investments Limited\* and Alpha Davis Investments Limited\*. 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 director of the PolyU Development Foundation.

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

Dr. Stanley Ho was awarded the 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 Macau Special Administrative Region Government, 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 Macau Special Administrative Region Government in 2007 and 2001 respectively.

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

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

*\* Shun Tak Shipping Company, Limited, Innowell Investments Limited and Alpha Davis Investments Limited are companies which have an interest in the shares or underlying shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.*

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## Sir Roger Lobo

*C.B.E., L.L.D., J.P.*

*Independent Non-Executive Director  
aged 88*

Sir Rogerio Hyndman Lobo (also known as Sir Roger Lobo) ("Sir Roger Lobo") has been an independent non-executive director of the Company since 1994. He is also a member of the audit committee, remuneration committee and nomination committee of the Company. He is a vice-patron of The Community Chest of Hong Kong and The Society of Rehabilitation and Crime Prevention, Hong Kong. He is also a member of the Board of Trustees of Business and Professionals Federation of Hong Kong and a council member of Caritas Hong Kong.

Sir Roger Lobo is an independent non-executive director of Melco International Development Limited (which is 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.

Sir Roger Lobo is also an independent non-executive director of HKT Management Limited and HKT Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited on 29 November 2011.

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 29 November 2011.

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## Mr. Norman Ho

*F.C.P.A., B.A., A.C.A.*

*Independent Non-Executive Director  
aged 56*

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

Mr. Norman Ho is an executive director of Honorway Investments Limited and Tak Hung (Holding) Company, Limited and has over 20 years of experience in management and property development.

Mr. Norman Ho is also independent non-executive director of Hong Kong Ferry (Holdings) Company Limited, Lee Hing Development Limited and Starlight International Holdings Limited and the 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, and a non-executive director and a member of the audit committee of Haitong International Securities Group Limited (formerly known as Taifook Securities Group Limited) up to 30 June 2009, which are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

He is a member of the Institute of Chartered Accountants in England and Wales, and a fellow of the Hong Kong Institute of Certified Public Accountants.

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## Mr. Charles Ho

*Independent Non-Executive Director  
aged 62*

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

Mr. Charles Ho is the chairman and an executive director of Sing Tao News Corporation Limited (which is listed on the Main Board of The Stock Exchange of Hong Kong Limited). Mr. Charles Ho contributes much to public affairs. He is a member of the Standing Committee of the Chinese People's Political Consultative Conference and an economic consultant to the Shandong Provincial Government of the People's Republic of China ("PRC"). He is also an honorary trustee of Peking University and a trustee of University of International Business and Economics in the PRC.

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## Management Profile

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### 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 86

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 and non-executive director of Chow Tai Fook Jewellery Group Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited on 15 December 2011. Dr. Cheng is also the chairman of Chow Tai Fook Enterprises Limited.

In the past three years, Dr. Cheng was an independent non-executive director of Hang Seng Bank, Limited up to 6 May 2009. On 1 March 2012, Dr. Cheng retired as chairman of New World Development Company 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.

*\* 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.*

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### Mrs. Louise Mok

*Non-Executive Director*  
aged 83

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.

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### Mr. Michael Ng

*Non-Executive Director*  
aged 53

Mr. Ng Chi Man, Michael ("Mr. Michael Ng") was appointed as an executive director of the Company and a member of the executive committee of the Company in 2009. He has been re-designated as a non-executive director of the Company and ceased to act as a member of the executive committee of the Company both with effect from 1 July 2010.

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, U.S.A.

Mr. Michael Ng has substantial experience in corporate and financial management of listed companies in Hong Kong. He is 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. In the past, Mr. Michael Ng was 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.



## Ms. Pansy Ho

Managing Director  
aged 49

Ms. Ho Chiu King, Pansy Catilina (“Ms. Pansy Ho”) joined the Group as an executive director in 1995, and was appointed the managing director in 1999 to oversee the Group’s overall strategic development and management. She is also the chairman of the executive committee, remuneration committee and nomination committee of the Company; and a director of a number of subsidiaries of the Company.

Ms. Pansy Ho is the chief executive officer and a director of Shun Tak — China Travel Shipping Investments Limited and is directly in charge of the Group’s shipping business. She is a director of Shun Tak Shipping Company, Limited\*, Innowell Investments Limited\*, Megaprospers Investments Limited\*, Alpha Davis Investments 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 Macau International Airport Co. Ltd. She is also the chairperson and an executive director of MGM China Holdings Limited, an independent non-executive director of Sing Tao News Corporation Limited and a non-executive director of Qin Jia Yuan Media Services Company Limited (all of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited).

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

Ms. Pansy Ho holds a Bachelor’s degree in marketing and international business management from the University of Santa Clara in the United States. 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, Innowell Investments Limited, Megaprospers Investments Limited, Alpha Davis Investments Limited, Ranillo Investments Limited, Hanika Realty Company Limited and Beeston Profits Limited are companies which have an interest in the shares or underlying shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.*

### Ms. Daisy Ho

Deputy Managing Director  
aged 47

Ms. Ho Chiu Fung, Daisy ("Ms. Daisy Ho") joined the Group in 1994 and was appointed an executive director of the Company that year. She became the Group's deputy managing director and chief financial officer in 1999. Ms. Daisy Ho is a member of the executive committee, remuneration committee and nomination committee of the Company and a director of a number of the Company's subsidiaries.

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

Ms. Daisy Ho is a director of Shun Tak Shipping Company, Limited\*, Innowell Investments Limited\*, Megaprospers Investments Limited\*, Alpha Davis Investments 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 of University of Toronto (Hong Kong) Foundation, committee member and Hong Kong advisor to the Dean's Advisory Board of Rotman School of Management, University of Toronto, advisory Council of the Canadian International School of Hong Kong, Governor of The Canadian Chamber of Commerce in Hong Kong, and director of Po Leung Kuk.

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

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

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

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## Ms. Maisy Ho

Executive Director  
aged 44

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 5th 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 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, Beijing Youth Federation, and vice-chairman of Liaoning Youth Federation respectively.

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

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

*\* 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.*

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## Mr. David Shum

Executive Director  
aged 57

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.

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## Management Profile

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### **Mr. Rogier Verhoeven**

*Executive Director*

*Aged 49*

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.

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, hotel development and concierge services.

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

## Financial Highlights and Dividend Schedule

### Financial Highlights

	<b>2011</b> <b>(HK\$'000)</b>	(Restated) 2010 (HK\$'000)
Turnover	<b>2,968,318</b>	3,097,249
Profit attributable to owners of the Company	<b>780,591</b>	867,239
Total equity	<b>18,437,909</b>	17,689,225
Earnings per share ( <i>HK cents</i> )		
– basic	<b>35.9</b>	42.1
– diluted	<b>35.7</b>	41.4
Dividends per share ( <i>HK cents</i> )	<b>4.0</b>	6.0
Net asset value per share ( <i>HK\$</i> )	<b>8.5</b>	8.1

The calculation of basic earnings per share is based on the weighted average number of 2,172,276,887 shares (2010: 2,061,564,627 shares) in issue during the year. The calculation of diluted earnings per share is based on the weighted average number of 2,183,915,712 shares (2010: 2,269,905,247 shares) in issue after adjusting for the effects of all dilutive potential ordinary shares.

### Dividend Schedule

Announcement of final dividend	26 March 2012
Deadline for lodgement of all transfers	4:30 p.m. on 29 May 2012
Closure of register of members (for determining shareholders' eligibility to attend and vote at Annual General Meeting)	30 May to 6 June 2012, both days inclusive
Annual General Meeting	6 June 2012
Deadline for lodgement of all transfers	4:30 p.m. on 11 June 2012
Closure of register of members (for determining shareholders' entitlement to the final dividend)	12 June to 14 June 2012, both days inclusive
Posting of dividend warrants to shareholders	On or around 28 June 2012

# Significant Events



## MAR

Shun Tak Holdings Limited, Shun Tak Property Management Limited ("STPML") and TurboJET received the "5 Consecutive Years Caring Company" award from Hong Kong Council of Social Service.



## MAY

TurboJET introduced a new membership program "Premier Club" to offer discounts to loyal premier customers.

TurboJET reconfigured Premier Jetfoil class offerings and enhanced its sailing schedule to better cater customer needs.

## JUN



TurboJET got approval to implement fare increment for the first time in 7 years to counter high fuel costs.

TurboJET and STPML were awarded the "Class of Excellence" Wastewi\$e Label by the Hong Kong Awards for Environmental Excellence, organized by the Environmental Campaign Committee of HKSAR.

## APR

Pre-launch of Taipa Hills Memorial Garden, a contemporary columbarium in Taipa Macau, and opening of its showroom in Hung Hom, Hong Kong.



## SEP

Acquisition of New World First Ferry (Macau) was completed on 30 September 2011.

TurboJET collaborated with three Hong Kong creative artists to create a new series of Gift Card collection.





Nova Park, a luxury development in Taipa Macau featuring urban parkside living, was launched for sale.

NOV

DEC

A prime residential apartment, Chatham Gate located in Kowloon, was launched for sale.



Macau Tower celebrated its 10th Anniversary.



TurboJET was awarded the "Hong Kong Outstanding Corporate Citizenship Award, Services Enterprise, Bronze Award" by the Hong Kong Productivity Council.





**The last 12 months have been an exhilarating time for the Group, with many projects bearing fruition and paying dividends to the hard work we invested over the past years. The Group continued to stay focused on its growth agenda, nurtured distinctive advantages and ensured that it continues to be positioned for sustainable long-term value creations.**

Dear Shareholders,

I am delighted to report that profit attributable to shareholders of the Group for the year ended 31 December 2011 was HK\$781 million (2010 restated: HK\$867 million). Basic earnings per share were HK35.9 cents (2010 restated: HK 42.1 cents). Subject to approval by our shareholders at the Annual General Meeting scheduled for 6 June 2012, the Directors recommend a final dividend of HK 4.0 cents per share (2010: HK 6.0 cents per share). Total dividends for the year amounted to HK4.0 cents per share (2010: HK6.0 cents per share).

The last 12 months have been an exhilarating time for the Group, with many projects bearing fruition and paying dividends to the hard work we invested over the past years. Our core businesses, including passenger shipping and hospitality services, have exhibited strong signs of growth particularly in the latter half of year. Amidst recessionary downturns over the past few years, the Group continued to stay focused on its growth agenda, nurtured distinctive advantages and ensured that it continues to be positioned for sustainable long-term value creations. Now, with the economy recovering from its trough, we are seeing good results that reflect its diligent efforts.

The shipping division has been operating under a strenuous operating environment over past years, facing headwinds that include high-standing fuel costs and aggressive pricing from competitors that stifled growth. TurboJET meandered through these challenges by upgrading its product offerings, expanding its network coverage and successfully responded with a market differentiation strategy.

In September 2011, the Group concluded the acquisition of New World First Ferry (Macau), at a consideration of approximately HK\$341million. The undertaking includes securing 7 high-capacity vessels, operation concessions granted by the Macau SAR Government, and a valuable team of 300 maritime professionals. The strategic move helped rejuvenate the existing fleet, increased per passenger yield and also allowed us to expand our catchment to include Kowloon.

Combining this important initiative with the first fare increment approved by the Macau SAR Government in 7 years as well as the exit of one of the ferry operators, the market began to re-establish its sustainability. As a result, TurboJET managed to



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narrow its first-half-of-year deficit significantly, and entered year 2012 with a strong momentum, capitalizing upon a steady boom in tourism business from Mainland China.

The Group continues to build upon its reputation as a notable property developer across the two SARs. Two important projects were launched at the end of 2011, namely Nova Park in Macau and Chatham Gate in Hong Kong. Both received popular response from homebuyers. In particular, all 2-bedroom units from Tower 1 of Nova Park launched for sale were sold within a week. More units will be made available for sale according to demand and general market conditions. These pipeline projects are expected to contribute significantly to the Group's future income.

Apart from residential projects, Taipa Hills Memorial Garden, a columbarium development was launched in April 2011, comprising approximately 40,000 standard niches. Under a legitimate land deed assigned for operating memorial facilities, it offers a reliable option to the undersupplied Macau, Hong Kong and Pearl River Delta private markets. A new showroom was opened in Hung Hom to facilitate overseas sales, and approximately 3,000 niches were sold as of 31 December 2011.

The Hospitality division went from strength to strength, exhibiting broad-based growth in all of its hotel, destination and travel service portfolios.

The new Mandarin Oriental, Macau has established its worth as a leading hotel in Macau, achieving one of the highest room rates and occupancy across all other properties. SkyCity Marriott Hotel in Hong Kong also registered remarkable improvement in performance, appealing to a good balance of corporate, airline crew and tour group customers. Their successes attested to the Group's foresight in developing a strategic hotel portfolio that best captures evolving opportunities in the tourism landscape of the region.

Macau Tower and Canton Tower continued to push the envelope, introducing innovative products and new partners to enrich tourists' experience. In 2011, Macau Tower welcomed a new anchor tenant, Mocha Slots, which spans two levels of the retail arcade. The Tower's Theatre introduced one of the largest 3D movie systems in Macau, increasing recurrent visits from local patrons. In China, the iconic Canton Tower launched a bubble tram ride at the top of the Tower, two revolving restaurants and an Asian Food plaza. A "Hair-raiser" free-drop adventure and a 4D cinema are scheduled for launch in early 2012.

Shun Tak Hospitality Services Division now operates with a full MICE license in China and has established solid footprint in the mainland corporate scene. In 2011, it served respectable clients and made significant strides in harnessing business from national-level summits and top-notch sports events. Shun Tak Travel, saw an outstanding surge in turnover, capturing business opportunities from the Group's increasingly integrated tourism portfolio.

2012 will be a milestone year for the Group as we celebrate our 50th Anniversary. While there are many reasons to be proud of our half century achievements, we will not rest on our laurels but forge ahead to bring new energy and strengths.

On behalf of the board, I would like to thank all our staff for their efforts and contributions. The progress made in 2011 is a true reflection of our combined efforts during the year. To my colleagues on the board, I also extend my gratitude for your valued support and counsel. The Group has clear strategies for future growth and opportunities are abound in the year ahead.

By order of the Board

**Stanley Ho**

Group Executive Chairman

26 March 2012

PROPERTY



# Harmonized Comfort

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



## Review of Operations

### PROPERTY



REAL ESTATE REMAINED RESILIENT IN 2011 ON THE BACK OF GENUINE MARKET DEMAND. TOWARDS THE END OF YEAR, THE GROUP LAUNCHED VARIOUS PROPERTY PROJECTS INCLUDING CHATHAM GATE IN HONG KONG, AS WELL AS NOVA PARK AND TAIPA HILLS MEMORIAL GARDEN IN MACAU, ALL GENERATING SOLID RESPONSES.

Despite economic uncertainties in the West and dampening measures implemented by local governments, real estate remained resilient in 2011 on the back of genuine market demand. Towards the end of year, the Group launched various property projects including Chatham Gate in Hong Kong, as well as Nova Park and Taipa Hills Memorial Garden in Macau, all generating solid responses. On the other hand, due to a cyclical lapse in accruing income from property sales, the division registered an operating profit of HK\$186 million as of 31 December 2011 (2010: HK\$256 million), plus share of profits from jointly controlled entities amounting to HK\$460 million. The latter is primarily relating to the One Central project amounting to HK\$453 million (2010: HK\$550 million).

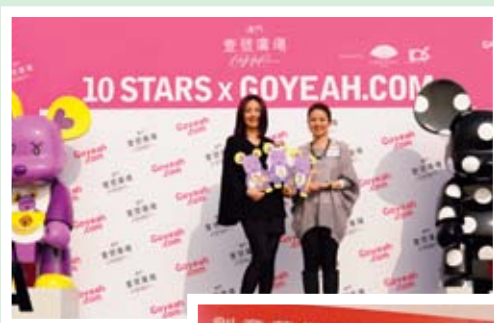
#### IN MACAU

##### ONE CENTRAL

A proud creation in collaboration with Hongkong Land Holdings Limited, the internationally acclaimed development comprises 7 prestigious residential towers, an approximately 400,000 square feet luxurious flagship shopping mall, a 213-room premium Mandarin Oriental Hotel as well as The Residences and Apartments at Mandarin Oriental, Macau. The latter is the only serviced apartment managed by an acclaimed international hotel group with transferable strata titles across Macau and Hong Kong, and 89% of units have been sold as of 31 December 2011. Remaining units will be released for sale in accordance with market conditions in 2012.

##### NOVA CITY

Nova City is one of the largest residential and retail developments in Macau solely developed by the Group. In an effort to forge the most central and integrated neighborhood, new convenience and lifestyle offerings are introduced to its latest phases to enhance value for local homeowners.





Phase 4 of Nova City, independently conceived as Nova Park, comprises three residential towers featuring over 680,000 square feet of gross floor area. The condominiums enjoy wide open views of the Taipa Central Garden, as well as a twin clubhouse complete with extensive recreational facilities unparalleled by other residences. With its attractive attributes and urban parkside living concept, Nova Park garnered strong public interest prior to launch in November. All 2-bedroom units from Tower 1 launched for sale were sold within a week. Project completion is scheduled for the 4th quarter of 2014.

Phase 5 encompasses over 2.3 million square feet of well-appointed residences in eight towers. Below the apartment units will be a neighborhood shopping centre spanning approximately 600,000 square feet, housing a diversified range of tenants including supermarket, dining outlets, leisure retail and entertainment components to provide unparalleled convenience to residents. The project is under planning and site works are expected to commence in the 3rd quarter of 2012.

#### TAIPA HILLS MEMORIAL GARDEN

The Group holds 79% interest in this contemporary columbarium located in Taipa comprising approximately

40,000 standard niches. It features a sleek minimalistic design, graceful landscapes and professional management, catering to clients of different religions. Under a legitimate land deed assigned for operating memorial facilities, it offers a reliable option to the undersupplied Macau, Hong Kong and Pearl River Delta private markets. A new showroom was opened in Hung Hom in April 2011 to facilitate sales in Hong Kong. Approximately 3,000 niches have been sold as of 31 December 2011.

#### HARBOUR MILE

A prestigious development with approximately 4.3 million square feet gross floor area adjacent to the iconic Macau Tower is earmarked for this flagship project. Stretching along the waterfront, this property will largely comprise residential apartments, complemented by commercial elements including retail facilities, serviced apartments and hotels, to be introduced according to market demands. The project is currently under review by the Macau SAR Government as part of its master city planning.



## Review of Operations

### PROPERTY



#### **COTAI SITE DEVELOPMENT**

The Group now 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 an ultra luxurious hotel on the site, to be managed by the Jumeirah Group, a renowned luxury hotel management company and a member of Dubai Holding.

#### **IN HONG KONG**

##### **CHATHAM GATE**

The Group holds 51% interest in this prime residential development located at the pulse of the Kowloon district. The prominent architecture comprises two luxurious apartment towers and a shopping arcade totaling approximately 370,000 square feet in gross floor area. Units range from 392 to 2,080 square feet configured in various functional layouts. Launched in December 2011, the development generated strong market response. Superstructure works are in progress, and scheduled completion is slated for the 4th quarter of 2012.

#### **PROPOSED HOUSE DEVELOPMENT IN CHUNG HOM KOK**

The proposed development entails 5 distinguished residential mansions on an exclusive site with panoramic seaview at Chung Hom Kok. Foundation works are in progress and project completion is slated for the end of year 2013.

##### **RADCLIFFE**

Radcliffe, a luxury development featuring ten exclusive 3,620 square feet duplex residences in Pok Fu Lam. The last of 10 units was sold in the second half of 2011.

##### **THE WESTWOOD**

Home to a myriad of chain retailers, The Westwood, a 5-storey shopping centre at The Belcher's with approximately 158,000 square feet of leasable area, is the largest shopping destination in the Western Mid-Levels. As of 31 December 2011, 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.

## IN CHINA

In Guangzhou, the Shun Tak Business Centre, comprising a 32-storey office tower and a 6-storey shopping arcade, recorded satisfactory performance in leasing. The Group holds 60% interest in the investment.

## PROPERTY SERVICES

Shun Tak Property Management Limited (“STPML”), the Group’s wholly owned subsidiary engaging in property management, has expanded its portfolio size by approximately 10% to 16.4 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 5 consecutive years, and has won a myriad of accolades including the Award for Environmental Excellence Wastewi\$e Label from the Environmental Campaign Committee, Certificate of Quality Water from the Water Department, and a host of other recognitions.



# TRANSPORTATION







# Swift Momentum

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.

# Review of Operations

## TRANSPORTATION



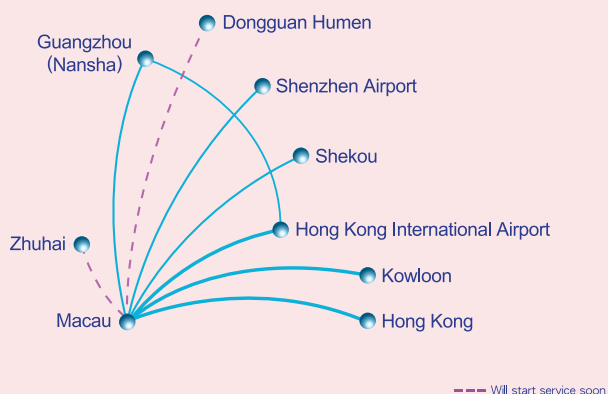
**SUCCESSFUL MARKET DIVERSIFICATION AND EXPANSION FOLLOWING ACQUISITION OF FIRST FERRY (MACAU), AND GOVERNMENT'S APPROVAL OF A FARE INCREASE BOTH CONTRIBUTED TO PROMISING IMPROVEMENTS IN PERFORMANCE.**

**2011** has been an encouraging year for the shipping division. Regional tourism gradually emerged from the shadows of the financial turmoil with passenger numbers reviving satisfactorily. Successful market diversification and expansion following acquisition of First Ferry (Macau), and government's approval of a fare increase in the latter half of year both contributed to promising improvements in performance. Nonetheless, high fuel costs continued to hinder profit recovery for the year, but the deficit has been narrowed substantially from HK\$59 million during mid-year, to HK\$10 million at the close of year. This translates into a 61% year-on-year recovery (2010: loss of HK\$26 million).

On 30 September 2011, the shipping division acquired New World First Ferry (Macau) at a consideration of approximately HK\$341 million after adjustments. The undertaking includes

securing 7 high-capacity vessels, operation concessions granted by the Macau SAR Government, and a valuable team of 300 maritime professionals. The acquisition represents a significant step to reinforce the Group's commitment in weaving a seamless sea network for the Pearl River Delta ("PRD"). In addition, the younger and larger vessels also help the division to optimize resource deployment and improve per passenger yield. With the new Kowloon route, TurboJET will successfully expand its catchment as well as tour group business.

Riding on the popularity of Premier Jetfoil service since its introduction in 2008, TurboJET is further strengthening its luxury offerings via a reconfiguration of cabin interior, addition of a Premier Waiting Lounge, and enhanced sailing frequency. The upgrade exercise enabled the ferry brand to enrich its product spectrum and better serve international travelers as Macau further progresses to become a global destination.



With the Group's commitment to solidify its vision of forging a multimodal transportation network within the PRD, the Group continued its strategic alliances with mainland ferry operators by offering passenger ferry services to Shenzhen, Shekou and Nansha. In 2011, a 23% growth was recorded and substantiated a continuous demand to travel within the PRD region for both national and international traffic.

The Group's joint venture, Hong Kong International Airport Ferry Terminal Services Limited, continues to manage ferry operations at SkyPier, an air-sea transit platform connecting

travelers with 8 Pearl River Delta ports via high-speed ferries. In 2011, SkyPier continued to show encouraging growth, setting record numbers in terms of passenger throughput at 2.4 million, constituting a 6.9% year on year growth. Amongst those transiting to Macau, approximately 70% of these passengers were serviced by TurboJET.

Apart from capturing the China market with its multi-modal transit platform, TurboJET has also been striving to solidify its network advantage in Southern China through strategic alliances with mainland ferry operators. The division now operates a total of three routes under such partnerships, attesting to the solid strength and leadership of TurboJET within the industry.

TurboJET received a number of distinguished awards in recognition of its superior service quality and contribution to society, including the 5 Consecutive Years Caring Company

Award conferred by Hong Kong Council of Social Service, "Class of Excellence" Wastewi\$e Label organized by the Environmental Campaign Committee of HKSAR, as well as "Hong Kong Outstanding Corporate Citizenship Award, Services Enterprise, Bronze Award" extended by Hong Kong Productivity Council.

On land, Shun Tak & CITS Coach (Macao) Limited has a fleet of 129 coach buses, offering rental services within Macau locally as well as operate cross-border routes to mainland cities. In 2011, HK\$88 million in revenue was recorded, exhibiting a 11% remarkable growth.



HOSPITALITY



# Glory Rising

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.



# Review of Operations

## HOSPITALITY



HOSPITALITY DIVISION EXPERIENCED A PERIOD OF PHENOMENAL GROWTH IN 2011 DRIVEN BY CONTINUED ROBUST DEMAND FROM PRC VISITORS AND THE TOUR GROUP SECTOR. ALL BUSINESSES, INCLUDING HOTELS AND DESTINATIONS, REGISTERED IMPROVED PERFORMANCE COMPARED WITH LAST YEAR.



Hospitality division experienced a period of phenomenal growth in 2011 driven by continued robust demand from PRC visitors and the tour group sector. All businesses, including hotels and destinations, registered improved performance compared with last year, collectively contributing to an operating profit of HK\$56 million and a 150% year-on-year growth.

Mandarin Oriental, Macau at One Central is a 213-room luxurious hotel property adjoining MGM Macau and One Central flagship shopping mall. The hotel leveraged upon its convenient location, strong brand affiliation, and a myriad of cross-promotions with adjoining tourism properties to achieve an average occupancy rate of over 60% and a

revenue of MOP167 million. It continued to maintain one of the most premium room rates in town. The Group holds a 51% interest in the joint venture.

The Group's 34.9%-owned Westin Hotel, a classic family resort, and its adjacent Macau Golf & Country Club ("MGCC"), continued to return satisfactory revenue for the Group. The new management team at Westin Hotel has reinforced collaboration with MGCC, and has implemented an extensive marketing plan that returned encouraging results.

In Hong Kong, the 658-room SkyCity Marriott Hotel adjacent to AsiaWorld-Expo, Hong Kong International





Airport and SkyPier, made impressive headway in its performance. Management has exercised an effective revenue management control system in optimizing profits and occupancy from different market segments. In 2011, the operation registered a remarkable 32% increase in revenue, with the strong momentum continuing into 2012.

Macau Tower Convention & Entertainment Centre, managed by the Group, is a major MICE venue and iconic tourist landmark in Macau. Over the year, the destination registered increase in revenue from all business sectors including food and beverage, banquet and observation. A new anchor tenant, Mocha Slots, now spanning two levels of the Tower retail arcade, opened for operation in 2011. The Theatre introduced one of the largest 3D movie systems in Macau, further enhancing its popularity amongst local leisure seekers. AJ Hackett Macau Tower celebrated the 5th anniversary of the launch of its Guinness World Record Commercial Bungy Jump in December, and continues to be immensely popular amongst Japanese and Indian visitors with its urban adventures. A 12% growth in revenue was achieved in 2011, marking a 112% growth in net profits.

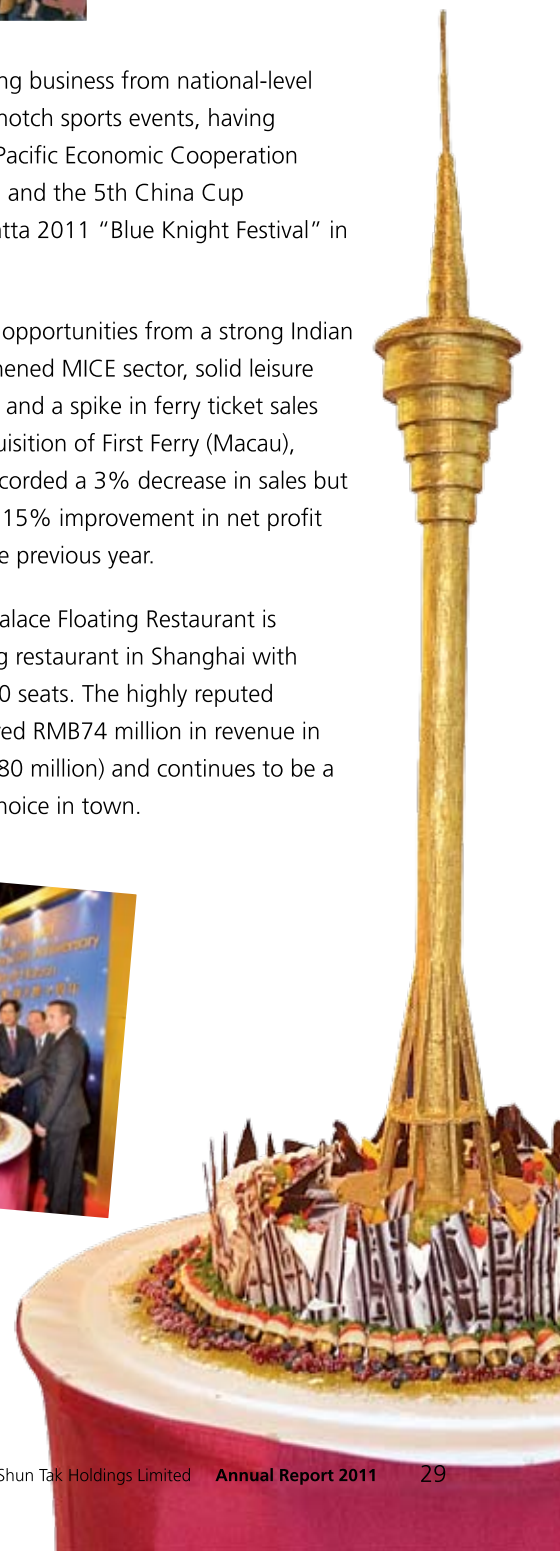
In China, the iconic Canton Tower rising 600m above the cityscape of Guangzhou has introduced a number of new attractions since its opening in 2010. These include a bubble tram ride at the top of the Tower, which has been attracting several hundred daily visitors, as well as two revolving restaurants and an Asian Food plaza. A "Hair-raiser" free-drop adventure and a 4D cinema are scheduled for launch in early 2012.

Shun Tak Hospitality Services Division now operates with a full MICE license in China and has established solid footprint in the mainland corporate scene. In 2011, it served respectable clients including China Mobile Group, GE Medical Service, Toshiba Medical Service and a host of international luxury designer brands. It also made significant

strides in harnessing business from national-level summits and top-notch sports events, having handled the Asia Pacific Economic Cooperation ABAC in February, and the 5th China Cup International Regatta 2011 "Blue Knight Festival" in October.

Capitalizing upon opportunities from a strong Indian market, a strengthened MICE sector, solid leisure package business, and a spike in ferry ticket sales following the acquisition of First Ferry (Macau), Shun Tak Travel recorded a 3% decrease in sales but saw a promising 315% improvement in net profit compared with the previous year.

The Group's Sea Palace Floating Restaurant is the largest floating restaurant in Shanghai with a capacity of 1,100 seats. The highly reputed restaurant registered RMB74 million in revenue in 2011 (2010: RMB80 million) and continues to be a premium dining choice in town.



# INVESTMENT





# Infinite Possibilities

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



## Review of Operations

### INVESTMENT



THE GROUP OWNS AN EFFECTIVE INTEREST IN STDM OF APPROXIMATELY 11.5%, WHICH IN TURN OWNS APPROXIMATELY 55.23% OF EFFECTIVE SHAREHOLDING IN SJM HOLDINGS LIMITED (“SJM HOLDINGS”), A LISTED COMPANY IN HONG KONG.

The investment division recorded a profit of HK\$54 million (2010: loss of HK\$46 million) in 2011 with the recovery mainly attributable to dividend income generated through Sociedade de Turismo e Diversões de Macau, S.A. (“STDM”). The Group owns an effective interest in STDM of approximately 11.5%, which in turn owns approximately 55.23% of 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. ("SJM SA"), one of six gaming concessionaries licensed by the Macau SAR Government to operate casinos in Macau SAR. In addition to gaming activities, STDM holds interests in several hotels in Macau, the Macau International Airport and Air Macau Company Limited, the enclave's flagship carrier. STDM is also active in major property development and infrastructure projects, including Macau Tower.

Macau Matters Company Limited, the Group's retail arm, operates a 15,000 square foot Toys 'R' Us flagship store at Macau Tower as well as an upmarket convenience store named CentralDeli at One Central Shopping Mall. Driven by targeted marketing to local consumers, Toys 'R' Us achieved a record of MOP22 million in revenue in 2011, representing a 21% year-on-year growth. It expects to experience a further surge in 2012, with the introduction of new concession counters and extended product offerings.

# Corporate Social Responsibility



THE ESSENCE OF A SUCCESSFUL ORGANIZATION LIES IN ITS CORE VALUES AND IS EXPRESSED THROUGH ITS SOCIAL RESPONSIBILITY. WE FIRMLY BELIEVE THAT COMPANIES CANNOT EXIST AS AN ISLAND, BUT SHOULD BE ACCOUNTABLE TO FUTURE GENERATIONS IN BUILDING A BRIGHTER, HEALTHIER AND HAPPIER PLACE.

## BUILDING A BRIGHTER TOMORROW

### GIVING BACK

With greater success, comes greater responsibility to give back to the community that has helped us grow. As such, our employees participated in a wide range of charitable events including Community Chest Walks for Millions, Charity Games Challenge and Tung Wah Charity Walkathon for the Centenary Celebration of Kwong Wah Hospital, and helped raise funds for philanthropic causes.

### TOUCHING LIVES

Our team demonstrates our values by directly reaching out to the community. In Christmas 2011, a group of 49 staff and their families share the love and joy with over 140 service recipients of Tung Wah Group of Hospitals & Po Leung Kuk, by giving out toys and daily amenities.

Children welfare is another area we take to heart. Our volunteers visited children at Precious Blood Children's village to distribute gifts and arrange games for the

young. In another occasion, volunteers organized a trip for underprivileged children to Macau Tower in association with 'Cradle of Hope'. A fun-filled Christmas Party was also arranged at the children's home during the festive season.

### EMPOWERING THE YOUNG

For the 5th consecutive year, the Group participated in a School-Company Partnership program organized by the Young Entrepreneurs Development Council. Students were invited to gain first-hand insights on estate management and operations.

TurboJET provided summer internship opportunities for 33 students from tourism and maritime education programs. Its Annual Scholarship continues to support students who have opted for maritime or transportation studies.



Apart from education, the Group supported the "Cross Industry Mix-and-Match Roadmap" organized by the Hong Kong Productivity Council to provide business opportunities for fledgling local innovators.

### GOING GREEN

Another of our key focuses is weaving 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 2011, 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, the Certificate of Programme on Source Separation of Commercial and Industrial Waste, Certificate of Quality Water Recognition Scheme for Buildings to name just a few. These divisions also participated in the Earth Hour campaign organized by World Wild Fund to promote energy conservation.

### LEADING BY EXAMPLE

The Group continued to demonstrate high level of integrity in all business areas. It maintained an ESG (environmental, social and governance) rating of Grade A in an independent assessment conducted by Reputex in collaboration with Hang Seng Index Company, and is enlisted as a constituent member of the Corporate Sustainability Index Series.

Shun Tak - China Travel Ship Management Limited was awarded the Hong Kong Outstanding Corporate Citizen Award, Services Enterprise, Bronze Award organized by the Hong Kong Productivity Council, as well as The Chartered Institute of Logistics and Transport Award 2011 issued by The Chartered Institute of Logistics & Transport in Hong Kong. Further, Clean Living (Macau) Limited was a participant in the Recognition Scheme for Employing People with Disabilities organized by the Social Welfare Bureau of Macau SAR Government.

#### Caption

- 1 Charity Games Challenge
- 2 The Community Chest Hong Kong and Kowloon Walks for Millions
- 3 Tung Wah Charity Walkathon for the Centenary Celebration of Kwong Wah Hospital
- 4 The Community Chest Macau Walks for Millions
- 5 Christmas Voluntary Service – Visiting Tung Wah Group of Hospitals and Po Leung Kuk
- 6 Hong Kong Awards for Environmental Excellence "Class of Excellence" Wastewi\$e Label
- 7 The Chartered Institute of Logistics and Transport Award 2011 issued by The Chartered Institute of Logistics & Transport in Hong Kong
- 8 TurboJET provided summer internship opportunities for students from tourism and maritime education programs
- 9 Hong Kong Outstanding Corporate Citizen Award, Services Enterprise, Bronze Award issued by the Hong Kong Productivity Council



The Company scored an Environment, Social and Governance (ESG) overall rating of "A" from Reputex.



## 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 2011	Estimated Completion Date
<b>Hong Kong</b>						
Chatham Gate	34,075	3,786	Residential/ Commercial	51%	Superstructure works in progress	2012
Nos. 44-50 Chung Hom Kok Road	2,223	2,964	Residential	100%	Foundation works in progress	2013
YTM Lots 30 & 31, Yau Tong	—	1,802	—	50%	Land bank	—
<b>Macau</b>						
One Central		18,344		51%		
One Central Residences	3,491		Residential		Completed	—
	561 motor car parking spaces		Carpark		Completed	—
	141 motorcycle parking spaces		Carpark		Completed	—
The Residences & Apartments at Mandarin Oriental Macau	1,986		Residential		Completed	—
Nova City				100%		
Phase IV	63,279	5,426	Residential		Foundation works in progress	2014
Phase V	275,815	23,843	Residential/ Commercial		Under planning	—
Lote J, Aterro de Pac On, Taipa		2,200		79%		
Phase 1	2,475		Columbarium		Completed	—
Phase 2	4,047		Columbarium		Superstructure works in progress	2012

### 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 2011	Estimated Completion Date
<b>Macau</b>						
Harbour Mile (Note 1)	401,166	39,800	Residential/ Commercial/ Hotel	100%	Land bank	—

## Properties Under Planning

	Approx. Total Gross Floor Area (Sq.m)	Approx. Total Site Area (Sq.m)	Primary Use	Group's Interest	Development Progress as of Dec 2011	Year of Lease Expiry
Baia de Nossa Senhora de Esperança, Taipa, Macau (Note 2)	200,000	80,656	Hotel/ Commercial	100%	Land bank	2049
Rawai Beach, Phuket, Thailand	—	36,800	Hotel	50%	Land bank	Freehold

## Properties Held by the Group for Own Use

	Approx. Total Gross Floor Area (Sq.m)	Approx. Total Site Area (Sq.m)	Primary Use	Group's Interest	Development Progress as of Dec 2011	Year of Lease Expiry
Penthouse 39/F, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong	1,823	—	Office Premises	100%	—	2055 renewable to 2130
83 and 95 Hing Wah Street West, Kowloon	20,602	19,139	Shipyards	42.6%	—	2051
Macau International Centre, Macau 2/F to 4/F (whole floor) and Flats A, B, C of 5/F, Block 12	2,894	—	Staff Quarters	100%	—	10 years commencing on 20 Mar 2006 and renewable for further terms until 2049
Edifício Industrial Fu Tai, Macau Unit A4 on 4/F	350	—	Plant	100%	—	2013 renewable to 2049

## Schedule of Major Properties

### Investment and Hotel Properties

	Approx. Total Gross Floor Area (Sq.m)	Approx. Total Site Area (Sq.m)	Primary Use	Group's Interest	Approx. Lettable Floor Area (Sq.m)	Year of Lease Expiry
The Westwood, 8 Belcher's Street, Hong Kong	20,616	—	Commercial	51%	14,682	2030
The Belcher's, 89 Pok Fu Lam Road, Hong Kong	572 motor car parking spaces	—	Carpark	51%	—	2030
	33 motorcycle parking spaces	—	Carpark	51%	—	2030
Liberté Place, 833 Lai Chi Kok Road, Kowloon	5,600	—	Commercial	64.56%	3,942	2049
Liberté, 833 Lai Chi Kok Road, Kowloon	515 motor car parking spaces	—	Carpark	64.56%	—	2049
	140 lorry parking spaces	—	Carpark	64.56%	—	2049
	45 motorcycle parking spaces	—	Carpark	64.56%	—	2049
Seymour Place, LG/F & G/F, 60 Robinson Road, Hong Kong	974	—	Commercial	100%	822	2858
Seymour Place, G/F, 1/F - 3/F, 60 Robinson Road, Hong Kong	26 parking spaces	—	Carpark	100%	—	2858
Monmouth Place, L1 - L4, 9L Kennedy Road, Hong Kong	18 parking spaces	—	Carpark	100%	—	2047
Starhouse Plaza, Shop No. 5B on G/F, and portion of Shops in Basement, Star House, excluding Shop A, 3 Salisbury Road, Tsimshatsui, Kowloon	2,643	—	Commercial Shopping Arcade	100%	2,129	2863



	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 SkyCity Marriott Hotel 1 Sky City Road East, Hong Kong International Airport, Lantau, Hong Kong	42,616	13,776	Hotel	70%	—	2047
Mandarin Oriental Macau	30,094	18,344	Hotel	51%	—	2031
One Central Retail Complex, Macau	37,017	—	Commercial	51%	18,566	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%	—	2013 renewable to 2049
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

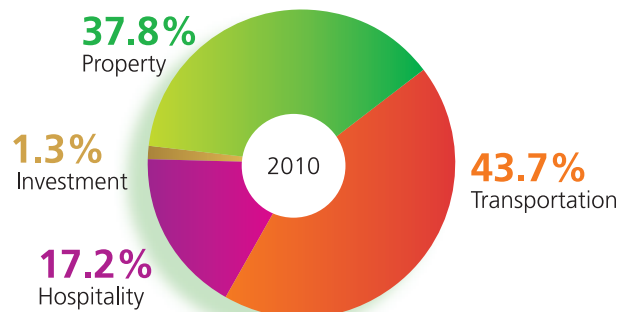
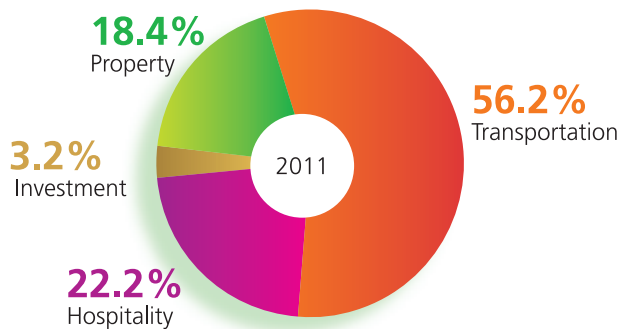
Notes:

- (1) 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 and the site area for Harbour Mile first before the submitted development plans can be approved.
- (2) Subject to agreement with the Macau SAR Government for replacement of another site, having the same gross floor area in Macau.

# Group Financial Review

## Turnover Analysis

### Turnover by Division



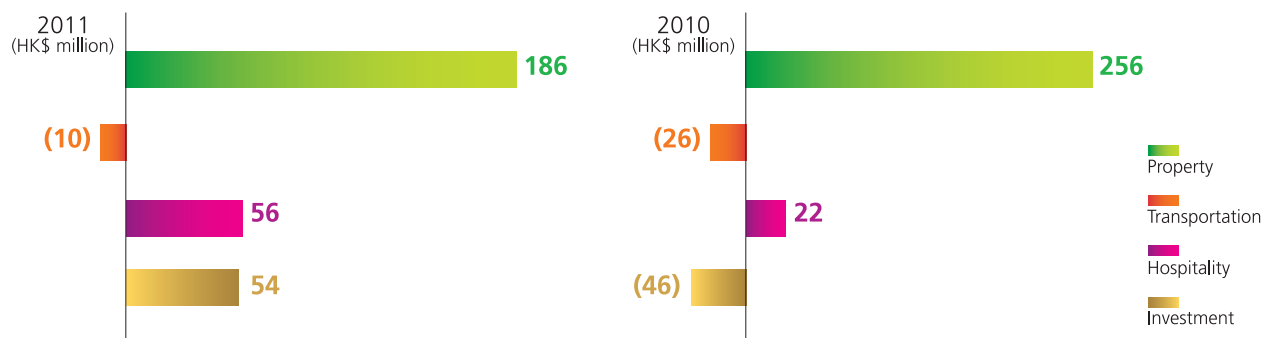
(HK\$ million)	2011	2010	Variance	%	Remarks
Property	547	1,170	(623)	(53)	The variance was mainly due to fewer sales recognised for residential units of Nova City partly compensated by sales of niches for the Taipa Hills Memorial Garden in Macau.
Transportation	1,666	1,355	311	23	Turnover increased due to favourable market growth, fare increase since July 2011 and acquisition of passenger ferry business from New World First Holdings Ltd. on 30 September 2011.
Hospitality	658	533	125	23	The increase was mainly attributable to enhanced popularity of the SkyCity Marriott Hotel at the Hong Kong International Airport.
Investment	97	39	58	149	The increase was mainly attributable to dividend income generated from STD M.
<b>Total</b>	<b>2,968</b>	<b>3,097</b>	<b>(129)</b>	<b>(4)</b>	

### Turnover by Geographical Area

(HK\$ million)	2011	2010	Variance	%	Remarks
Hong Kong	1,556	1,251	305	24	The increase was mainly attributable to increased ferry ticket income as well as the revenue from the SkyCity Marriott Hotel at the Hong Kong International Airport.
Macau	1,289	1,718	(429)	(25)	The decrease was mainly due to fewer sales recognised for residential units of Nova City but partly offset by increase in ferry ticket income, dividend income from STD M, and sales of niches for the Taipa Hills Memorial Garden in Macau.
Others	123	128	(5)	(4)	The decrease was mainly attributable to travel related business in Mainland China.
<b>Total</b>	<b>2,968</b>	<b>3,097</b>	<b>(129)</b>	<b>(4)</b>	

## Profit and Loss Analysis

### Operating Profit by Division



(HK\$ million)	2011	(Restated) 2010	Variance	%	Remarks
Property	186	256	(70)	(27)	The decrease was mainly due to less profit recognised from property sales of Nova City partly compensated by increase in profit recognised from sales of niches for the Taipa Hills Memorial Garden in Macau.
Transportation	(10)	(26)	16	62	The improvement was largely attributable to increased ferry ticket income.
Hospitality	56	22	34	155	The increase was mainly attributable to the improved performance of SkyCity Marriott Hotel following the pick up experienced by the tourism industry.
Investment	54	(46)	100	217	The increase was mainly due to dividend income from STDM and net gain on disposal of available-for-sale investments.
Unallocated net expenses	(6)	(24)	18	75	The variance was largely due to increased interest income from bank deposits for 2011.
Fair value changes on investment properties	420	402	18	4	The fair value gain for 2011 reflected resilient real estate market despite economic uncertainties.
Operating profit	700	584	116	20	
Finance costs	(134)	(122)	(12)	(10)	The increase was principally due to higher interest rate charged on bank borrowings during the year.
Share of results of associates	12	6	6	100	The variance was mainly due to improved performance of the Westin Resort, Macau.
Share of results of jointly controlled entities	423	524	(101)	(19)	The variance was mainly due to reduced contribution generated from sales of residential units and fair value gain of investment properties of the 51% owned One Central property project in Macau.
Profit before taxation	1,001	992	9	1	
Taxation	(75)	(71)	(4)	(6)	
Profit for the year	926	921	5	1	
Profit attributable to non-controlling interests	(145)	(54)	(91)	(169)	The variance was mainly attributable to the combined effect on profit or loss after shared by non-controlling shareholders in property and transportation divisions.
Profit attributable to owners of the Company	781	867	(86)	(10)	

## Group Financial Review

### Liquidity, Financial Resources and Capital Structure

At 31 December 2011, the Group's total net assets increased by 4% over last year to HK\$18,438 million. Cash and liquidity position remains strong and healthy. During the year, net cash used in operating activities amounted to HK\$302 million which was resulted mainly from development costs for Chatham Gate in Hong Kong and Nova Park in Macau. Major cash inflow for investing activities included HK\$510 million of repayment for shareholders' loan and interest received from a jointly controlled entity holding the One Central property project in Macau. Net cash inflow for financing activities of HK\$844 million was mainly attributable to the composite effect of new loans and the finance costs paid.

Cash Flow Variance Analysis (HK\$ million)	2011	2010	Variance
Operating activities	(302)	267	(569)
Investing activities	540	520	20
Financing activities	844	(113)	957
Net increase in cash and cash equivalents	1,082	674	408

The Group's bank balances and deposits stood at HK\$5,349 million as at 31 December 2011. 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 2011, total bank loan facilities available to the Group was HK\$11,345 million, of which HK\$5,580 million remained undrawn. The Group's bank borrowings outstanding at the year end amounted to HK\$5,765 million. Apart from the bank borrowings, the Group's borrowings also comprised the liability component of guaranteed convertible bonds of HK\$1,488 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
47%	29%	24%	100%

Based on net borrowings of HK\$1,904 million at the year end, the Group's gearing ratio (expressed as a ratio of net borrowings to equity attributable to owners of the Company) was 12.0% (2010, as restated: 18.0%). The Group will continue with its financial strategy of maintaining a healthy gearing ratio and consider steps to reduce its finance costs.

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 Balance Sheet Date

By its announcement dated 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 in the proportion 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\$1,603 million from the rights issue will be applied for general working capital purposes and for financing new investment opportunities.

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### Acquisition

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 Marítimo de Passageiros (Macau), Limitada ("NFTMP") and the 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 a downward adjustment to the consideration was agreed to be HK\$9 million.

NWFF and NFTMP currently operate passenger ferry business between Hong Kong and Macau (Outer Port Terminal). The acquisition not only enlarges the fleet size of STCTSI, but also increases its market share in the Hong Kong – Macau passenger ferry market significantly. The acquisition will further strengthen STCTSI's market leader position and allow STCTSI to better capture the growing demand for passenger ferry services.

### Charges on Assets

At the year end, bank loans to the extent of approximately HK\$1,775 million (2010: HK\$712 million) were secured with charges on certain assets of the Group amounting to an aggregate carrying value of HK\$9,004 million (2010: HK\$1,179 million). Out of the above secured bank loans, an aggregate amount of HK\$1,505 million (2010: HK\$556 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 2,930 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.

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## 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 2011.

### Group Activities

The principal activity of the Company is investment holding. The activities of its principal subsidiaries, associates and joint ventures are shown on pages 162 to 164.

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 2011 and the state of affairs of the Company and of the Group at that date are shown in the financial statements on pages 70 to 164. 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 on pages 162 to 164.

### Dividend

No interim dividend was paid during the year ended 31 December 2011 (2010: Nil). The board of Directors (the "Board") has recommended a final dividend of HK 4.0 cents per share (2010: HK 6.0 cents per share) in respect of the year ended 31 December 2011. 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 2012 to shareholders of the Company whose names appear on the register of members of the Company on 14 June 2012.

### Property, Plant and Equipment, Investment Properties and Leasehold Land

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

### Particulars of Properties

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

### Share Capital

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

### Reserves

The movements in reserves of the Group and of the Company during the year are shown in note 34 to the financial statements and the consolidated statement of changes in equity on pages 75 to 76 respectively. Distributable reserves are disclosed in note 34 to the financial statements.

### Donations

During the year, the Group made donations for charitable and community purposes of HK\$1,180,000 (2010: HK\$1,596,000).

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## 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.

## Finance Costs Capitalised

Finance costs capitalised by the Group during the year amounted to HK\$72,874,000 (2010: HK\$8,151,000).

## Major Customers and Suppliers

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

During the year, less than 30% of the Group's total turnover was attributable to the Group's five largest customers. 71% of the Group's total purchases was attributable to the Group's five largest suppliers combined, with the largest supplier accounting for 20.4% 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 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  
Mr. Michael Ng

### Independent Non-Executive Directors:

Sir Roger Lobo  
Mr. Norman Ho  
Mr. Charles Ho

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## Report of the Directors

In accordance with Articles 73, 77 and 79 of the Company's Articles of Association, Sir Roger Lobo, Dato' Dr. Cheng Yu Tung, Ms. Louise Mok, Ms. Maisy Ho, Mr. Michael Ng and Mr. Rogier Verhoeven will retire from office by rotation but, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

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

Brief biographical details of the Directors as at the date of this report are set out on pages 4 to 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 2011 is set out in the Report on Corporate Governance Practices on pages 61 to 67.

### 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 is a director of, and has beneficial interest in SJM Holdings Limited ("SJM"), a non wholly-owned subsidiary of STDM. Dato' Dr. Cheng Yu Tung and Mr. David Shum are also directors of SJM. The shares of SJM are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung, 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\$363.0 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.



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- (b) Under an agency agreement between ST-CTSI and STDM (the "STDM Agency Agreement"), STDM acted as the agent of ST-CTSI for the sale of ferry tickets for which ST-CTSI paid a commission to STDM (the "STDM Commission"). The STDM Commission was calculated at 5% of the total net ticket sales generated by STDM as agent (less any discounts and concessions on ferry tickets agreed by ST-CTSI, and any taxes, fees and levies paid thereon to any government or ferry terminal operator).

On 28 October 2010, ST-CTSI and STDM signed an amendment agreement to the STDM 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\$132.7 million of ferry tickets were sold to STDM for its own use. A discount of up to a maximum of 12% (depending on the volume of the bulk purchases), totaling HK\$6.6 million, was granted on such bulk purchases. The commission and discount rates for STDM are within the range of commission and discount rates granted by ST-CTSI to other sales agents and bulk purchasers respectively.

Subsequent to the entering into of the amendment agreement to the STDM Agency Agreement, STDM ceased to be a connected person to the Company at the holding level, but remains as a connected person at the subsidiary level under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The STDM Commission under the STDM Agency Agreement (supplemented by the amendment agreement) falls within the de minimis thresholds under Rule 14A.33(3)(b) of the Listing Rules and is therefore exempt from the reporting, annual review, announcement and independent shareholders' approval requirements.

- (c) On 4 February 2010, the Company entered into a master leasing agreement (the "STDM Master Leasing Agreement") with STDM pursuant to which the Group will continue to rent various premises from the STDM Group. New leases made under the STDM Master Leasing Agreement were for fixed terms of not more than 3 years. The lease rental was determined with reference to open market rentals.

The STDM Master Leasing Agreement is in force for an initial term of 3 years from 1 January 2010 to 31 December 2012 and is thereafter renewable for successive terms of 3 years unless terminated by either party by prior written notice.

With the amended Listing Rules, in particular Chapter 14A thereof, which came into effect on 3 June 2010, the threshold for de minimis exemption under Rule 14A.33(3)(b) for continuing connected transactions involving person connected only at the subsidiary level has been revised from 0.1% to 1%. As STDM is connected only at subsidiary level, the transactions contemplated under the STDM Master Leasing Agreement fall within de minimis thresholds under Rule 14A.33(3)(b) of the Listing Rules and are therefore exempt from the reporting, annual review, announcement and independent shareholders' approval requirements.

- (d) 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.

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## Report of the Directors

The 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.

The Master Property Services Agreement is in force for an initial term of 3 years from 1 January 2010 to 31 December 2012 and is thereafter renewable for successive terms of 3 years by mutual agreement in writing.

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\$25.8 million.

2. Prior to the completion of the Group’s acquisition of the Ferry Business on 30 September 2011 as referred to in subparagraph 8 below, on 20 June 2008, Shun Tak-China Travel Ship Management Limited (“ST-CTSM”), a wholly-owned subsidiary of ST-CTSI, entered into a master service agreement (the “NWFF Master Service Agreement”) with New World First Ferry Services (Macau) Limited (“NWFF”) to rationalise their co-operative arrangements. Prior to 30 September 2011, NWFF was owned as to 50% by NWS Holdings Limited, a subsidiary of New World Development Company Limited (“NWD”). NWD is a substantial shareholder of Ranex Investments Limited (“Ranex”), a 51% owned subsidiary of the Company. The NWFF Master Service Agreement provides a framework to govern services which are or may from time to time be provided by the Group to the NWFF group (or vice versa) on a non-exclusive basis. The Group and the NWFF group have entered into agreements or service contracts with reference to prevailing market prices and on normal commercial terms. The NWFF Master Service Agreement expired on 14 June 2011 and has not been renewed.

Prior to 30 September 2011, NWFF was an associate (as defined in the Listing Rules) of NWD and was accordingly a connected person of the Company connected only at the subsidiary level under the Listing Rules. The transactions contemplated under the NWFF Master Service Agreement were on an ongoing basis and constitute continuing connected transaction for the Company under chapter 14A of the Listing Rules. The aggregate revenue received by the Group from the NWFF group and the aggregate expenses paid by the Group to the NWFF group under the NWFF Master Service Agreement for the period from 1 January 2011 to 30 September 2011 fall within de minimis thresholds under Rule 14A.33(3)(b) of the Listing Rules and are therefore exempt from the reporting, annual review, announcement and independent shareholders’ approval requirements.

3. 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 CTIL, which is a substantial shareholder of ST-CTSI. CTSHK promotes and markets at its own costs the ST-CTSI ferry services.

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

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The CTSHK Agreement is in force for an initial term of 3 years from 1 January 2010 to 31 December 2012 and is thereafter renewable for further periods of 3 years unless terminated by either party by giving specified period of prior written notice.

During the year, ST-CTSI paid commission of HK\$33.2 million under the CTSHK Agreement to CTSHK.

- On 4 February 2010, Wincent Limited ("Wincent"), a wholly-owned subsidiary of the Company, entered into an agreement (the "Wincent Agreement") with ST-CTSI for appointing Wincent as a non-exclusive joint general sales agent for the sale of ferry tickets for ST-CTSI ferry services. Wincent promotes and markets at its own costs the ST-CTSI ferry services.

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

The Wincent Agreement is in force for an initial term of 3 years from 1 January 2010 to 31 December 2012 and is thereafter renewable for further periods of 3 years unless being terminated by either party by giving specified period of prior written notice.

With the amended Listing Rules which came into effect on 3 June 2010, a non wholly-owned subsidiary of a listed issuer which is an associate (as defined in the Listing Rules) of a connected person connected only at the subsidiary level is, under Rule 14A.12A(1)(b) of the Listing Rules, no longer a connected person of a listed issuer for the purpose of Chapter 14A of the Listing Rules. ST-CTSI, being a non wholly-owned subsidiary of the Company and an associate (as defined in the Listing Rules) of STDM, is no longer a connected person of the Company under Rule 14A.12A(1)(b) of the Listing Rules. Therefore, the continuing connected transactions between the Group and ST-CTSI no longer constitute continuing connected transactions of the Group and are no longer subject to the reporting, annual review, announcement and independent shareholders' approval requirements according to Chapter 14A of the Listing Rules.

- On 4 February 2010, Shun Tak Properties Limited ("STP"), a wholly-owned subsidiary of the Company which manages Shun Tak Centre (a commercial property and shopping mall in Sheung Wan, 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 was a non wholly-owned subsidiary of NWD and as from 27 July 2010, it is owned as to 90% by an associate (as defined in the Listing Rules) of Dato' Dr. Cheng Yu Tung, and hence a connected person of the Company.

The Consultancy Agreement expired on 3 March 2011. 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\$4.6 million.

- On 4 February 2010, the Company entered into a master leasing agreement (the "STC Master Leasing Agreement") with Shun Tak Centre Limited ("STC"), a company beneficially owned by Dr. Stanley Ho, STDM and NWD, pursuant to which the Group will continue to rent premises at Shun Tak Centre from STC (including the lease of Hong Kong Macau Ferry Terminal). New leases made under the STC Master Leasing Agreement were for fixed terms of not more than 3 years. The lease rental was determined with reference to open market rental.

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## Report of the Directors

The STC Master Leasing Agreement is in force for an initial term of 3 years from 1 January 2010 to 31 December 2012, which is thereafter renewable for successive terms of 3 years unless terminated by either party by giving prior written notice.

STC is an associate (as defined in the Listing Rules) of both STDM and NWD and is accordingly a connected person of the Company connected only at the subsidiary level under the Listing Rules. With the amended Listing Rules, in particular Chapter 14A thereof, which came into effect on 3 June 2010, the threshold for de minimis exemption under Rule 14A.33(3)(b) for continuing connected transactions involving person connected only at the subsidiary level has been revised from 0.1% to 1%. The transactions contemplated under the STC Master Leasing Agreement fall within de minimis thresholds under Rule 14A.33(3)(b) of the Listing Rules and are therefore exempt from the reporting, annual review, announcement and independent shareholders' approval requirements.

7. On 8 October 2010, the Company entered into a master service agreement (the "MGM Master Service Agreement") with MGM Grand Paradise Limited ("MGM"). Prior to reorganisation of MGM as a subsidiary of MGM China Holdings Limited and the listing of the shares of MGM China Holdings Limited on the Stock Exchange on 3 June 2011, MGM was an associate (as defined in the Listing Rules) of Ms. Pansy Ho, a Director and substantial shareholder of the Company. The MGM Master Service Agreement set out a framework for products and/or services which may be provided/demanded by the Group to/from MGM and/or its subsidiaries (the "MGM Group") from time to time.

The MGM Master Service Agreement is in force for an initial term of 3 years from 1 January 2011 to 31 December 2013 and is thereafter renewable for successive terms of 3 years by mutual agreement in writing.

During the year, the aggregate revenue received by the Group from the MGM Group and the aggregate expenses paid by the Group to the MGM Group for agreements made under the MGM Master Service Agreement amounted to HK\$92.4 million and HK\$0.5 million respectively.

On 23 March 2012, the Company announced that MGM has ceased to be an associate (as defined in the Listing Rules) of Ms. Pansy Ho and a connected person of the Company. The transactions contemplated under the MGM Master Service Agreement are no longer subject to any of the reporting, annual review, announcement and independent shareholders' approval requirements.

Under Chapter 14A of the Listing Rules, the transactions mentioned in sub-paragraphs 1(a), 1(b), 1(d), 3, 5 and 7 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(a), 1(b), 1(d), 3, 5 and 7 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.

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The auditor of the Company has confirmed that the continuing connected transactions mentioned in sub-paragraphs 1(a), 1(b), 1(d), 3, 5 and 7 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.
8. On 11 August 2011, ST-CTSI entered into a conditional agreement with New World First Holdings Limited (“NWFH”), an associate (as defined in the Listing Rules) of NWD, to acquire the entire issued share capital of NWFF and New Ferry – Transporte Marítimo de Passageiros (Macau), Limitada (“NFTMP”), and the shareholder’s loan advanced to NWFF (the “Acquisition”), for a consideration of approximately HK\$341.1 million. NWFF and NFTMP and their respective subsidiaries (collectively the “Target Group”), the subject of the Acquisition, currently operate passenger ferry business between Hong Kong and Macau (Outer Port Terminal) (the “Ferry Business”). The major assets of the Target Group as at completion of the Acquisition were (i) seven high-speed passenger ferries currently operating the Ferry Business, (ii) the license granted by the Macau SAR Government for operating the Ferry Business and (iii) other operating assets, net of liabilities as agreed between ST-CTSI and NWFH to be retained by the Target Group upon completion of the Acquisition. The Acquisition was completed on 30 September 2011.

Under Chapter 14A of the Listing Rules, the transactions mentioned in sub-paragraph 8 above constituted connected transactions of the Company for the year which require disclosures in the annual report of the Company.

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

9. 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 2011, the total outstanding sum of the shareholders’ loan was HK\$219.3 million.

Save for the transactions mentioned in sub-paragraphs 1 to 9 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.

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## Report of the Directors

Subsequent to year end, the Group has the following connected transactions:

1. 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 now referred to as Nova City Phase 5 situated 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 NWD, whereby Vibro was appointed as the contractor for the foundation works of the Mixed-Use Development at a contract sum of 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.
2. On 11 November 2004, Shun Tak Nam Van Investment Limited (“Shun Tak Nam Van”), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Sai Wu Investimento Limitada (“Sai Wu”), a company beneficially owned as to 60% by Dr. Stanley Ho and 40% by independent third parties, to acquire the interest in the land development right of property sites adjoining the Macau Tower in Nam Van, Macau. A refundable deposit of HK\$500 million was paid by Shun Tak Nam Van to Sai Wu to extend the completion date of the acquisition without changing the consideration or its other terms. On 7 February 2012, the completion date of the acquisition was further extended from 30 June 2012 to on or before 31 December 2013.
3. 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 receivable by Megaprosper under the Underwriting Agreement is HK\$6.4 million.

### 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 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 STD M 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 STD M. Ms. Daisy Ho is an appointed representative of Lanceford Company Limited, a corporate director of STD M. Mr. David Shum is an appointed representative of Interdragon Limited, a corporate director of STD M.

Dato’ Dr. Cheng Yu Tung is a director of New World Development Company Limited, Chow Tai Fook Enterprises Limited, Melbourne Enterprises Limited and Lifestyle International Holdings Limited, 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) Disclosure of Directors' Interests

As at 31 December 2011, 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	Corporate interests		
		Note	Note	Note (i)	
Dr. Stanley Ho	Interests in unissued shares	—	148,883,374	(iv)	6.85%
	Interests in underlying shares	1,587,300	—	(ii)	0.07%
Sir Roger Lobo	Interests in underlying shares	1,000,000	—	(ii)	0.05%
Mr. Norman Ho	Interests in underlying shares	1,000,000	—	(ii)	0.05%
Mr. Charles Ho	Interests in underlying shares	1,000,000	—	(ii)	0.05%
Dato' Dr. Cheng Yu Tung	Interests in underlying shares	1,000,000	—	(ii)	0.05%
Mrs. Louise Mok	Interests in issued shares	342,627	—		0.02%
	Interests in underlying shares	1,000,000	—	(ii)	0.05%
Mr. Michael Ng	Interests in underlying shares	10,069,707	—	(iii)	0.46%
Ms. Pansy Ho	Interests in issued shares	47,087,604	228,217,184	(v)	12.67%
	Interests in unissued shares	—	148,883,374	(iv)	6.85%
	Interests in underlying shares	10,157,740	—	(ii)	0.47%
Ms. Daisy Ho	Interests in issued shares	48,625,811	97,820,707	(vi)	6.74%
	Interests in unissued shares	—	148,883,374	(iv)	6.85%
	Interests in underlying shares	12,157,740	—	(ii)	0.56%
Ms. Maisy Ho	Interests in issued shares	11,680,435	23,066,918	(vii)	1.60%
	Interests in underlying shares	20,157,740	—	(ii)	0.93%
Mr. David Shum	Interests in underlying shares	5,000,000	—	(ii)	0.23%

## Report of the Directors

Notes:

- (i) As at 31 December 2011, the total number of issued shares of the Company was 2,172,276,887.
- (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) 5,000,000 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) 5,069,707 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 subsidiaries of the Company") for an aggregate nominal amount of HK\$40,000,000 held by him as at 31 December 2011 and based on the adjusted conversion price of HK\$7.89 per share, details of which are disclosed in sub-paragraph (1)(d) headed "Interests of the Directors in Debentures of Subsidiaries of the Company" below.
- (iv) These 148,883,374 unissued shares, of which Dr. Stanley Ho, Ms. Pansy Ho and Ms. Daisy Ho were deemed to be interested by virtue of the SFO, were the same parcel of shares, and represented shares to be 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 Megaprospere Investments Limited ("MIL"). IIL is wholly owned by Dr. Stanley Ho. MIL is owned as to 51% by Ms. Pansy Ho and 39% by Ms. Daisy Ho.
- (v) These 228,217,184 shares, in which Ms. Pansy Ho was deemed to be interested by virtue of the SFO, comprised 134,106,230 shares held by Beeston Profits Limited ("BPL") and 94,110,954 shares held by Classic Time Developments Limited ("CTDL"). Both BPL and CTDL are wholly owned by Ms. Pansy Ho.
- (vi) These 97,820,707 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 23,066,918 shares, in which Ms. Maisey Ho was deemed to be interested by virtue of the SFO, were held by LionKing Offshore Limited, which is wholly owned by Ms. Maisey Ho.

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

Name of Director	Name of subsidiary	Corporate interests	Percentage of total issued shares Note (i)
Dr. Stanley Ho	Shun Tak Cultural Centre Limited	4 ordinary shares	40%

Note:

- (i) As at 31 December 2011, 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 associated corporation	Corporate interests	Percentage of total issued shares Note (i)
Ms. Pansy Ho	Shun Tak & CITS Coach (Macao) Limited	750 shares	15%

Note:

- (i) As at 31 December 2011, there was a total of 5,000 shares of Shun Tak & CITS Coach (Macao) Limited in issue.



**(d) Interests of the Directors in Debentures of Subsidiaries of the Company**

<b>Name of Director</b>	<b>Name of subsidiary</b>	<b>Personal interests</b>	<b>Approximate percentage of aggregate nominal amount of the Convertible Bonds in issue Note (i)</b>
Mr. Michael Ng	Joyous King Group Limited	HK\$40,000,000 Note (ii)	2.58%

Notes:

- (i) As at 31 December 2011, 3.3% guaranteed convertible bonds due 2014 for an aggregate nominal amount of HK\$1,550,000,000 were issued by Joyous King Group Limited, a wholly-owned subsidiary of the Company (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 2011 would be convertible into 5,069,707 shares of the Company, representing approximately 0.23% of the issued share capital of the Company as at 31 December 2011, at the adjusted conversion price of HK\$7.89 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 2011.

## Report of the Directors

### (2) Share Options

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

Name of Director	Note	Date of grant	Exercise period	Exercise price per share (HK\$)	Number of share options outstanding	
					At 1 January 2011	At 31 December 2011
Dr. Stanley Ho	(i)	25 May 2004	25 May 2004 to 24 May 2014	3.15	1,587,300	1,587,300
Ms. Pansy Ho	(i)	25 May 2004	25 May 2004 to 24 May 2014	3.15	10,157,740	10,157,740
Ms. Daisy Ho	(i)	25 May 2004	25 May 2004 to 24 May 2014	3.15	12,157,740	12,157,740
Ms. Maisy Ho	(i)	25 May 2004	25 May 2004 to 24 May 2014	3.15	20,157,740	20,157,740
Mr. David Shum	(i)	22 September 2004	22 September 2004 to 21 September 2014	4.20	5,000,000	5,000,000
Mr. Michael Ng	(ii)	1 February 2010	1 April 2010 to 31 January 2015	4.68	2,500,000	2,500,000
	(iii)	1 February 2010	1 April 2011 to 31 January 2015	4.68	2,500,000	2,500,000
Dato' Dr. Cheng Yu Tung	(i), (iv)	29 March 2011	29 March 2011 to 27 March 2021	4.37	—	1,000,000
Mrs. Louise Mok	(i), (iv)	29 March 2011	29 March 2011 to 27 March 2021	4.37	—	1,000,000
Sir Roger Lobo	(i), (iv)	29 March 2011	29 March 2011 to 27 March 2021	4.37	—	1,000,000
Mr. Norman Ho	(i), (iv)	29 March 2011	29 March 2011 to 27 March 2021	4.37	—	1,000,000
Mr. Charles Ho	(i), (iv)	29 March 2011	29 March 2011 to 27 March 2021	4.37	—	1,000,000

#### 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 closing price of the shares of the Company on 28 March 2011, the trading day immediately before 29 March 2011 (i.e. the grant date of these share options), was HK\$4.37 per share.

The weighted average fair value of the 5,000,000 share options granted on 29 March 2011 is HK\$1.80 per unit with total fair value of approximately HK\$9 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.

- (v) Save for the share options granted to Dato' Dr. Cheng Yu Tung, Mrs. Louise Mok, Sir Roger Lobo, Mr. Norman Ho and Mr. Charles Ho as set out in the table above, no other share options were granted under the Share Option Scheme and no share options granted thereunder were exercised, cancelled or lapsed during the year.

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Save as disclosed above, as at 31 December 2011, 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 Share Option Scheme.

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

- |  |  |
|--|--|
| (i) Purpose of the Share Option Scheme   | To attract and retain the best quality personnel; to provide additional incentives to participants; and to promote the long term financial success of the Company by aligning the interests of the option holders to shareholders.   |
| (ii) Participants of the Share Option Scheme   | <ul style="list-style-type: none"><li>(a) any employee or any business related consultant, agent, representative or advisor of the Company or any affiliate;</li><li>(b) any person who provides goods or services to the Company or any affiliate;</li><li>(c) any customer of the Company or any affiliate;</li><li>(d) any business ally or joint venture partner of the Company or any affiliate, or</li><li>(e) related trusts and companies of (a) to (d) above.</li></ul> |
| (iii) Total number of shares available for issue under the Share Option Scheme and percentage on issued share capital as at the date of this annual report | The Company had granted options in respect of 128,523,670 shares of the Company under the Share Option Scheme up to the date of this annual report. The total number of shares available for issue under the Share Option Scheme is 65,719,721, representing approximately 2.20% 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.                                 |

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## Report of the Directors

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|---|--|
| (iv) Maximum entitlement of each participant under the Share Option Scheme  | In any 12-month period: <ul style="list-style-type: none"><li>— 1% of the issued share capital (excluding substantial shareholders and Independent Non-Executive Directors)</li><li>— 0.1% of the issued share capital and not exceeding HK\$5 million in aggregate value (for substantial shareholders and Independent Non-Executive Directors)</li></ul>   |
| (v) The period within which the shares must be taken up under an option   | The Board may at its absolute discretion determine save that such period shall not expire later than 10 years from the date of grant.  |
| (vi) The minimum period for which an option must be held before it can be exercised   | There is no such minimum holding period prescribed in the Share Option Scheme, but the Board may at its absolute discretion impose a vesting period on an option.  |
| (vii) The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid | An offer for the grant of an option may be accepted within 28 days from the date of the offer and HK\$1.00 is payable on acceptance of the grant of an option.   |
| (viii) The basis of determining the subscription price  | The subscription price is determined by the Board and shall be not less than the higher of: <ul style="list-style-type: none"><li>— the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of offer;</li><li>— 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</li><li>— the nominal value of a share of the Company.</li></ul> |
| (ix) The remaining life of the Share Option Scheme  | The Share Option Scheme shall remain in force until 31 May 2012.   |

### (3) Substantial Shareholders and Other Persons

As at 31 December 2011, 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)
Hanika Realty Company Limited ("Hanika")	(ii)	Interests in issued shares	Beneficial owner	Long position	399,502,244	18.39%
Ranillo Investments Limited ("Ranillo")	(ii)	Interests in issued shares	Interests of controlled corporation	Long position	399,502,244	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	308,057,215	14.18%
Alpha Davis Investments Limited ("ADIL")	(iv)	Interests in unissued shares	Beneficial owner	Long position	148,883,374	6.85%
Innowell Investments Limited ("IIL")	(iv)	Interests in unissued shares	Interests of controlled corporation	Long position	148,883,374	6.85%
Megaprosper Investments Limited ("MIL")	(iv)	Interests in unissued shares	Interests of controlled corporation	Long position	148,883,374	6.85%
Beeston Profits Limited ("BPL")	(v)	Interests in issued shares	Beneficial owner	Long position	134,106,230	6.17%

Notes:

- (i) As at 31 December 2011, the total number of issued shares of the Company was 2,172,276,887.
- (ii) Ms. Pansy Ho and Ranillo have 14.2% and 71.5% of the voting rights of Hanika respectively. Ms. Pansy Ho, Ms. Daisy Ho and Ms. Maisy Ho have beneficial interests in Ranillo. Accordingly, 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. Ms. Pansy Ho and Ms. Daisy Ho are directors of Ranillo.
- (iii) Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung, Ms. Pansy Ho and Ms. Daisy Ho have beneficial interests in and are directors of STS. Mrs. Louise Mok, Ms. Maisy Ho and Mr. David Shum have beneficial interests in STS.
- (iv) ADIL is entitled to the interests in 148,883,374 unissued shares of the Company which will be issued upon completion of the acquisition as described in the Company's circular dated 17 December 2004. ADIL is owned as to 47% by IIL and 53% by MIL. IIL is wholly owned by Dr. Stanley Ho. MIL is owned as to 51% by Ms. Pansy Ho, 39% by Ms. Daisy Ho and 10% by Ms. Maisy Ho. Accordingly, the interests of IIL and MIL in the Company duplicate the interests of ADIL in the Company as described above. Dr. Stanley Ho is a director of ADIL and IIL. Ms. Pansy Ho and Ms. Daisy Ho are directors of ADIL, IIL and MIL.
- (v) 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 2011.

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## Report of the Directors

### Purchase, Sale or Redemption of Listed Securities

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 2011.

### Arrangement to Purchase Shares or Debentures

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

### Management Contract

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

### Sufficiency of Public Float

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

### Summary of the Results, Assets and Liabilities

A summary of the results, and the assets and liabilities of the Group for the last five financial years is shown on page 165.

### 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 H. C. Watt & Company Limited. A resolution will be put to the forthcoming annual general meeting of the Company to re-appoint H. C. Watt & Company Limited as the Company's auditor.

By order of the Board

**Pansy Ho**

*Managing Director*

Hong Kong, 26 March 2012

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## Report on Corporate Governance Practices

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

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

The Listing Rules require every listed company to report how it applies the principles in the Code and to confirm that it complies with the code provisions in the Code or to provide an explanation where it does not. The Company is committed to maintaining high standards of corporate governance. As corporate governance requirements change from time to time, the Board periodically reviews the corporate governance practices of the Company to meet rising expectations of the shareholders of the Company (the "Shareholders") and comply with the increasingly stringent regulatory requirements. The Board is of the opinion that the Company has applied the principles and complied with the code provisions in the Code throughout the year ended 31 December 2011, except for deviation from the first part of code provision E.1.2 of the Code, which states that the Chairman of the Board should attend annual general meeting. In the absence of the Group Executive Chairman during the Company's annual general meeting held on 15 June 2011, the Managing Director (who is also the chairman of the remuneration committee and nomination committee) took the chair and, together with the chairman 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 2011 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 on 22 February 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 three are Independent Non-Executive Directors. Changes in Board members are further disclosed in the "Report of the Directors" in this annual report. The Board is well balanced between Executive and Non-Executive Directors who possess a diverse range of relevant skills to advance the interests of the Shareholders. Independent Non-Executive Directors possess a range of experience and are of high calibre to ensure that the interests of all Shareholders are taken into account and that key issues vital to the success of the Company are subject to independent and objective consideration by the Board. Brief biographies of the Directors and the relationship amongst them are set out in the "Management Profile" in this annual report.

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## Report on Corporate Governance Practices

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

All the Non-Executive Directors (including all the Independent Non-Executive Directors) are appointed for a specific term of three years. In accordance with the Articles of Association of the Company, every Director, including those appointed for a specific term, is subject to retirement by rotation at least once every three years at the annual general meetings of the Company. Any Director appointed by the Board is subject to re-election by the Shareholders at the next following annual general meeting after his or her appointment. Those Directors who are subject to retirement and re-election at the forthcoming annual general meeting of the Company are set out in the "Report of the Directors" in this annual report.

To ensure the Board works effectively and discharges its responsibilities, Board members have full and timely access to relevant information and are properly briefed on issues considered at Board meetings. The duty of preparing meeting agenda is delegated to the company secretary 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 Code and other applicable statutory requirements. The Board is provided with sufficient resources to discharge its duties and, if required, individual Director may engage outside advisers at the Company's expenses to provide advice on any specific matter. If Directors have a conflict of interest in any matter to be considered by the Board, the relevant matter will be dealt with at a Board meeting. It is the Company's practice that Directors shall abstain from voting on and not be counted in the quorum for any Board resolution in which they have a material interest.

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

The roles of the Chairman and the Managing Director are 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 senior management of the Group and associated companies during which operational issues and financial performance are reviewed. The Executive Directors report back to the Board regularly and on ad hoc basis as appropriate.

Regular Board meetings are held at least four times every year. Additional Board meetings are held when required by circumstances. During the year ended 31 December 2011, six Board meetings were held. Directors have fully and actively participated in the affairs of the Board.

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

Name of Director	Board (Number of Meetings Attended/Entitled to Attend)	Audit Committee	Remuneration Committee
<b>Group Executive Chairman</b>			
Dr. Stanley Ho	0/6 <i>(Note)</i>	n/a	n/a
<b>Non-Executive Directors</b>			
Dato' Dr. Cheng Yu Tung	1/6	n/a	n/a
Mrs. Louise Mok	6/6	2/2	n/a
Mr. Michael Ng	4/6	n/a	n/a
<b>Independent Non-Executive Directors</b>			
Sir Roger Lobo	6/6	2/2	1/1
Mr. Norman Ho	5/6	2/2	1/1
Mr. Charles Ho	5/6	n/a	1/1
<b>Managing Director</b>			
Ms. Pansy Ho	6/6	n/a	1/1
<b>Deputy Managing Director</b>			
Ms. Daisy Ho	6/6	n/a	1/1
<b>Executive Directors</b>			
Ms. Maisy Ho	6/6	n/a	n/a
Mr. David Shum	6/6	n/a	n/a

*No Nomination Committee meeting was held during the year.*

*Note:*

*Dr. Stanley Ho was unable to attend meetings due to health reasons.*

## Model Code for Securities Transactions

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

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. All the Directors have confirmed, following specific enquiry by the Company on each of them, that they had fully complied with the Model Code throughout the year ended 31 December 2011.

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## Report on Corporate Governance Practices

### 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 Code. The written terms of reference will be regularly reviewed and updated in response to any regulatory changes or as the Board may deem appropriate. Other Board Committee for approving particular transaction is delegated with specific duties and authorities by the Board when it is formed. All Board Committees are provided with sufficient resources to discharge their duties.

### Remuneration Committee

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

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

According to its written terms of reference, a copy of which is posted on the website of the Company, the Remuneration Committee shall meet at least once per year. Additional meetings may be held as required. Decision may also be made by circulation of written resolutions accompanied by explanatory materials. During the year ended 31 December 2011, one Remuneration Committee meeting was held whereby the Remuneration Committee had reviewed and approved the remuneration packages of the Executive Directors and senior management.

Directors' interests in shares, underlying shares and debentures of the Company, along with Directors' interests in contracts, are set out in the "Report of the Directors", and Directors' emoluments are set out in the "Notes to the Financial Statements" in this annual report.

### Nomination Committee

The Nomination Committee is responsible for formulating policy and making recommendations to the Board on nomination and appointment of Directors and on the Board's succession planning. The Nomination Committee develops selection procedures for candidates and will consider different criteria including appropriate professional knowledge and industry experience, and the standards set forth in Rules 3.08 and 3.09 of the Listing Rules. The Nomination Committee also reviews the structure, size and composition of the Board from time to time to ensure that it has balanced skills and expertise to provide effective leadership to the Company and assess the independence of the Independent Non-Executive Directors according to the criteria set out in Rule 3.13 of the Listing Rules.

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

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According to its written terms of reference, a copy of which is posted on the website of the Company, the Nomination Committee shall meet as required by its work. Decision may also be made by circulation of written resolutions accompanied by explanatory materials. No Nomination Committee meeting was held in 2011.

### **Executive Committee**

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

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

According to its written terms of reference, a copy of which is posted on the website of the Company, the Audit Committee shall meet at least twice a year. Decision may also be made by circulation of written resolutions accompanied by explanatory materials. During the year ended 31 December 2011, two Audit Committee meetings were held at which the Audit Committee reviewed the Company's interim and year-end financial reports, particularly judgemental areas before submission to the Board, the internal audit programme, findings and management's response as well as matters concerning the engagement of external auditor of the Company. The Audit Committee also considered and approved the annual audit and non-audit services fees and recommended the re-appointment of H. C. Watt & Company Limited as the Company's external auditor.

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 2011, 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\$6.8 million and HK\$2.4 million respectively. The non-audit services included interim review, review of continuing connected transactions of the Company, and taxation and other services.

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## Report on Corporate Governance Practices

### Accountability and Audit

The Directors acknowledge their responsibility for preparing the financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the Group and of the profit and cash flows of the Group for the year in accordance with Hong Kong Financial Reporting Standards, the Hong Kong Companies Ordinance and the Listing Rules. In preparing the financial statements for the year ended 31 December 2011, 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.

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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 Code on internal control.

## **Proactive Investor Relations**

The Code requires the Company to maintain an ongoing dialogue and communication with its Shareholders. It is the responsibility of the Board as a whole to ensure that satisfactory dialogue takes place. The primary communication channel between the Company and its Shareholders is the publication of interim reports, annual reports, circulars and notices to Shareholders. The Company's share registrar serves the Shareholders with respect to all share registration matters. Annual general meeting and extraordinary general meeting further provide the forum and opportunity for the Shareholders to exchange views directly with the Board members.

The Company continues its proactive policy of promoting investor relations by regular meetings with institutional Shareholders and research analysts. Our Investor Relations Department maintains open communications with the investment community. In order to ensure our investors to have an informed understanding of the Company's strategy, operations and management, our management engages in proactive investor relation activities. These include participating in regular one-on-one investor meetings, investor conferences and international non-deal roadshows.

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

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

## **Looking Forward**

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

Hong Kong, 26 March 2012

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# Independent Auditor's Report

## To The Shareholders of Shun Tak Holdings Limited

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Shun Tak Holdings Limited (the "Company") and its subsidiaries (together referred to as the "Group") set out on pages 70 to 164, which comprise the consolidated and company balance sheets as at 31 December 2011, 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. This report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

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

Certified Public Accountants

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

### **Watt Hung Chow**

Practising Certificate Number P181

26 March 2012

# Consolidated Income Statement

For the year ended 31 December

	Note	2011 (HK\$'000)	(Restated) 2010 (HK\$'000)
<b>Turnover</b>	4	<b>2,968,318</b>	3,097,249
Other revenues	4	<b>127,059</b>	98,961
		<b>3,095,377</b>	3,196,210
Other net income	5	<b>60,657</b>	21,000
Cost of inventories sold or consumed		<b>(918,993)</b>	(1,325,104)
Staff costs		<b>(753,077)</b>	(689,520)
Depreciation and amortisation		<b>(198,467)</b>	(210,430)
Other costs		<b>(1,005,858)</b>	(809,779)
Fair value changes on investment properties		<b>420,152</b>	402,187
<b>Operating profit</b>	6	<b>699,791</b>	584,564
Finance costs	8	<b>(134,154)</b>	(121,877)
Share of results of associates		<b>11,676</b>	5,974
Share of results of jointly controlled entities		<b>423,165</b>	524,138
<b>Profit before taxation</b>		<b>1,000,478</b>	992,799
Taxation	9(a)	<b>(74,588)</b>	(71,553)
<b>Profit for the year</b>		<b>925,890</b>	921,246
<b>Attributable to:</b>			
Owners of the Company		<b>780,591</b>	867,239
Non-controlling interests		<b>145,299</b>	54,007
<b>Profit for the year</b>		<b>925,890</b>	921,246
<b>Earnings per share (HK cents)</b>	11		
– basic		<b>35.9</b>	42.1
– diluted		<b>35.7</b>	41.4

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



# Consolidated Statement of Comprehensive Income

For the year ended 31 December

	2011 (HK\$'000)	(Restated) 2010 (HK\$'000)
<b>Profit for the year</b>	<b>925,890</b>	921,246
<b>Other comprehensive income/(loss)</b>		
Available-for-sale investments:		
Changes in fair value	<b>(75,270)</b>	21,976
Reclassification adjustment for losses included in profit or loss	<b>29,598</b>	48,661
Cash flow hedges:		
Changes in fair value	<b>22,811</b>	46,590
Deferred tax	<b>(3,764)</b>	(7,687)
Reclassification adjustment for gains included in profit or loss	<b>(62,383)</b>	(11,934)
Deferred tax	<b>10,293</b>	1,969
Properties:		
Write-back of inventories of properties	<b>5,801</b>	79,718
Deferred tax	<b>(696)</b>	(9,566)
Reclassification adjustment for gains included in profit or loss upon sales of properties	<b>(847)</b>	(136,770)
Deferred tax	<b>99</b>	16,008
Exchange differences on translation of financial statements of foreign operations	<b>19,066</b>	18,162
<b>Other comprehensive (loss)/income for the year, net of tax</b>	<b>(55,292)</b>	67,127
<b>Total comprehensive income for the year</b>	<b>870,598</b>	988,373
<b>Attributable to:</b>		
Owners of the Company	<b>736,386</b>	910,323
Non-controlling interests	<b>134,212</b>	78,050
<b>Total comprehensive income for the year</b>	<b>870,598</b>	988,373

## Consolidated Balance Sheet

	Note	As at 31 December		As at 1 January
		2011 (HK\$'000)	(Restated) 2010 (HK\$'000)	(Restated) 2010 (HK\$'000)
<b>Non-current assets</b>				
Property, plant and equipment	12	2,476,640	2,209,544	2,491,527
Investment properties	13	3,993,927	3,808,023	3,385,392
Leasehold land	14	8,658	8,902	9,146
Associates	16	190,848	177,483	183,007
Jointly controlled entities	17	2,664,040	2,258,366	2,829,636
Intangible assets	18	365,497	365,857	365,796
Available-for-sale investments	19	994,699	1,086,150	1,065,804
Mortgage loans receivable	20	7,049	10,833	14,726
Deferred tax assets	9(c)	33,332	31,072	30,561
Other non-current assets	21	874,567	1,355,423	1,332,519
		<b>11,609,257</b>	11,311,653	11,708,114
<b>Current assets</b>				
Properties for or under development	22	10,766,518	10,131,573	8,877,550
Inventories	23	384,408	209,173	1,002,094
Trade receivables, other receivables and deposits paid	24	1,176,997	1,190,761	1,171,658
Available-for-sale investments	19	11,903	11,894	15,514
Derivative financial instruments	25	—	38,574	3,918
Taxation recoverable		6,359	6,690	4,059
Bank deposits, cash and bank balances	26	5,348,927	4,264,015	3,587,409
		<b>17,695,112</b>	15,852,680	14,662,202
<b>Current liabilities</b>				
Trade and other payables and receipts in advance	27	670,655	570,927	1,303,221
Sales deposits received		74,224	913	59,266
Bank borrowings	28	1,950,400	3,497,600	1,416,800
Convertible bonds	30	1,487,465	—	—
Derivative financial instruments	25	998	—	—
Provision for employee benefits	29	18,873	15,575	16,424
Taxation payable		68,079	99,247	112,398
		<b>4,270,694</b>	4,184,262	2,908,109
<b>Net current assets</b>		<b>13,424,418</b>	11,668,418	11,754,093
<b>Total assets less current liabilities</b>		<b>25,033,675</b>	22,980,071	23,462,207

	Note	As at 31 December		As at 1 January
		2011 (HK\$'000)	(Restated) 2010 (HK\$'000)	(Restated) 2010 (HK\$'000)
<b>Non-current liabilities</b>				
Receipts in advance	27	33,226	—	—
Bank borrowings	28	3,815,025	2,055,600	3,752,200
Convertible bonds	30	—	1,464,102	1,441,888
Deferred tax liabilities	9(c)	949,173	924,316	943,648
Loans from non-controlling shareholders	31	1,798,342	846,828	849,146
		<b>6,595,766</b>	5,290,846	6,986,882
<b>Net assets</b>				
		<b>18,437,909</b>	17,689,225	16,475,325
<b>Equity</b>				
Share capital	32	543,069	543,069	505,928
Reserves	34(a)	15,242,083	14,615,432	13,258,868
Proposed dividends		119,475	130,337	378,434
<b>Equity attributable to owners of the Company</b>				
		<b>15,904,627</b>	15,288,838	14,143,230
Non-controlling interests		2,533,282	2,400,387	2,332,095
<b>Total equity</b>				
		<b>18,437,909</b>	17,689,225	16,475,325

**Pansy Ho**  
Director

**Cheng Yu Tung**  
Director

## Balance Sheet

	Note	As at 31 December	
		2011 (HK\$'000)	2010 (HK\$'000)
<b>Non-current assets</b>			
Property, plant and equipment	12	890	993
Subsidiaries	15	630,805	630,805
Associates	16	250	250
Available-for-sale investments	19	233,679	234,723
Other non-current assets	21	9,210,366	11,028,765
		<b>10,075,990</b>	11,895,536
<b>Current assets</b>			
Debtors, deposits and prepayments	24	6,075	8,210
Bank deposits, cash and bank balances	26	446,775	33,420
		<b>452,850</b>	41,630
<b>Current liabilities</b>			
Creditors, deposits and accrued charges	27	179,528	1,350,696
Provision for employee benefits	29	3,618	2,988
		<b>183,146</b>	1,353,684
<b>Net current assets/(liabilities)</b>		<b>269,704</b>	(1,312,054)
<b>Net assets</b>		<b>10,345,694</b>	10,583,482
<b>Equity</b>			
Share capital	32	543,069	543,069
Reserves	34(b)	9,683,150	9,910,076
Proposed dividends		119,475	130,337
<b>Total equity</b>		<b>10,345,694</b>	10,583,482

**Pansy Ho**

Director

**Cheng Yu Tung**

Director

# 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 equity (HK\$'000)
At 1 January 2011 as originally 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	17,612,749
adjustment on adoption of amendments to HKAS 12 as restated	—	—	—	—	—	—	—	—	—	—	—	61,190	—	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	17,689,225
Profit for the year	—	—	—	—	—	—	—	—	—	—	—	780,591	—	925,890
Available-for-sale investments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Changes in fair value	—	—	—	—	—	—	—	(75,270)	—	—	—	—	—	(75,270)
Reclassification adjustment for losses included in profit or loss	—	—	—	—	—	—	—	29,598	—	—	—	—	—	29,598
Cash flow hedges	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Changes in fair value	—	—	—	—	—	—	—	—	9,718	—	—	—	—	9,718
Reclassification adjustment for gains included in profit or loss	—	—	—	—	—	—	—	—	(26,575)	—	—	—	—	(26,575)
Deferred tax	—	—	—	—	—	—	—	—	2,781	—	—	—	—	2,781
Properties	—	—	—	—	—	—	—	—	—	5,801	—	—	—	5,801
Write-back of inventories of properties	—	—	—	—	—	—	—	—	—	(847)	—	—	—	(847)
Reclassification adjustment for gains included in profit or loss upon sales of properties	—	—	—	—	—	—	—	—	—	(597)	—	—	—	(597)
Deferred tax	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Exchange differences on translation of financial statements of foreign operations	—	—	—	—	—	—	—	—	—	—	11,186	—	—	11,186
Other comprehensive income/(loss) for the year	—	—	—	—	—	—	—	(45,672)	(14,076)	4,357	11,186	—	—	(44,205)
Total comprehensive income/(loss) for the year	—	—	—	—	—	—	—	(45,672)	(14,076)	4,357	11,186	780,591	—	134,212
Share options granted	—	—	—	9,879	—	—	—	—	—	—	—	—	—	9,879
2010 final dividend	—	—	—	—	—	—	—	—	—	—	—	—	(130,337)	(130,337)
2011 final dividend	—	—	—	—	—	—	—	—	—	—	—	—	119,475	—
Dividend to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	—	(1,456)
Transfer of reserve	—	—	—	—	—	96	—	—	—	—	—	(235)	—	139
Share of reserve movement of jointly controlled entities	—	—	—	—	—	336	—	—	—	—	—	(336)	—	—
Share of reserve of an associate	—	—	—	—	—	48	—	—	—	—	—	(48)	—	—
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	18,437,909

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2010 (Restated)

	Equity attributable to owners of the Company											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)	Non-controlling interests (HK\$'000)
At 1 January 2010 as originally stated	505,928	6,890,495	100,170	14	80,397	7,818	(151,413)	42,983	1,394	1,225,816	42,996	4,970,903	378,434	14,095,935	2,321,579	16,417,514
adjustment on adoption of amendments to HKAS 12 as restated	505,928	6,890,495	100,170	14	80,397	7,818	(151,413)	42,983	1,394	1,225,816	42,996	5,018,198	378,434	14,143,230	2,332,095	16,475,325
Profit for the year	—	—	—	—	—	—	—	—	—	—	—	867,239	—	867,239	54,007	921,246
Available-for-sale investments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Changes in fair value	—	—	—	—	—	—	—	21,976	—	—	—	—	—	21,976	—	21,976
Reclassification adjustment for losses included in profit or loss	—	—	—	—	—	—	—	48,661	—	—	—	—	—	48,661	—	48,661
Cash flow hedges	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Changes in fair value	—	—	—	—	—	—	—	—	19,847	—	—	—	—	19,847	26,743	46,590
Reclassification adjustment for gains included in profit or loss	—	—	—	—	—	—	—	—	(5,084)	—	—	—	—	(5,084)	(6,850)	(11,934)
Deferred tax	—	—	—	—	—	—	—	—	(2,436)	—	—	—	—	(2,436)	(3,282)	(5,718)
Properties	—	—	—	—	—	—	—	—	—	79,718	—	—	—	79,718	—	79,718
Write-back of inventories of properties	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reclassification adjustment for gains included in profit or loss upon sales of properties	—	—	—	—	—	—	—	—	—	(136,770)	—	—	—	(136,770)	—	(136,770)
Deferred tax	—	—	—	—	—	—	—	—	—	6,442	—	—	—	6,442	—	6,442
Exchange differences on translation of financial statements of foreign operations	—	—	—	—	—	—	—	—	—	—	10,730	—	—	10,730	7,432	18,162
Other comprehensive income/(loss) for the year	—	—	—	—	—	—	—	70,637	12,327	(50,610)	10,730	—	—	43,084	24,043	67,127
Total comprehensive income/(loss) for the year	—	—	—	—	—	—	—	70,637	12,327	(50,610)	10,730	867,239	—	910,323	78,050	988,373
Issue of new shares for acquisition of a site for development (note 32)	37,141	558,609	—	—	—	—	—	—	—	—	—	—	—	606,605	—	606,605
Share options granted	—	—	—	10,855	—	—	—	—	—	—	—	—	—	7,299	—	7,299
Expenses on issue of shares	—	(30)	—	7,299	—	—	—	—	—	—	—	—	—	(30)	—	(30)
2009 final dividend	—	—	—	—	—	—	—	—	—	—	—	—	(378,434)	(378,434)	—	(378,434)
2010 final dividend	—	—	—	—	—	—	—	—	—	—	—	(130,337)	130,337	—	—	—
Dividend to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(9,914)	(9,914)
Transfer of reserve	—	—	—	—	—	116	—	—	—	—	—	(272)	—	(156)	156	—
Share of reserve movement of jointly controlled entities	—	—	—	—	—	1,038	—	—	—	—	—	(1,038)	—	—	—	—
Share of reserve of an associate	—	—	—	1	—	—	—	—	—	—	—	—	—	1	—	1
	37,141	558,579	—	18,155	—	1,154	—	—	—	—	—	(131,647)	(248,097)	235,285	(9,758)	225,527
At 31 December 2010	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

# Consolidated Cash Flow Statement

For the year ended 31 December

	Note	2011 (HK\$'000)	2010 (HK\$'000)
<b>Operating activities</b>			
Profit before taxation		<b>1,000,478</b>	992,799
Adjustments for:			
Depreciation and amortisation		<b>198,467</b>	210,430
Finance costs		<b>134,154</b>	121,877
Interest income		<b>(78,811)</b>	(54,686)
Dividend income from investments		<b>(72,650)</b>	(18,153)
Share of results of associates		<b>(11,676)</b>	(5,974)
Share of results of jointly controlled entities		<b>(423,165)</b>	(524,138)
Profits recognised from asset revaluation reserve upon sales of properties		<b>(847)</b>	(136,770)
Net gain on disposal of property, plant and equipment		<b>(9,562)</b>	(19,784)
Net gain on disposal of investment properties		<b>(4,500)</b>	—
Gain on bargain purchase	35(a)	<b>(2,359)</b>	—
Gain on available-for-sale investments and other financial instruments		<b>(35,445)</b>	(84)
Share-based payments		<b>9,879</b>	7,299
Impairment losses on available-for-sale investments		<b>43,200</b>	51,661
Fair value changes on investment properties		<b>(420,152)</b>	(402,187)
Operating profit before working capital changes		<b>327,011</b>	222,290
(Increase)/decrease in properties for or under development and inventories of properties, excluding net finance costs capitalised		<b>(538,121)</b>	261,940
(Increase)/decrease in other inventories		<b>(192,997)</b>	50,916
Decrease/(increase) in trade receivables, other receivables and deposits paid		<b>24,537</b>	(50,255)
Increase/(decrease) in trade and other payables and receipt in advance		<b>105,561</b>	(49,278)
Increase/(decrease) in sales deposits received		<b>73,311</b>	(58,353)
Increase/(decrease) in provision for employee benefits		<b>3,298</b>	(849)
Cash (used in)/generated from operations		<b>(197,400)</b>	376,411
Total income taxes paid		<b>(104,324)</b>	(108,876)
<b>Net cash (used in)/from operating activities</b>		<b>(301,724)</b>	267,535

# Consolidated Cash Flow Statement

For the year ended 31 December

	Note	2011 (HK\$'000)	2010 (HK\$'000)
<b>Investing activities</b>			
Purchase of property, plant and equipment		(98,502)	(22,998)
Purchase of license		—	(400)
Advances to an associate		(1,214)	—
Advances to jointly controlled entities		(2,231)	(7,154)
Repayments/funds transferred from jointly controlled entities		449,619	11,273
Acquisition of available-for-sale investments and other financial instruments		(3,435)	(20,251)
Repayments of mortgage loans		3,941	4,568
Net cash outflow on acquisition of subsidiaries	35(a)	(323,160)	—
Proceeds from disposal, redemption or maturity of available-for-sale investments and other financial instruments		40,579	21,339
Capital refund from an investment fund		848	1,245
Proceeds from disposal of property, plant and equipment		17,549	35,535
Proceeds from disposal of investment properties		260,000	—
Interest received		104,136	13,095
Dividends received from investments		72,650	18,153
Dividends received from associates		1,500	1,500
Dividends received from jointly controlled entities		17,584	463,716
<b>Net cash from investing activities</b>		<b>539,864</b>	<b>519,621</b>
<b>Financing activities</b>			
New loans		4,066,875	1,805,500
Repayments of loans		(2,905,343)	(1,423,618)
Expenses paid on issue of shares		—	(30)
Finance costs (including interests and bank charges) paid		(185,666)	(107,164)
Dividends paid to shareholders		(130,243)	(377,648)
Dividends paid to non-controlling shareholders		(1,456)	(9,914)
<b>Net cash from/(used in) financing activities</b>		<b>844,167</b>	<b>(112,874)</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,082,307</b>	<b>674,282</b>
<b>Effect of foreign exchange rates changes</b>		<b>2,605</b>	<b>2,324</b>
<b>Cash and cash equivalents at 1 January</b>		<b>4,264,029</b>	<b>3,587,423</b>
<b>Cash and cash equivalents at 31 December</b>	35(b)	<b>5,348,941</b>	<b>4,264,029</b>



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# Notes to the Financial Statements

## Note 1 General Information

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

The consolidated financial statements are presented in Hong Kong dollars, which is 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 on pages 162 to 164.

## Note 2 Principal Accounting Policies

### (a) Statement of compliance

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.

The Group has adopted the following relevant amended or revised HKFRSs for the first time for the current year’s financial statements.

HKAS 12 (Amendment)	Income Taxes - Deferred Tax : Recovery of Underlying Assets
HKAS 24 (Revised)	Related Party Disclosures
Improvements to HKFRSs 2010	

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

### Note 2 Principal Accounting Policies (Continued)

#### (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. 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.

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. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's identifiable net assets.

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 the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries on or after 1 January 2010 that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company. When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained profits as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

## Note 2 Principal Accounting Policies (Continued)

### (c) Basis of consolidation (Continued)

#### (i) Changes in the Group's ownership interests in existing subsidiaries (Continued)

For increases in interests in existing subsidiaries prior to 1 January 2010, goodwill arising on acquisition of additional interest in a subsidiary represents the excess of the cost of the acquisition over the fair value of the net assets attributable to the additional interest in a subsidiary. If, after reassessment, the fair value of the net assets attributable to the additional interest in a subsidiary by the Group exceeds the cost of the acquisition, the excess is recognised immediately in consolidated income statement. The difference between the fair value and the carrying value of the underlying assets and liabilities attributable to the additional interest in a subsidiary is debited directly to special reserve.

#### (ii) Business combination achieved in stages

When a business combination is achieved in stages on or after 1 January 2010, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

When a business combination involves more than one exchange transaction prior to 1 January 2010, the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities might be different at the date of each exchange transaction. Any adjustment to those fair values relating to previously held interests of the Group was a revaluation and was dealt with in the asset revaluation reserve initially and shall be accounted for as such. Any additional acquired share of interest did not affect previously recognised goodwill. Any subsequent decrease in those fair values of the acquiree's identifiable assets (the "Acquired Fair Value") is debited to the related asset revaluation reserve and thereafter charged to the consolidated income statement for the excess portion on an individual basis. The amount of any reversals of such decrease in the fair value, arising from further increases in the asset's carrying amount, is limited to the extent that the asset's carrying amount does not exceed the Acquired Fair Value. Reversals of the decrease in those fair values are credited to the consolidated income statement in which the reversals are recognised and up to the amount previously charged to the consolidated income statement and thereafter recognised in the asset revaluation reserve. On disposal of an individual asset, any related surplus in the asset revaluation reserve is transferred to the consolidated income statement.

### Note 2 Principal Accounting Policies (Continued)

#### (d) Goodwill

Goodwill arising on business combination on or after 1 January 2010 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.

If, after assessment, (ii) exceeds (i), the excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill arising on business combination prior to 1 January 2010 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.

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

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

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.

## Note 2 Principal 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.

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.

### (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.

#### (i) Jointly controlled entities

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

The Group's interests in jointly controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any accumulated impairment losses. The Group's share of the post-acquisition results 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.

### Note 2 Principal Accounting Policies (Continued)

#### (g) Joint ventures (Continued)

##### (ii) Jointly controlled assets (Continued)

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

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

#### (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 when significant risks and rewards of ownership of properties are transferred to buyers. Deposits and instalments received from purchasers prior to this stage are included in current liabilities.

Revenue from passenger transportation services is recognised upon the departure of each trip of vessel.

Revenue from sale of fuel is recognised upon delivery to customers.

Revenues from travel agency services, repairing services and management services are recognised upon provision of services.

Revenue from hotel operation is recognised on a basis that reflects the timing, nature and value when the relevant services, 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.

## Note 2 Principal 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%
Other assets	5% – 50%

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

No depreciation is provided on properties under development.

### Note 2 Principal Accounting Policies (Continued)

#### (j) Investment properties

Investment properties are 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.



## Note 2 Principal 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 or over the contractual royalty rate based on actual product sales.

### (n) Inventories

Inventories are stated at the lower of cost and net realisable value. In respect of unsold properties, cost is determined by apportionment of the total 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 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.

### Note 2 Principal 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 cash equivalents" in the balance sheet (notes 2(p) and 2(r)).

##### (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.

## Note 2 Principal 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).

### Note 2 Principal 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.

## Note 2 Principal 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. Derivatives embedded in non-derivative host contracts are not separated from the relevant host contracts when the economic characteristics and risks of the embedded derivatives are closely related to those of the host contracts. On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded call option for the holder to convert the bonds into equity, is included in convertible bonds equity reserve.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds equity reserve until the embedded option is exercised, in which case the balance stated in convertible bonds equity reserve will be transferred to share premium. Where the option remains unexercised at the expiry date, the balance stated in convertible bonds equity reserve will be transferred to the 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.

### Note 2 Principal 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.

## Note 2 Principal 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.

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## Notes to the Financial Statements

### Note 2 Principal 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 same third party.
- (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.



## Note 2 Principal 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 at 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.

### Note 2 Principal Accounting Policies (Continued)

#### (cc) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, 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.

#### (dd) 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.

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

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

### HKAS 12 (Amendment) Income Taxes - Deferred Tax : Recovery of Underlying Assets

In December 2010, the HKICPA amended HKAS 12, "Income Taxes", to introduce an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. Currently HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that investment property measured at fair value is recovered entirely by sale. The presumption of recovery entirely by sale is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The effective date for the amendment is annual periods beginning on or after 1 January 2012. As permitted, the Group has early adopted this amendment. The new accounting policy has been applied retrospectively for annual periods beginning before 1 January 2011 and the effects are disclosed as follows.

As of 31 December 2011, the Group had investment properties amounting to HK\$3,994 million (2010: HK\$3,808 million and 2009: HK\$3,385 million), representing their fair values in accordance with the Group's accounting policy as disclosed in note 13. The investment properties held by the Group are situated in Hong Kong, Macau and Mainland China.

As a result of the early adoption of amendments to HKAS 12, the comparative figures for 2010 and 2009 have been restated to reflect the change in accounting policy, as summarised below.

### Effect on Consolidated Balance Sheet

	<b>31 December 2011 (HK\$'000)</b>	31 December 2010 (HK\$'000)	1 January 2010 (HK\$'000)
Decrease in deferred tax liabilities	<b>105,111</b>	76,476	57,811
Increase in non-controlling interests	<b>25,958</b>	15,286	10,516
Increase in retained profits	<b>79,153</b>	61,190	47,295

## Notes to the Financial Statements

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

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

#### HKAS 12 (Amendment) Income Taxes - Deferred Tax : Recovery of Underlying Assets (Continued)

##### Effect on Consolidated Income Statement

	For the year ended 31 December	
	2011 (HK\$'000)	2010 (HK\$'000)
Decrease in income tax expense	28,635	18,665
Increase in profit attributable to owners of the Company	17,963	13,895
Increase in profit attributable to non-controlling interests	10,672	4,770
Increase in basic earnings per share	HK 0.8 cents	HK 0.7 cents
Increase in diluted earnings per share	HK 0.8 cents	HK 0.6 cents

#### HKAS 24 (Revised) Related Party Disclosures

The HKICPA has issued an amendment to HKAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity. Secondly, the amendment introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The application of the amendment of HKAS 24 has had no effect on the amounts recognised or recorded in the consolidated financial statements for the current and prior periods. However, the related party disclosures have been changed to reflect the application of HKAS 24 (Revised).

#### Improvements to HKFRSs 2010

Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs, primarily with a view to remove inconsistencies and clarifying wordings. Of these, amendments to HKAS 1, "Presentation of Financial Statements", clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

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

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

HKAS 1 (Revised) (Amendments)	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income <sup>2</sup>
HKAS 19 (2011)	Employee Benefits <sup>3</sup>
HKAS 27 (2011)	Separate Financial Statements <sup>3</sup>
HKAS 28 (2011)	Investments in Associates and Joint Ventures <sup>3</sup>
HKAS 32 (Amendments)	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities <sup>4</sup>
HKFRS 1 (Revised) (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters <sup>1</sup>
HKFRS 7 (Amendments)	Financial Instruments: Disclosures - Transfers of Financial Assets <sup>1</sup>
HKFRS 7 (Amendments)	Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities <sup>3</sup>
HKFRS 9	Financial Instruments <sup>5</sup>
HKFRS 10	Consolidated Financial Statements <sup>3</sup>
HKFRS 11	Joint Arrangements <sup>3</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>3</sup>
HKFRS 13	Fair Value Measurements <sup>3</sup>
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2011

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>5</sup> 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.

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

## Notes to the Financial Statements

### Note 4 Turnover and Revenue

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

	Group	
	2011 (HK\$'000)	2010 (HK\$'000)
<b>Turnover</b>		
Revenue from sales of properties	271,835	896,993
Revenue from passenger transportation services	1,739,256	1,435,991
Revenue from sale of fuel	50,884	40,819
Revenue from travel agency services	130,113	83,543
Revenue from hotel operation	293,256	222,980
Rental income	170,016	163,849
Dividend income from investments	72,650	18,153
Interest income from mortgage loans receivable	679	965
Management fees and others	239,629	233,956
	<b>2,968,318</b>	3,097,249
<b>Other revenues</b>		
Interest income	78,132	53,721
Claims received	3,722	9,806
Others	45,205	35,434
	<b>127,059</b>	98,961
	<b>3,095,377</b>	3,196,210

## Note 5 Other Net Income

	Group	
	2011 (HK\$'000)	2010 (HK\$'000)
Net gain on disposal of investment properties	4,500	—
Net gain on disposal of property, plant and equipment	9,562	19,784
Net gain on disposal of available-for-sale investments	35,461	—
Gain on bargain purchase	2,359	—
Others	8,775	1,216
	<b>60,657</b>	<b>21,000</b>

## Note 6 Operating Profit

	Group	
	2011 (HK\$'000)	2010 (HK\$'000)
<b>After crediting:</b>		
Interest income		
– unlisted investments	—	193
– bank deposits and others	78,811	54,493
Total interest income on financial assets not at FVTPL	78,811	54,686
Rental income from investment properties	168,100	157,616
Less: Direct operating expenses arising from investment properties	(12,512)	(13,986)
	<b>155,588</b>	<b>143,630</b>
Dividend income from listed investments	8,369	6,887
Dividend income from unlisted investments		
– Sociedade de Turismo e Diversões de Macau, S.A. (“STDM”)	63,193	—
– others	1,088	11,266
Exchange gain	2,460	3,264

## Notes to the Financial Statements

### Note 6 Operating Profit (Continued)

	Group	
	2011 (HK\$'000)	2010 (HK\$'000)
<b>After charging:</b>		
Cost of inventories (note 23)		
– properties	90,392	686,677
– fuel	748,512	500,663
– others	80,089	137,764
	<b>918,993</b>	1,325,104
Depreciation of property, plant and equipment		
– held for rental income under operating leases	—	1,167
– others	197,863	208,680
Amortisation		
– leasehold land (note 14)	244	244
– intangible assets (note 18)	360	339
Auditors' remuneration		
– audit services	6,798	6,425
– non-audit services	2,429	1,807
Minimum lease payments of properties under operating leases	30,432	20,401
Impairment losses		
– available-for-sale investments	43,200	51,661
– trade receivables	378	83
Share-based payments	9,879	7,299
Provident fund contributions	34,430	31,795



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

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

### Group

#### 2011

	Fees (HK\$'000)	Salaries, allowances and benefits (HK\$'000)	Performance bonus (HK\$'000)	Provident fund contributions (HK\$'000)	Share-based payments (Note) (HK\$'000)	Total (HK\$'000)
<b>Executive Directors</b>						
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
<b>Non-Executive Directors</b>						
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
<b>Independent Non-Executive Directors</b>						
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
	<b>880</b>	<b>18,579</b>	<b>1,876</b>	<b>956</b>	<b>9,879</b>	<b>32,170</b>

## Notes to the Financial Statements

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

Group

2010

	Fees (HK\$'000)	Salaries, allowances and benefits (HK\$'000)	Performance bonus (HK\$'000)	Provident fund contributions (HK\$'000)	Share-based payments (Note) (HK\$'000)	Total (HK\$'000)
<b>Executive Directors</b>						
Dr. Stanley Ho	65	—	—	—	—	65
Ms. Pansy Ho	65	7,422	440	413	—	8,340
Ms. Daisy Ho	65	4,465	400	223	—	5,153
Ms. Maisy Ho	5	3,314	300	154	—	3,773
Mr. David Shum	65	2,546	220	127	—	2,958
Mr. Michael Ng (until 30 June 2010)	3	2,169	—	6	5,516	7,694
<b>Non-Executive Directors</b>						
Dato' Dr. Cheng Yu Tung	5	—	—	—	—	5
Mrs. Louise Mok	5	100	—	—	—	105
Mr. Michael Ng (redesignated effective from 1 July 2010)	2	—	—	—	1,783	1,785
<b>Independent Non-Executive Directors</b>						
Sir Roger Lobo	200	100	—	—	—	300
Mr. Norman Ho	200	100	—	—	—	300
Mr. Charles Ho	200	—	—	—	—	200
	880	20,216	1,360	923	7,299	30,678

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, four are directors (2010: all 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.

Details of the basis of determining Directors' emoluments are disclosed in the Report on Corporate Governance Practices on page 64.

Note:

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(cc). 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 on pages 56 to 58.

## Note 8 Finance Costs

	Group	
	2011 (HK\$'000)	2010 (HK\$'000)
Interest on bank loans and overdraft wholly repayable within 5 years	69,888	50,224
Interest on convertible bonds wholly repayable within 5 years (note 30)	74,513	73,364
Interest on loans from non-controlling shareholders	2,206	—
Other finance costs	60,421	6,440
Total interest expenses on financial liabilities not at FVTPL	207,028	130,028
Less: Amount capitalised in properties under development	(72,874)	(8,151)
	134,154	121,877

Finance costs have been capitalised at weighted average rate of 3.77% (2010: 0.65%) per annum for properties under development.

## Note 9 Taxation

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

	Group	
	2011 (HK\$'000)	(Restated) 2010 (HK\$'000)
<b>Current taxation</b>		
Hong Kong profits tax		
– tax for the year	21,545	23,412
– over-provision in respect of prior years	(1,065)	(13)
Overseas taxation		
– tax for the year	48,829	76,406
– under/(over)-provision in respect of prior years	446	(9,668)
	69,755	90,137
<b>Deferred taxation</b>		
Origination and reversal of temporary differences	1,502	(21,542)
<b>Other taxes – Overseas</b>		
Taxation charged to revenues	3,331	2,958
<b>Total tax expenses</b>	<b>74,588</b>	<b>71,553</b>

Hong Kong profits tax is calculated at 16.5% (2010: 16.5%) on the estimated assessable profits for the year. Overseas tax is calculated at tax rates applicable in jurisdictions in which the Group is assessable for tax.

## Notes to the Financial Statements

### Note 9 Taxation (Continued)

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

	Group	
	2011 (HK\$'000)	(Restated) 2010 (HK\$'000)
<b>Profit before taxation</b>	<b>1,000,478</b>	992,799
Tax at the applicable tax rate of 16.5% (2010: 16.5%)	<b>165,079</b>	163,812
Net effect of non-deductible expenses and non-taxable income	<b>(31,104)</b>	(17,492)
Utilisation of tax losses and deductible temporary differences not previously recognised	<b>(10,063)</b>	(402)
Tax losses and deductible temporary differences not recognised	<b>21,698</b>	25,595
Shares of results of associates and jointly controlled entities	<b>(71,749)</b>	(87,468)
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>(1,985)</b>	(5,769)
Over-provision in prior years	<b>(619)</b>	(9,681)
Income tax expense for the year	<b>71,257</b>	68,595
Other taxes	<b>3,331</b>	2,958
<b>Total tax expenses</b>	<b>74,588</b>	71,553

## Note 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)	Unrealised intra- group profit (HK\$'000)	Tax losses (HK\$'000)	Cash flow hedges (HK\$'000)	Others (HK\$'000)	Total (HK\$'000)
<b>Group</b>						
At 1 January 2010	(330)	(24,699)	(134,460)	—	(873)	(160,362)
Charge to income statement	9	43	2,947	—	—	2,999
At 31 December 2010	<b>(321)</b>	<b>(24,656)</b>	<b>(131,513)</b>	—	<b>(873)</b>	<b>(157,363)</b>
Charge/(credit) to income statement	<b>(47)</b>	<b>(904)</b>	<b>5,406</b>	—	<b>(1,505)</b>	<b>2,950</b>
Credit to other comprehensive income	—	—	—	(165)	—	(165)
At 31 December 2011	<b>(368)</b>	<b>(25,560)</b>	<b>(126,107)</b>	<b>(165)</b>	<b>(2,378)</b>	<b>(154,578)</b>
<b>Company</b>						
At 1 January 2010			(161)			
Charge to income statement			24			
At 31 December 2010			<b>(137)</b>			
Charge to income statement			<b>13</b>			
At 31 December 2011			<b>(124)</b>			

## Notes to the Financial Statements

### Note 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)	Clawback of capital allowances of properties (HK\$'000)	Cash flow hedges (HK\$'000)	Fair value adjustments on business combination (HK\$'000)	Total (HK\$'000)
<b>Group</b>						
At 1 January 2010						
as originally stated	159,208	117,357	61,490	646	792,559	1,131,260
adjustment on adoption of amendments to HKAS 12	—	(57,811)	—	—	—	(57,811)
as restated	159,208	59,546	61,490	646	792,559	1,073,449
Exchange adjustment	1,421	1,002	—	—	—	2,423
Charge/(credit) to income statement	(4,526)	28,207	5,227	—	(53,449)	(24,541)
Charge/(credit) to other comprehensive income	—	—	—	5,718	(6,442)	(724)
At 31 December 2010, as restated	156,103	88,755	66,717	6,364	732,668	1,050,607
At 1 January 2011						
as originally stated	156,103	165,231	66,717	6,364	732,668	1,127,083
adjustment on adoption of amendments to HKAS 12	—	(76,476)	—	—	—	(76,476)
as restated	156,103	88,755	66,717	6,364	732,668	1,050,607
Exchange adjustment	1,550	1,325	—	—	—	2,875
Acquisition of subsidiaries (note 35(a))	16,511	—	—	—	7,641	24,152
Charge/(credit) to income statement	(3,562)	5,723	4,765	—	(8,374)	(1,448)
Charge/(credit) to other comprehensive income	—	—	—	(6,364)	597	(5,767)
At 31 December 2011	170,602	95,803	71,482	—	732,532	1,070,419
<b>Company</b>						
At 1 January 2010	161					
Credit to income statement	(24)					
At 31 December 2010	137					
Credit to income statement	(13)					
At 31 December 2011	124					

## Note 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	
	31 December 2011 (HK\$'000)	(Restated) 31 December 2010 (HK\$'000)	(Restated) 1 January 2010 (HK\$'000)	2011 (HK\$'000)	2010 (HK\$'000)
Deferred tax assets recognised	(33,332)	(31,072)	(30,561)	—	—
Deferred tax liabilities recognised	949,173	924,316	943,648	—	—
	915,841	893,244	913,087	—	—

### (d) Deferred tax assets unrecognised

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

	Group		Company	
	2011 (HK\$'000)	2010 (HK\$'000)	2011 (HK\$'000)	2010 (HK\$'000)
Tax losses	945,073	846,858	448,484	396,299
Deductible temporary differences	106,393	95,360	—	—
	1,051,466	942,218	448,484	396,299

Included in the unrecognised tax losses of the Group are losses of HK\$94,128,000 (2010: HK\$6,293,000) that will expire within three years from the balance sheet date. Other tax losses and deductible temporary differences of the Group and the tax losses of the Company may be carried forward indefinitely.

## Notes to the Financial Statements

### Note 10 Dividends

	2011 (HK\$'000)	2010 (HK\$'000)
Proposed final dividend of HK 4.0 cents on 2,986,880,719 shares (2010: HK 6.0 cents on 2,172,276,887 shares)	<b>119,475</b>	130,337

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

### Note 11 Earnings per Share

The calculation of basic earnings per share is based on profit attributable to owners of the Company of HK\$780,591,000 (2010, as restated: HK\$867,239,000) and the weighted average number of 2,172,276,887 shares (2010: 2,061,564,627 shares) in issue during the year. The calculation of diluted earnings per share is based on profit attributable to owners of the Company of HK\$780,591,000 (2010, as restated: HK\$940,603,000) and the weighted average number of 2,183,915,712 shares (2010: 2,269,905,247 shares) in issue after adjusting for the effects of all dilutive potential ordinary shares.

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

	Profit attributable to owners of the Company		Weighted average number of shares	
	2011 (HK\$'000)	(Restated) 2010 (HK\$'000)	2011	2010
Profit/number of shares for the purpose of basic earnings per share	<b>780,591</b>	867,239	<b>2,172,276,887</b>	2,061,564,627
Effect of dilutive potential ordinary shares				
– share options	—	—	<b>11,638,825</b>	14,770,683
– convertible bonds	—	73,364	—	193,569,937
Profit/number of shares for the purpose of diluted earnings per share	<b>780,591</b>	940,603	<b>2,183,915,712</b>	2,269,905,247

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.



## Note 12 Property, Plant and Equipment

### Group

	Hotel buildings (HK\$'000)	Leasehold land and buildings (HK\$'000)	Properties under development (HK\$'000)	Vessels and pontoons (HK\$'000)	Other assets (HK\$'000)	Total (HK\$'000)
<b>Cost</b>						
At 1 January 2010	800,694	996,590	79,484	2,226,113	1,002,033	5,104,914
Exchange adjustment	—	—	—	—	310	310
Additions/transfers	—	—	—	2,787	20,213	23,000
Disposals/transfers	—	(6,111)	(79,484)	(93,068)	(17,800)	(196,463)
At 31 December 2010	<b>800,694</b>	<b>990,479</b>	<b>—</b>	<b>2,135,832</b>	<b>1,004,756</b>	<b>4,931,761</b>
Exchange adjustment	—	—	—	—	241	241
Acquisition of subsidiaries (note 35(a))	—	—	—	366,530	8,001	374,531
Additions/transfers	9,038	—	—	2,717	86,747	98,502
Disposals/transfers	—	—	—	(39,072)	(8,770)	(47,842)
At 31 December 2011	<b>809,732</b>	<b>990,479</b>	<b>—</b>	<b>2,466,007</b>	<b>1,090,975</b>	<b>5,357,193</b>
<b>Accumulated depreciation</b>						
At 1 January 2010	21,616	348,892	—	1,566,366	676,513	2,613,387
Exchange adjustment	—	—	—	—	208	208
Charge for the year	20,753	16,557	—	97,771	74,766	209,847
Write-back on disposal	—	(2,165)	—	(83,335)	(15,725)	(101,225)
At 31 December 2010	<b>42,369</b>	<b>363,284</b>	<b>—</b>	<b>1,580,802</b>	<b>735,762</b>	<b>2,722,217</b>
Exchange adjustment	—	—	—	—	328	328
Charge for the year	20,773	16,497	—	78,520	82,073	197,863
Write-back on disposal	—	—	—	(32,135)	(7,720)	(39,855)
At 31 December 2011	<b>63,142</b>	<b>379,781</b>	<b>—</b>	<b>1,627,187</b>	<b>810,443</b>	<b>2,880,553</b>
<b>Net book value</b>						
At 31 December 2011	<b>746,590</b>	<b>610,698</b>	<b>—</b>	<b>838,820</b>	<b>280,532</b>	<b>2,476,640</b>
At 31 December 2010	758,325	627,195	—	555,030	268,994	2,209,544

## Notes to the Financial Statements

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

#### Company

	Other assets (HK\$'000)
<b>Cost</b>	
At 1 January 2010	3,568
Additions	262
Disposals	(68)
At 31 December 2010	<b>3,762</b>
Additions	<b>240</b>
Disposals	<b>(179)</b>
At 31 December 2011	<b>3,823</b>
<b>Accumulated depreciation</b>	
At 1 January 2010	2,424
Charge for the year	410
Write-back on disposal	(65)
At 31 December 2010	<b>2,769</b>
Charge for the year	<b>334</b>
Write-back on disposal	<b>(170)</b>
At 31 December 2011	<b>2,933</b>
<b>Net book value</b>	
At 31 December 2011	<b>890</b>
At 31 December 2010	<b>993</b>

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

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 will be transferred to the Airport Authority Hong Kong.

Contingent rental payment amounting to approximately HK\$8,870,000 (2010: HK\$696,000) relating to the lease of hotel buildings is included in the consolidated income statement.

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

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

	Group	
	2011 (HK\$'000)	2010 (HK\$'000)
<b>Hong Kong</b>		
Long lease		
Leasehold land and buildings	12,937	13,320
Medium-term lease		
Hotel buildings	746,590	758,325
Leasehold land and buildings	190,116	195,493
	949,643	967,138
<b>Outside Hong Kong</b>		
Medium-term lease		
Leasehold land and buildings	407,645	418,382
	1,357,288	1,385,520

## Note 13 Investment Properties

	Group	
	2011 (HK\$'000)	2010 (HK\$'000)
<b>Valuation</b>		
At 1 January	3,808,023	3,385,392
Exchange adjustment	21,252	20,444
Disposals	(255,500)	—
Fair value changes	420,152	402,187
At 31 December	3,993,927	3,808,023

## Notes to the Financial Statements

### Note 13 Investment Properties (Continued)

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

	Group	
	2011 (HK\$'000)	2010 (HK\$'000)
<b>Hong Kong</b>		
Long lease	506,300	444,000
Medium-term lease	2,452,267	2,274,475
	<b>2,958,567</b>	2,718,475
<b>Outside Hong Kong</b>		
Medium-term lease	654,360	800,048
Freehold	381,000	289,500
	<b>1,035,360</b>	1,089,548
	<b>3,993,927</b>	3,808,023

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

A revaluation of all investment properties was performed at 31 December 2011 by reference to sales evidence as available on the market and where appropriate on the basis of capitalisation of net income. The revaluation was conducted by Savills Valuation and Professional Services Limited, independent professional valuer, which has among its staff members of the Hong Kong Institute of Surveyors.

### Note 14 Leasehold Land

	Group	
	2011 (HK\$'000)	2010 (HK\$'000)
<b>Cost</b>		
At 1 January and 31 December	10,000	10,000
<b>Amortisation</b>		
At 1 January	1,098	854
Amortisation for the year (note 6)	244	244
At 31 December	1,342	1,098
<b>Net book value at 31 December</b>	<b>8,658</b>	8,902

## Note 14 Leasehold Land (Continued)

The analysis of net book value of leasehold land is as follows:

	Group	
	2011 (HK\$'000)	2010 (HK\$'000)
<b>Hong Kong</b>		
Medium-term lease	<b>8,658</b>	8,902

## Note 15 Subsidiaries

	Company	
	2011 (HK\$'000)	2010 (HK\$'000)
Unlisted shares, at cost	<b>630,805</b>	630,805

Particulars regarding the principal subsidiaries are set out on pages 162 to 164.

## Note 16 Associates

	Group		Company	
	2011 (HK\$'000)	2010 (HK\$'000)	2011 (HK\$'000)	2010 (HK\$'000)
Unlisted shares, at cost	—	—	<b>250</b>	250
Share of net assets	<b>190,711</b>	177,346	—	—
Goodwill	<b>137</b>	137	—	—
	<b>190,848</b>	177,483	<b>250</b>	250

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

	2011 (HK\$'000)	2010 (HK\$'000)
Total assets	<b>864,495</b>	799,262
Total liabilities	<b>(306,322)</b>	(287,325)
Revenue	<b>469,579</b>	338,020
Profit for the year	<b>41,881</b>	23,338

Particulars regarding the principal associates are set out on pages 162 to 164.

## Notes to the Financial Statements

### Note 17 Jointly Controlled Entities

	Group	
	2011 (HK\$'000)	2010 (HK\$'000)
Share of net assets	<b>2,664,040</b>	2,258,366

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

	2011 (HK\$'000)	2010 (HK\$'000)
<b>Share of assets and liabilities attributable to the Group</b>		
Non-current assets	<b>2,869,399</b>	2,865,106
Current assets	<b>1,132,993</b>	1,516,881
Current liabilities	<b>(1,147,024)</b>	(1,944,743)
Non-current liabilities	<b>(191,328)</b>	(178,878)
Net assets	<b>2,664,040</b>	2,258,366
<b>Share of income and expenses attributable to the Group</b>		
Income	<b>1,228,418</b>	1,226,649
Expenses	<b>(805,253)</b>	(702,511)
Profit for the year	<b>423,165</b>	524,138

Particulars regarding the principal jointly controlled entities are set out on pages 162 to 164.

## Note 18 Intangible Assets

### Group

	Goodwill (HK\$'000)	Licences (HK\$'000)	Franchises and royalties (HK\$'000)	Total (HK\$'000)
<b>Cost</b>				
At 1 January 2010	364,728	2,599	4,617	371,944
Addition	—	400	—	400
At 31 December 2010 and 31 December 2011	<b>364,728</b>	<b>2,999</b>	<b>4,617</b>	<b>372,344</b>
<b>Amortisation and impairment loss</b>				
At 1 January 2010	2,275	107	3,766	6,148
Amortisation for the year (note 6)	—	249	90	339
At 31 December 2010	<b>2,275</b>	<b>356</b>	<b>3,856</b>	<b>6,487</b>
Amortisation for the year (note 6)	—	<b>270</b>	<b>90</b>	<b>360</b>
At 31 December 2011	<b>2,275</b>	<b>626</b>	<b>3,946</b>	<b>6,847</b>
<b>Net book value</b>				
At 31 December 2011	<b>362,453</b>	<b>2,373</b>	<b>671</b>	<b>365,497</b>
At 31 December 2010	362,453	2,643	761	365,857

### 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 2011 has been allocated to the CGUs of properties for or under development in Macau.

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 are based on management's past experience and its expectation for the market development and are consistent with their business plans, and a discount rate of 6% per annum and zero growth rate on revenues (2010: 6% per annum and zero growth rate on revenues). 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.

## Notes to the Financial Statements

### Note 19 Available-for-sale Investments

	Group		Company	
	2011 (HK\$'000)	2010 (HK\$'000)	2011 (HK\$'000)	2010 (HK\$'000)
<b>Equity securities</b>				
Unlisted				
Cost	<b>892,911</b>	894,104	<b>233,679</b>	234,723
Impairment losses	<b>(77,289)</b>	(77,289)	—	—
	<b>815,622</b>	816,815	<b>233,679</b>	234,723
Listed in Hong Kong, at market value	<b>158,971</b>	249,530	—	—
Listed outside Hong Kong, at market value	<b>4,843</b>	5,782	—	—
	<b>979,436</b>	1,072,127	<b>233,679</b>	234,723
<b>Investment funds</b>				
Listed outside Hong Kong, at market value	<b>14</b>	14	—	—
Unlisted, at fair value	<b>27,152</b>	25,903	—	—
	<b>27,166</b>	25,917	—	—
	<b>1,006,602</b>	1,098,044	<b>233,679</b>	234,723

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. These available-for-sale investments are stated at cost less any identified impairment loss at the balance sheet date.



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

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

	Equity securities		Investment funds		Total	
	2011 (HK\$'000)	2010 (HK\$'000)	2011 (HK\$'000)	2010 (HK\$'000)	2011 (HK\$'000)	2010 (HK\$'000)
<b>Group</b>						
Non-current assets	979,436	1,072,127	15,263	14,023	994,699	1,086,150
Current assets	—	—	11,903	11,894	11,903	11,894
	979,436	1,072,127	27,166	25,917	1,006,602	1,098,044
<b>Company</b>						
Non-current assets	233,679	234,723	—	—	233,679	234,723

## Note 20 Mortgage Loans Receivable

	Group	
	2011 (HK\$'000)	2010 (HK\$'000)
Mortgage loans receivable	7,615	11,556
Less: Current portion	(566)	(723)
Non-current portion	7,049	10,833

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% (2010: prime rate plus 1.75% and prime rate plus 2.75%) per annum.

The carrying amount of mortgage loans receivable approximates the fair value based on cash flows discounted using effective interest rates of prime rate plus 1.75% and prime rate plus 2.75% (2010: prime rate plus 1.75% and prime rate plus 2.75%) per annum.

## Notes to the Financial Statements

### Note 21 Other Non-current Assets

	Group		Company	
	2011 (HK\$'000)	2010 (HK\$'000)	2011 (HK\$'000)	2010 (HK\$'000)
Amounts due by subsidiaries less provision	—	—	9,210,366	11,028,640
Amounts due by associates	22,350	21,136	—	—
Amounts due by jointly controlled entities less provision	852,077	1,334,022	—	—
Amounts due by investee companies less provision	—	125	—	125
Club debentures	140	140	—	—
	<b>874,567</b>	1,355,423	<b>9,210,366</b>	11,028,765

Amounts due by subsidiaries are unsecured and with no fixed term of repayment. Amount of HK\$236,033,000 (2010: HK\$237,820,000) is interest bearing at prime rate (2010: prime rate) per annum while the remaining balances are non-interest bearing.

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

Amounts due by jointly controlled entities are unsecured and with no fixed term of repayment except that amount of HK\$23,598,000 in 2010 was repayable upon notice of either party. Amount of HK\$828,044,000 (2010: HK\$1,275,000,000) is interest bearing at HIBOR plus 3% (2010: HIBOR plus 3%) per annum. The remaining balances are non-interest bearing.

Amounts due by investee companies in 2010 were unsecured, non-interest bearing and with no fixed term of repayment.

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

## Note 22 Properties for or under development

	Group	
	2011 (HK\$'000)	2010 (HK\$'000)
Properties for or under development, at cost	<b>10,766,518</b>	10,131,573

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

	Group	
	2011 (HK\$'000)	2010 (HK\$'000)
<b>Hong Kong</b>		
Long lease	<b>782,384</b>	782,383
Medium-term lease	<b>1,914,954</b>	1,878,180
	<b>2,697,338</b>	2,660,563
<b>Outside Hong Kong</b>		
Medium-term lease	<b>6,745,293</b>	6,621,279
	<b>9,442,631</b>	9,281,842

The amount of properties for or under development expected to be completed and recovered after more than one year is HK\$7,958,071,000 (2010: HK\$9,960,848,000). The remaining balance is expected to be completed and recovered within one year.

## Note 23 Inventories

	Group	
	2011 (HK\$'000)	2010 (HK\$'000)
Properties	<b>249,610</b>	87,219
Spare parts	<b>122,821</b>	111,622
Others	<b>11,977</b>	10,332
	<b>384,408</b>	209,173

## Notes to the Financial Statements

### Note 23 Inventories (Continued)

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

	Group	
	2011 (HK\$'000)	2010 (HK\$'000)
<b>Hong Kong</b>		
Long lease	—	7,460
Medium-term lease	2,132	2,132
	2,132	9,592
<b>Outside Hong Kong</b>		
Medium-term lease	180,986	41,327
	183,118	50,919

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

	Group	
	2011 (HK\$'000)	2010 (HK\$'000)
Carrying amount of inventories sold or consumed	921,905	1,286,364
Reversal of write-down of inventories	(3,301)	(9,057)
Write-down of inventories	389	47,797
	918,993	1,325,104

During the year, the Group wrote back provision for write-down of inventories of certain properties amounting to HK\$5,801,000 (2010: HK\$79,718,000) in the asset revaluation reserve based on estimated net realisable value.

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

	Group		Company	
	2011 (HK\$'000)	2010 (HK\$'000)	2011 (HK\$'000)	2010 (HK\$'000)
Current portion of mortgage loans receivable	566	723	—	—
Deposits for acquisitions of interests in land development rights	814,542	814,542	—	—
Amount due by a jointly controlled entity	4,734	—	—	—
Trade and other debtors, deposits and prepayments	357,155	375,496	6,075	8,210
	<b>1,176,997</b>	1,190,761	<b>6,075</b>	8,210

Amount due by a jointly controlled entity is unsecured and repayable within one year, of which HK\$4,657,000 is interest bearing at LIBOR plus 2% (2010: nil) per annum. The carrying amount of trade and other receivables approximates their fair value because of their immediate or short term maturity.

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

	Group	
	2011 (HK\$'000)	2010 (HK\$'000)
0 – 30 days	93,979	104,423
31 – 60 days	21,790	23,820
61 – 90 days	8,069	4,720
over 90 days	3,750	7,530
	<b>127,588</b>	140,493

## Notes to the Financial Statements

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

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

	Group	
	2011 (HK\$'000)	2010 (HK\$'000)
Past due up to:		
0 – 30 days	32,517	42,770
31 – 60 days	10,682	10,701
61 – 90 days	3,881	2,463
over 90 days	1,950	2,111
	<b>49,030</b>	58,045

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

	Group	
	2011 (HK\$'000)	2010 (HK\$'000)
At 1 January	5,806	5,723
Impairment loss recognised during the year	378	83
Uncollectible amounts written off	(5,272)	—
At 31 December	<b>912</b>	5,806

## Note 25 Derivative Financial Instruments

	Group	
	2011 (HK\$'000)	2010 (HK\$'000)
<b>Current assets</b>		
Fuel swap contracts - cash flow hedges	—	38,574
<b>Current liabilities</b>		
Fuel swap contracts - cash flow hedges	998	—

The Group uses fuel swap contracts to 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. The fair value gains or losses are transferred from hedging reserve to cost of inventories in the income statement when the forecast purchases occur, at various dates between 1 month and 12 months (2010: between 1 month and 12 months) from the balance sheet date. For 2011 and 2010, no ineffective portion was recognised in the income statement arising from cash flow hedges.

## Note 26 Bank Deposits, Cash and Bank Balances

	Group		Company	
	2011 (HK\$'000)	2010 (HK\$'000)	2011 (HK\$'000)	2010 (HK\$'000)
Bank deposits	4,651,233	3,660,782	420,231	12,140
Cash and bank balances	697,694	603,233	26,544	21,280
	<b>5,348,927</b>	4,264,015	<b>446,775</b>	33,420

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

## Notes to the Financial Statements

### Note 27 Trade and Other Payables and Receipts in Advance

	Group		Company	
	2011 (HK\$'000)	2010 (HK\$'000)	2011 (HK\$'000)	2010 (HK\$'000)
Amounts due to subsidiaries	—	—	163,578	1,342,509
Amount due to an associate	2,846	2,846	—	—
Amount due to a jointly controlled entity	40	40	—	—
Loan	5,000	5,000	—	—
Trade and other creditors, deposits and accrued charges	661,871	563,041	15,950	8,187
Current portion of receipts in advance	898	—	—	—
	<b>670,655</b>	570,927	<b>179,528</b>	1,350,696
Receipts in advance (note)	34,124	—	—	—
Less: Current portion	(898)	—	—	—
Non-current portion	<b>33,226</b>	—	—	—

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

Note:

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 contractual periods from the date of the sale of niche.

The ageing analysis of trade creditors is as follows:

	Group	
	2011 (HK\$'000)	2010 (HK\$'000)
0 – 30 days	316,671	226,021
31 – 60 days	7,156	25,498
61 – 90 days	4,701	3,233
over 90 days	5,588	2,031
	<b>334,116</b>	256,783



## Note 28 Bank Borrowings

	Group	
	2011 (HK\$'000)	2010 (HK\$'000)
<b>Bank loans repayable within a period</b>		
Not exceeding 1 year	1,950,400	3,497,600
More than 1 year but not exceeding 2 years	2,103,025	791,400
More than 2 years but not exceeding 5 years	1,712,000	1,264,200
	<b>5,765,425</b>	5,553,200
Less: Current portion	<b>(1,950,400)</b>	(3,497,600)
Non-current portion	<b>3,815,025</b>	2,055,600

Bank loans to the extent of HK\$1,775,425,000 (2010: HK\$712,200,000) are secured by charges on properties under development of HK\$7,453,525,000 (2010: nil), property, plant and equipment of HK\$1,387,235,000 (2010: HK\$1,116,716,000), and other assets of HK\$163,037,000 (2010: HK\$62,230,000) of the Group. Out of the above secured bank loans, an aggregate amount of HK\$1,505,425,000 (2010: HK\$556,200,000) is also secured by pledges of share in certain subsidiaries. The balance is secured by corporate guarantees of the Company and/or certain subsidiaries. In 2010, bank loan to the extent of HK\$1,250,000,000 was also secured by corporate guarantee of the Company and non-controlling shareholders of a subsidiary on a pro-rata basis in accordance with their shareholdings in the subsidiary.

Bank loans to the extent of HK\$1,225,600,000 (2010: HK\$712,200,000) are repayable by instalments.

Bank loans are interest bearing at HIBOR plus 0.42% to HIBOR plus 1.84% (2010: HIBOR plus 0.42% to HIBOR plus 1.5%) per annum.

The carrying amount of bank borrowings approximates their fair value based on cash flows discounted using effective interest rates of HIBOR plus 0.42% to HIBOR plus 1.84% (2010: HIBOR plus 0.42% to HIBOR plus 1.5%) per annum.

## Notes to the Financial Statements

### Note 29 Provision for Employee Benefits

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

	Group		Company	
	2011 (HK\$'000)	2010 (HK\$'000)	2011 (HK\$'000)	2010 (HK\$'000)
At 1 January	15,575	16,424	2,988	3,204
Net amount provided/(written back)				
during the year	4,462	277	998	(216)
Amount paid during the year	(1,164)	(1,126)	(368)	—
At 31 December	18,873	15,575	3,618	2,988

### Note 30 Convertible Bonds

	Group (HK\$'000)
Nominal value of the convertible bonds issued (net of transaction costs)	1,508,219
Equity component	(80,397)
Liability component at date of issue	1,427,822
Imputed interest expense in prior years	87,430
Interest paid in prior years	(51,150)
Liability component at 31 December 2010	1,464,102
Imputed interest expense (note 8)	74,513
Interest paid	(51,150)
Liability component at 31 December 2011	1,487,465

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.

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.

### Note 30 Convertible Bonds (Continued)

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

At initial recognition, the nominal value of the Bonds was split between the liability component and the equity component, which represents the fair value of the embedded option to convert the liability into equity of the Company. The equity component has been credited to equity as convertible bonds equity reserve (note 34).

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.

### Note 31 Loans from Non-controlling Shareholders

Loans from non-controlling shareholders are unsecured and with no fixed term of repayment. 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\$973,389,000 (2010: nil) are interest bearing at HIBOR plus 0.58% to HIBOR plus 1.5% per annum. For the interest bearing portion, the carrying amount is not materially different from their fair values. For the non-interest bearing portion, it is not meaningful to disclose fair value.

### Note 32 Share Capital

	2011		2010	
	Number of shares	(HK\$'000)	Number of shares	(HK\$'000)
<b>Authorised</b>				
Ordinary shares of HK\$0.25 each				
At 1 January and 31 December	4,000,000,000	1,000,000	4,000,000,000	1,000,000
<b>Issued and fully paid</b>				
Ordinary shares of HK\$0.25 each				
At 1 January	2,172,276,887	543,069	2,023,710,803	505,928
Issue of new shares for acquisition of a site for development	—	—	148,566,084	37,141
At 31 December	2,172,276,887	543,069	2,172,276,887	543,069

Subsequent to 31 December 2011, the Company's rights issue as detailed in note 44 increased its issued share capital by 814,603,832 shares to 2,986,880,719 shares.

On 30 September 2010, the Company issued 148,566,084 new ordinary shares ("Consideration Shares") as part of the consideration for the acquisition of a site for development at Chung Hom Kok Road, Hong Kong. The value of the Consideration Shares as determined by the fair value of the land site on 30 September 2010 (being date of completion) was HK\$606,605,000 of which HK\$37,141,000 was credited to share capital, HK\$558,609,000 was credited to the share premium and HK\$10,855,000 to capital reserve (note 37(a)(iv)).

## Notes to the Financial Statements

### Note 33 Share Option Scheme

The Company has currently a share option scheme which was adopted on 31 May 2002 (the "Share Option Scheme"), whereby the board of directors of the Company may grant share options to eligible persons, including, among others, Directors and employees of the Company, to subscribe for ordinary shares in the Company. Details of the Share Option Scheme are disclosed in section (2) under Disclosure of Interests in the Report of the Directors on pages 56 to 58.

Details of the share options are as follows:

#### 2011

Date of grant	Exercise price	Number of options			Note
		At 1 January 2011	Granted during the year	At 31 December 2011	
The 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	

#### 2010

Date of grant	Exercise price	Number of options			Note
		At 1 January 2010	Granted during the year	At 31 December 2010	
The 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)
		49,060,520	5,000,000	54,060,520	(iv)
Weighted average exercise price		HK\$3.26	HK\$4.68	HK\$3.39	

## Note 33 Share Option Scheme (Continued)

Notes:

- (i) The share options outstanding at 31 December 2011 and 31 December 2010 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. Half of which vested on 1 April 2010 and the remaining half vested on 1 April 2011. The expiry date of the share options is 31 January 2015.
- (iii) During the year, 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 2011 is 3.06 years (2010: 3.49 years).
- (v) During 2011 and 2010, no share options were exercised, cancelled or lapsed under the 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. Details can be referred to the Company's announcement dated 9 March 2012.

## Note 34 Reserves

### (a) Group

	2011 (HK\$'000)	(Restated) 2010 (HK\$'000)
Share premium	7,449,074	7,449,074
Capital redemption reserve	100,170	100,170
Capital reserve	28,048	18,169
Convertible bonds equity reserve	80,397	80,397
Legal reserve	9,452	8,972
Special reserve	(151,413)	(151,413)
Investment revaluation reserve	67,948	113,620
Hedging reserve	(355)	13,721
Asset revaluation reserve	1,179,563	1,175,206
Exchange reserve	64,912	53,726
Retained profits	6,414,287	5,753,790
	<b>15,242,083</b>	<b>14,615,432</b>

### Note 34 Reserves (Continued)

#### (a) Group (Continued)

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2011 and 31 December 2010 are presented in the consolidated statement of changes in equity on pages 75 to 76 of the financial statements.

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

Capital reserve comprises (i) the portion of grant date fair value of unexercised share option granted to Directors of the Company; and (ii) the excess of equity as determined by the fair value of assets acquired over the aggregate of nominal value and share premium of the Company's shares issued under the equity-settled share-based payment transactions. The reserve is dealt with in accordance with the accounting policy adopted for share-based payments in note 2(cc).

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).

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.

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.

Investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale investments held at the balance sheet date and is dealt with in accordance with the accounting policy adopted for available-for-sale investments in note 2(o).

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

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 in note 2(c)(ii).

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

## Note 34 Reserves (Continued)

### (b) Company

	Share premium (HK\$'000)	Capital redemption reserve (HK\$'000)	Capital reserve (HK\$'000)	Retained profits (HK\$'000)	Total (HK\$'000)
At 1 January 2010	6,890,495	100,170	—	2,535,858	9,526,523
Loss for the year	—	—	—	(62,843)	(62,843)
Issue of new shares for acquisition of a site for development	558,609	—	10,855	—	569,464
Share options granted	—	—	7,299	—	7,299
Expenses on issue of shares	(30)	—	—	—	(30)
Dividends	—	—	—	(130,337)	(130,337)
At 31 December 2010	<b>7,449,074</b>	<b>100,170</b>	<b>18,154</b>	<b>2,342,678</b>	<b>9,910,076</b>
Loss for the year	—	—	—	(117,330)	(117,330)
Share options granted	—	—	9,879	—	9,879
Dividends	—	—	—	(119,475)	(119,475)
At 31 December 2011	<b>7,449,074</b>	<b>100,170</b>	<b>28,033</b>	<b>2,105,873</b>	<b>9,683,150</b>

Distributable reserves of the Company as at 31 December 2011 amounted to HK\$2,225,348,000 (2010: HK\$2,473,015,000) of which HK\$119,475,000 (2010: HK\$130,337,000) has been proposed as final dividend.

The consolidated profit attributable to owners of the Company includes a loss of HK\$63,733,000 (2010: HK\$67,940,000) which has been dealt with in the financial statements of the Company.

### Note 35 Notes to the Consolidated Cash Flow Statement

#### (a) 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 Marítimo 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 a downward adjustment to the consideration was agreed to be HK\$8.9 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 acquisition not only enlarges the fleet size of STCTSI, but also increases its market share in the Hong Kong – Macau passenger ferry market significantly. The acquisition will further strengthen STCTSI’s market leader position and allow STCTSI to better capture the growing demand for passenger ferry services.

The gain on bargain purchase of HK\$2.4 million recorded as other net income in the consolidated income statement mainly arises 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 .

#### Consideration

	(HK\$’000)
Cash paid	338,741
Cash to be paid	2,372
Total consideration	341,113



## Note 35 Notes to the Consolidated Cash Flow Statement (Continued)

### (a) 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 bargain purchase			(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 have been recognised as other costs in the consolidated income statement.

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

The fair value of the trade and other receivables as at the acquisition date amounted to HK\$3.7 million. The gross contractual amount of trade and other receivables was HK\$3.7 million, none of which are expected to be uncollectible.

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. There has been no change in the amount recognised for the indemnification asset as at 31 December 2011, as there has been no change in the range of outcomes or assumptions used to develop the estimate of the liability.

## Notes to the Financial Statements

### Note 35 Notes to the Consolidated Cash Flow Statement (Continued)

#### (a) Acquisition of subsidiaries (Continued)

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.

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

	2011 (HK\$'000)	2010 (HK\$'000)
Investment funds	14	14
Bank deposits, cash and bank balances (note 26)	5,348,927	4,264,015
Cash and cash equivalents in the consolidated cash flow statement	5,348,941	4,264,029

Cash and cash equivalents at the balance sheet date include cash and bank balances of HK\$101,168,000 (2010: HK\$80,305,000) held by subsidiaries which are not freely remissible to the Group because of currency exchange restrictions.

#### (c) Major non-cash transactions

In 2010, the Group had the following major non-cash transactions:-

- (i) On 30 September 2010, the Company issued 148,566,084 new ordinary shares of HK\$0.25 each in lieu of cash as part of the consideration of HK\$624,175,000 for the acquisition of a site for development at Chung Hom Kok Road, Hong Kong (Note 32); and
- (ii) Dividend income of HK\$1,114,564,000 from investment in a jointly controlled entity was received, out of which HK\$655,564,000 was set off against amount due to that jointly controlled entity.

### Note 36 Segment Information

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

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

The principal activities of each reportable segment are as follows:

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

## Note 36 Segment Information (Continued)

### (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 2010.

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

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

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

### Group 2011

	Property (HK\$'000)	Transportation (HK\$'000)	Hospitality (HK\$'000)	Investment (HK\$'000)	Eliminations (HK\$'000)	Consolidated (HK\$'000)
<b>Turnover and revenue</b>						
External turnover	546,886	1,665,662	658,124	97,646	—	2,968,318
Inter-segment turnover	3,148	157,386	35,752	—	(196,286)	—
Other revenues (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
<b>Segment results</b>	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 associates	(9)	185	9,799	1,701	—	11,676
Share of results of jointly controlled entities	459,963	10,845	(42,946)	(4,697)	—	423,165
Profit before taxation						1,000,478
Taxation						(74,588)
Profit for the year						925,890

## Notes to the Financial Statements

### Note 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)
<b>Assets</b>						
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
<b>Total assets</b>						<b>29,304,369</b>
<b>Liabilities</b>						
Segment liabilities	373,278	305,178	117,929	6,189	(34,211)	768,363
Unallocated liabilities						10,098,097
<b>Total liabilities</b>						<b>10,866,460</b>
<b>Other information</b>						
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						
– leasehold land	—	—	244	—		
– intangible assets	133	—	137	90		
Impairment losses on						
– available-for-sale investments	—	—	—	43,200		
– trade receivables	301	—	77	—		
Net (write-back)/write-down of inventories	—	(3,301)	—	389		

## Note 36 Segment Information (Continued)

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

Group

2010 (Restated)

	Property (HK\$'000)	Transportation (HK\$'000)	Hospitality (HK\$'000)	Investment (HK\$'000)	Eliminations (HK\$'000)	Consolidated (HK\$'000)
<b>Turnover and revenue</b>						
External turnover	1,169,857	1,354,700	533,159	39,533	—	3,097,249
Inter-segment turnover	2,710	154,891	29,802	—	(187,403)	—
Other revenues (external and excluding interest income)	6,001	34,748	2,202	2,289	—	45,240
	1,178,568	1,544,339	565,163	41,822	(187,403)	3,142,489
<b>Segment results</b>						
	256,184	(25,928)	22,469	(46,260)	—	206,465
Fair value changes on investment properties	402,187	—	—	—	—	402,187
Interest income						53,721
Unallocated income						1,216
Unallocated expense						(79,025)
Operating profit						584,564
Finance costs						(121,877)
Share of results of associates	(8)	—	4,325	1,657	—	5,974
Share of results of jointly controlled entities	549,740	11,874	(35,735)	(1,741)	—	524,138
Profit before taxation						992,799
Taxation						(71,553)
Profit for the year						921,246

## Notes to the Financial Statements

### Note 36 Segment Information (Continued)

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

Group

2010 (Restated)

	Property (HK\$'000)	Transportation (HK\$'000)	Hospitality (HK\$'000)	Investment (HK\$'000)	Eliminations (HK\$'000)	Consolidated (HK\$'000)
<b>Assets</b>						
Segment assets	17,642,639	2,561,215	1,494,593	1,143,491	(32,384)	22,809,554
Associates	2,645	—	173,845	993	—	177,483
Jointly controlled entities	2,231,855	44,700	(14,707)	(3,482)	—	2,258,366
Unallocated assets						1,918,930
<b>Total assets</b>						<b>27,164,333</b>
<b>Liabilities</b>						
Segment liabilities	251,819	225,801	96,917	7,365	(28,606)	553,296
Unallocated liabilities						8,921,812
<b>Total liabilities</b>						<b>9,475,108</b>
<b>Other information</b>						
Additions to non-current assets (other than financial instruments and deferred tax assets)	5,961	10,521	951	5,631		
Depreciation	14,826	127,090	64,273	2,364		
Amortisation						
– leasehold land	—	—	244	—		
– intangible assets	67	—	183	89		
Impairment losses on						
– available-for-sale investments	—	—	—	51,661		
– trade receivables	—	—	83	—		
Net (write-back)/write-down of inventories	(9,057)	47,273	—	524		

## Note 36 Segment Information (Continued)

### (c) Geographical information

The following table set out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets (other than financial instruments and deferred tax assets). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of non-current assets (other than financial instruments and deferred tax 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)
<b>2011</b>				
Revenue 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
<b>2010</b>				
Revenue from external customers	1,270,657	1,742,540	129,292	3,142,489
Non-current assets	4,494,139	1,350,713	547,474	6,392,326

### (d) Information about major customers

In 2011 and 2010, the revenue from the Group's largest external customer amounted to less than 10% of the Group's total revenue.

## Notes to the Financial Statements

### Note 37 Significant Related Party Transactions

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

	Note	2011 (HK\$'000)	(Restated) 2010 (HK\$'000)
<b>STDM Group</b>	(i)		
Dividend income from STDM		63,193	—
Ferry tickets sold (after discount) to STDM Group	*	126,098	153,884
Commission paid to STDM Group on ferry tickets sold by STDM Group	*	22,733	18,708
Fees received from STDM for management of hotels	*	—	9,468
Fees received from STDM Group for provision of property related services	*	25,758	23,778
Rental and related expenses paid to STDM Group	*	13,865	9,557
Fuel purchased from STDM Group for Macau shipping operations	*	363,016	282,699
Amount collected by STDM Group for sale of ferry tickets and related services in Macau		447,548	418,111
Amount collected by STDM Group for sale of Bungy Jumping and other outdoor adventure activities in Macau Tower		13,435	12,011
Amount reimbursed to STDM Group for expenses incurred in respect of shipping operations in Macau		136,452	144,886
Amount reimbursed by STDM Group for staff expenses and administrative resources shared		23,210	25,124
Revenue of duty free goods sold on board collected for STDM		10,290	7,286
<b>Shun Tak Centre Limited ("STC")</b>	(ii)		
Rental and related expenses paid to STC	*	11,688	7,478
<b>Associates</b>			
Insurance premium paid to an associate		35,324	34,113
Fuel costs paid to an associate		40,430	—



## Note 37 Significant Related Party Transactions (Continued)

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

	Note	2011 (HK\$'000)	(Restated) 2010 (HK\$'000)
<b>Jointly controlled entities</b>			
Ferry passengers handling fees received on behalf of a jointly controlled entity		33,973	39,156
Amounts paid to a jointly controlled entity in respect of the Chatham Gate redevelopment project for			
Management fee	*	12,791	5,672
Related construction cost and preliminary works		237,606	103,196
<b>Key management personnel</b>			
Directors' emoluments	(iii)		
Salaries and other short-term employee benefits		21,335	22,456
Post-employment benefits		956	923
Share-based payments		9,879	7,299
Acquisition of a site from Hanika Realty Company Limited ("HRL")	(iv) *	—	624,175

## Notes to the Financial Statements

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

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

	Note	2011 (HK\$'000)	(Restated) 2010 (HK\$'000)
<b>STDM Group</b>			
Net (payable to)/receivable from STDM Group	(v)	<b>(7,324)</b>	17,578
<b>Associates</b>			
Amounts due by associates	(vi)	<b>22,350</b>	21,136
<b>Jointly controlled entities</b>			
Amounts due by jointly controlled entities	(vii)	<b>856,811</b>	1,334,022
Construction costs payable to a jointly controlled entity		<b>43,320</b>	10,898
<b>Key management personnel</b>			
Non-controlling shareholder's loan from a company in which Dr. Stanley Ho has beneficial interests	(viii)	<b>87,707</b>	87,707
Refundable deposit paid by a subsidiary to Sai Wu Investimento Limitada ("Sai Wu")	(ix) *	<b>500,000</b>	500,000

## Note 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, Ms. Pansy Ho (as appointed representative of the Company), Ms. Daisy Ho (as appointed representative of Lanceford Company Limited) and Mr. David Shum (as appointed representative of Interdragon Limited) are directors 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 18 June 2010, Grace Wealth Development Limited (the "Purchaser" and an indirect wholly-owned subsidiary of the Company), together with the Company (as guarantor to the Purchaser), entered into a conditional sale and purchase agreement with HRL at a consideration of HK\$624,175,000 for the acquisition of a site at Chung Hom Kok Road, Hong Kong. An initial cash deposit of HK\$28,425,000 was paid while the remaining balance of the consideration was satisfied by the allotment and issuance of 148,566,084 new shares of the Company. Dr. Stanley Ho, Ms. Pansy Ho, Ms. Daisy Ho, and Ms. Maisy Ho were directors of and had beneficial interests in HRL at that date (Further details were described in the Company's circular dated 12 July 2010).
  - (v) Net (payable to)/receivable from STDM Group comprises trade and other receivables and payables.
  - (vi) Amounts due by associates are unsecured, non-interest bearing and with no fixed term repayment.
  - (vii) Amounts due by jointly controlled entities are unsecured. Amount of HK\$4,734,000 (2010: nil) is repayable within one year and amount of HK\$23,598,000 in 2010 was repayable upon notice of either party. The remaining balances have no fixed term of repayment. Amounts of HK\$828,044,000 (2010: HK\$1,275,000,000) and HK\$4,657,000 (2010: nil) carry interest at HIBOR plus 3% (2010: HIBOR plus 3%) per annum and LIBOR plus 2% (2010: nil) per annum respectively on loan principal. The remaining balances are non-interest bearing. The related interest income for the year amounted to HK\$33,314,000 (2010: HK\$44,943,000). During the year, amount due by a jointly controlled entity amounted to HK\$23,692,000 (2010: nil) was written off against the impairment loss previously provided.
  - (viii) The subsidiary, Shun Tak Cultural Centre Limited, holds 100% interest in Shun Tak Business Centre in Guangzhou and is owned as to 60% by the Group and 40% by a company in which Dr. Ho has beneficial interests. The non-controlling shareholder's loan is 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. The refundable deposit was paid by Shun Tak Nam Van to Sai Wu in order to further extend the completion date of the acquisition without changing the consideration or other terms of the acquisition. The completion date of the acquisition was further extended to on or before 31 December 2013.
- \* These related party transactions also constitute or constituted connected transactions or continuing connected transactions disclosable in accordance with the Listing Rules.

## Note 38 Retirement Benefits Schemes

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

Under the MPF scheme, the Group and its employees' contributions to the MPF scheme are ranging from 5% to 10% of the employees' relevant income with a maximum monthly contribution of HK\$1,000 to certain employees.

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 2011 were HK\$34,430,000 (2010: HK\$31,795,000). Under the provident fund schemes other than MPF scheme, no forfeiture of employer's contributions was applied to reduce the Group's contributions for both years. Up to the balance sheet date, forfeited contributions retained in the ORSO scheme were HK\$23,089,000 (2010: HK\$23,348,000).

## Notes to the Financial Statements

### Note 39 Commitments

#### (a) Capital commitments

	Group	
	2011 (HK\$'000)	2010 (HK\$'000)
Contracted but not provided for	8,879	10,180
Authorised but not contracted for	1,729	856
	<b>10,608</b>	11,036

In addition to the above, the Group had commitments of payment of HK\$3,080 million (2010: HK\$3,080 million) in cash and issue of 148,883,374 (2010: 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.

#### (b) Lease commitments

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

	Group	
	2011 (HK\$'000)	2010 (HK\$'000)
Within one year	31,539	29,437
In the second to fifth year inclusive	24,226	20,116
	<b>55,765</b>	49,553

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

The leasing arrangements of land 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.

## Note 39 Commitments (Continued)

### (c) Future minimum lease payments receivable

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

	Group	
	2011 (HK\$'000)	2010 (HK\$'000)
Within one year	108,940	111,809
In the second to fifth year inclusive	117,105	151,394
Over five years	4,164	11,687
	<b>230,209</b>	274,890

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

### (d) Property development commitments

The Group had outstanding commitments of HK\$741 million (2010: HK\$1,448 million) under various contracts for property development projects.

## Note 40 Contingent Liabilities

	Group		Company	
	2011 (HK\$'000)	2010 (HK\$'000)	2011 (HK\$'000)	2010 (HK\$'000)
Guarantees given by the Group to financial institutions on behalf of purchasers of flats	23,715	36,754	23,715	36,754
Guarantees issued by the Company for credit facilities granted to subsidiaries	—	—	4,834,825	4,228,500
Guarantees issued by the Company for bank guarantees issued for the Group	7,820	6,540	7,820	3,040
Guarantee for convertible bonds issued by a subsidiary (note 30)	—	—	1,550,000	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\$2.3 million (2010: HK\$2.2 million).

## Notes to the Financial Statements

### Note 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, bank deposits and cash at banks.

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

#### Summary quantitative data

	Group		Company	
	2011 (HK\$'000)	2010 (HK\$'000)	2011 (HK\$'000)	2010 (HK\$'000)
Mortgage loans receivable	7,049	10,833	—	—
Other non-current assets	874,427	1,355,283	9,210,366	11,028,765
Trade receivables, other receivables and deposits paid (excluding deposits and prepayments)	176,267	171,116	5,700	7,836
Derivative financial instruments	—	38,574	—	—
Bank deposits, cash and bank balances	5,348,927	4,264,015	446,775	33,420
	<b>6,406,670</b>	5,839,821	<b>9,662,841</b>	11,070,021

The Group has concentration of credit risk on amount due by a jointly controlled entity of HK\$843 million (2010: HK\$1,320 million). As the jointly controlled entity has a strong financial position, the Directors consider that the credit risk is minimal.

At the balance sheet date, the maximum exposure to credit risk is represented by the carrying amount of each financial asset. 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.

## Note 41 Financial Instruments (Continued)

### (a) Credit risk (Continued)

Exposure to credit risk of mortgage loans receivable is mitigated by the security of second mortgage of properties. Credit risk arising from the other financial instruments of the Group, which include mainly cash and cash equivalents, is limited because the counterparties are considered by the Directors to have high creditworthiness.

None of the terms of financial assets which are past due or impaired have been renegotiated during the year ended 31 December 2011 (2010: same).

### (b) Liquidity risk

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

### Summary quantitative data and the remaining contractual maturity analysis for non-derivative and derivative financial liabilities

#### Group

	Less than 1 year (HK\$'000)	Later than 1 year and not later than 5 years (HK\$'000)	Over 1 year but no fixed repayment term (HK\$'000)	Total undiscounted cash flows (HK\$'000)	Carrying amount at 31 December (HK\$'000)
<b>2011</b>					
<b>Non-derivative financial liabilities</b>					
Bank borrowings	1,950,400	3,815,025	—	5,765,425	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	—	—	1,798,342	1,798,342	1,798,342
	<b>4,190,610</b>	<b>3,815,025</b>	<b>1,798,342</b>	<b>9,803,977</b>	<b>9,690,292</b>
<b>Derivative financial liabilities</b>					
Derivative financial instruments	998	—	—	998	998
	<b>4,191,608</b>	<b>3,815,025</b>	<b>1,798,342</b>	<b>9,804,975</b>	<b>9,691,290</b>
<b>2010</b>					
<b>Non-derivative financial liabilities</b>					
Bank borrowings	3,497,600	2,055,600	—	5,553,200	5,553,200
Convertible bonds	51,150	1,703,450	—	1,754,600	1,464,102
Trade and other payables	570,927	—	—	570,927	570,927
Loans from non-controlling shareholders	—	—	846,828	846,828	846,828
	<b>4,119,677</b>	<b>3,759,050</b>	<b>846,828</b>	<b>8,725,555</b>	<b>8,435,057</b>

## Notes to the Financial Statements

### Note 41 Financial Instruments (Continued)

#### (c) Market risk

##### (i) Interest rate risk

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

#### Summary quantitative data

##### Group

	2011 (HK\$'000)	2010 (HK\$'000)
<b>Variable-rate financial assets/(liabilities)</b>		
Mortgage loans receivable	7,615	11,556
Amounts due by jointly controlled entities	832,701	1,275,000
Bank balances and deposits	5,052,575	4,026,364
Bank borrowings	(5,765,425)	(5,553,200)
Loans from non-controlling shareholders	(973,389)	—
	<b>(845,923)</b>	(240,280)
<b>Fixed-rate financial liabilities</b>		
Convertible bonds	(1,487,465)	(1,464,102)
	<b>(1,487,465)</b>	(1,464,102)
Net interest-bearing liabilities	<b>(2,333,388)</b>	(1,704,382)



## Note 41 Financial Instruments (Continued)

### (c) Market risk (Continued)

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

##### Company

	2011 (HK\$'000)	2010 (HK\$'000)
<b>Variable-rate financial assets</b>		
Amounts due by subsidiaries	236,033	237,820
Bank balances and deposits	428,620	23,123
	<b>664,653</b>	260,943

##### Sensitivity analysis

At 31 December 2011, if interest rates had been 50 basis points (2010: 50 basis points) 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\$5.1 million lower arising mainly as a result of lower interest income on variable-rate financial assets (2010: HK\$4.4 million higher arising mainly as a result of lower net interest expenses on net variable-rate financial liabilities).

At 31 December 2011, if interest rates had been 50 basis points (2010: 50 basis points) higher 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\$7.9 million (2010: HK\$0.9 million) higher arising mainly as a result of higher interest income on variable-rate financial assets.

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

The analysis is prepared on the same basis for 2010.

## Notes to the Financial Statements

### Note 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").

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

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

#### Summary quantitative data

##### Group

	USD (HK\$'000)	MOP (HK\$'000)	RMB (HK\$'000)	Total (HK\$'000)
<b>2011</b>				
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)
	<b>19,429</b>	<b>48,669</b>	<b>110,264</b>	<b>178,362</b>
<b>2010</b>				
Available-for-sale investments	34,305	—	—	34,305
Bank deposits	39,158	11,737	—	50,895
Cash and bank balances	13,343	75,282	80,545	169,170
Trade and other receivables	6,459	30,723	5,804	42,986
Trade and other payables	(33,869)	(47,100)	(13,630)	(94,599)
Derivative financial instruments	38,574	—	—	38,574
	<b>97,970</b>	<b>70,642</b>	<b>72,719</b>	<b>241,331</b>

## Note 41 Financial Instruments (Continued)

### (c) Market risk (Continued)

#### (ii) Currency risk (Continued)

##### Company

	USD (HK\$'000)	MOP (HK\$'000)	Total (HK\$'000)
<b>2011</b>			
Cash and bank balances	45	4	49
<b>2010</b>			
Bank deposits	—	3,883	3,883
Cash and bank balances	21	1,614	1,635
	21	5,497	5,518

##### Sensitivity analysis

At 31 December 2011, if HKD weakened 10% (2010: 10%) against RMB with all other variables held constant, the Group's exchange reserve would have been HK\$11 million (2010: HK\$7.3 million) higher. Conversely, if HKD had strengthened 10% (2010: 10%) against RMB with all other variables held constant, the Group's exchange reserve would have been HK\$11 million (2010: HK\$7.3 million) lower.

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

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

The analysis is prepared on the same basis for 2010.

## Notes to the Financial Statements

### Note 41 Financial Instruments (Continued)

#### (c) Market risk (Continued)

##### (iii) Equity price risk

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

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

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

#### Summary quantitative data

	Group		Company	
	2011 (HK\$'000)	2010 (HK\$'000)	2011 (HK\$'000)	2010 (HK\$'000)
<b>Financial assets, at fair value</b>				
Available-for-sale investments	190,980	281,229	—	—
<b>Financial assets, at cost less impairment losses</b>				
Available-for-sale investments	815,622	816,815	233,679	234,723
	<b>1,006,602</b>	<b>1,098,044</b>	<b>233,679</b>	<b>234,723</b>

#### Sensitivity analysis

The Group's equity investments amounting to 85.8% (2010: 90.8%) 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% (2010: 10%) increase in stock prices at 31 December 2011 would have increased the equity by HK\$16.4 million (2010: HK\$25.5 million); an equal change in the opposite direction would have decreased the equity by HK\$16.4 million (2010: HK\$25.5 million) and the Group's profit after taxation by HK\$2.4 million (2010: HK\$5.6 million) respectively.

## Note 41 Financial Instruments (Continued)

### (c) Market risk (Continued)

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

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

The analysis is prepared on the same basis for 2010.

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

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

#### (iv) Fuel price risk

The Group is exposed to fuel price risk on fuel swap contracts. It's the Group's policy to limit the exposure by hedging a percentage of its anticipated fuel consumption using fuel derivatives. Around 50% of the anticipated fuel consumption for 2012 was hedged at the balance sheet date.

#### Summary quantitative data

	Group	
	2011	2010
	(HK\$'000)	(HK\$'000)
<b>Financial (liabilities)/assets, at fair value</b>		
Fuel swap contracts	(998)	38,574

#### Sensitivity analysis

At 31 December 2011, if the fuel price increased by 10% (2010: 10%) with all other variables held constant, the Group's equity would have been HK\$36.8 million (2010: HK\$13.4 million) higher, representing the after-tax effect of change in fair value of fuel derivatives at the balance sheet date. Conversely, if the fuel price decreased by 10% (2010: 10%) with all other variables held constant, the Group's equity would have been HK\$36.8 million (2010: HK\$18.8 million) lower.

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

The analysis is prepared on the same basis for 2010.

## Notes to the Financial Statements

### Note 41 Financial Instruments (Continued)

#### Categories of financial instruments

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

	Group		Company	
	2011 (HK\$'000)	2010 (HK\$'000)	2011 (HK\$'000)	2010 (HK\$'000)
<b>Financial assets</b>				
Loan and receivables (including cash and cash equivalents)	6,406,670	5,801,247	9,662,841	11,070,021
Available-for-sale investments	1,006,602	1,098,044	233,679	234,723
<b>Financial liabilities</b>				
Financial liabilities measured at amortised cost	9,690,292	8,435,057	179,528	1,350,696

#### 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).

## Note 41 Financial Instruments (Continued)

### Fair value estimation (Continued)

2011

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

2010

	Level 1 (HK\$'000)	Level 2 (HK\$'000)	Level 3 (HK\$'000)	Total (HK\$'000)
<b>Assets</b>				
Derivatives used for hedging	—	38,574	—	38,574
Available-for-sale investments				
– equity securities	255,312	—	—	255,312
– investment funds	14	25,903	—	25,917
	255,326	64,477	—	319,803

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 current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity investments classified as available-for-sale.

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## Notes to the Financial Statements

### Note 41 Financial Instruments (Continued)

#### Fair value estimation (Continued)

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.



## Note 42 Capital Management

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

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

The Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. Net debt is calculated as total debt, which includes current and non-current borrowings, less cash and cash equivalents. Adjusted capital comprises all components of equity attributable to owners of the Company less hedging reserve. During 2011, the Group's strategy, which was unchanged from 2010, was to maintain a healthy net debt-to-adjusted capital ratio.

The net debt-to-adjusted capital ratio at 31 December 2011 and 2010 was as follows:

	<b>Group</b>	
	<b>2011</b>	(Restated) 2010
	<b>(HK\$'000)</b>	(HK\$'000)
Bank borrowings (note 28)	<b>5,765,425</b>	5,553,200
Convertible bonds (note 30)	<b>1,487,465</b>	1,464,102
Less: Cash and cash equivalents (note 35(b))	<b>(5,348,941)</b>	(4,264,029)
Net debts	<b>1,903,949</b>	2,753,273
Equity attributable to owners of the Company	<b>15,904,627</b>	15,288,838
Add/(less): Hedging reserve (note 34)	<b>355</b>	(13,721)
Adjusted capital	<b>15,904,982</b>	15,275,117
Net debt-to-adjusted capital ratio	<b>12.0%</b>	18.0%

### Note 43 Critical Accounting Estimates and Judgements

The Group makes estimates, assumptions and judgements as appropriate in the preparation of the financial statements. These estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are 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 valuers have relied on the discounted cash flow analysis and the capitalisation of income approach as their primary methods, supported by the direct comparison method. These methodologies are based upon estimates of future results and a set of assumptions specific to each property to reflect its tenancy and cashflow profile. The fair value of each investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

**(b) Estimated impairment of goodwill**

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

**(c) Useful lives of property, plant and equipment**

The Group's management determines the estimated useful lives and related depreciation for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovation. Management will change the depreciation 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 judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in the period in which such determination is made.

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

**(e) Impairment of available-for-sale investments**

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

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

### (f) Impairment of receivables

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

### (g) Estimated net realisable value 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.

## Note 44 Event after the Balance Sheet Date

By its announcement dated 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 in the proportion 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\$1,603 million from the rights issue will be applied for general working capital purposes and for financing new investment opportunities.

## Note 45 Comparatives

Certain comparative figures have been restated as a result of the adoption of the amendment or revision relating to HKAS 12, "Income Taxes" and HKAS 24, "Related Party Disclosures" to conform with the current year's presentation.

## Note 46 Approval of Financial Statements

The financial statements were approved and authorised for issue by the Board of Directors on 26 March 2012.

## Principal Subsidiaries, Associates and Joint Ventures

	Place of incorporation/ Principal place of operation	Issued and paid up ordinary share capital/ registered capital	Percentage held by the Group	Principal activities
<b>PROPERTY – HONG KONG</b>				
Garraton Investment Limited	Hong Kong	HK\$1,000	100	property investment
Goform Limited	Hong Kong	HK\$2	100	property investment
Grace Wealth Development Limited	Hong Kong	HK\$1	100	property development
Hocy Development Limited	Hong Kong	HK\$2	100	property investment
Iconic Palace Limited	Hong Kong	HK\$20	100	property investment
Megabright Investment Limited	Hong Kong	HK\$2	100	investment holding and financing
Ranex Investments Limited	Hong Kong	HK\$100	51	property investment and development
Shun Tak Development Limited	Hong Kong	HK\$27,840,000	100	investment holding
Shun Tak Property Investment & Management Holdings Limited	Hong Kong	HK\$2	100	property investment and management
Shun Tak Property Management Limited	Hong Kong/ Hong Kong-Macau	HK\$2	100	property management
<b>PROPERTY – MACAU</b>				
Ace Wonder Limited	British Virgin Islands/ Macau	US\$1	100	investment holding
Basecity Investments Limited**^	British Virgin Islands/ Macau	US\$10,000	51	property investment and hotel owning
Companhia de Investimento Shun Tak South Lake, Limitada	Macau	MOP25,000	100	property development
Eversun Company Limited	Hong Kong/Macau	HK\$200	100	property investment
Nova Taipa - Urbanizações, Limitada	Macau	MOP10,000,000	100	property investment and development
Oriental Pride Group Limited	British Virgin Islands/ Macau	US\$1	100	investment holding and financing
Shun Tak Nam Van Investimento Limitada	Macau	MOP25,000	100	property development
Companhia de Desenvolvimento Tin Wai Limitada	Macau	MOP100,000	79	property investment and development
Winning Reward Investments Limited	British Virgin Islands/ Macau	US\$1	100	investment holding and financing
<b>PROPERTY – MAINLAND CHINA</b>				
Guangzhou Shun Tak Real Estate Company, Limited**	PRC	HK\$130,000,000 <sup>®</sup>	60	property investment
Shun Tak Cultural Centre Limited	Hong Kong	HK\$10	60	investment holding

	Place of incorporation/ Principal place of operation	Issued and paid up ordinary share capital/ registered capital	Percentage held by the Group	Principal activities
<b>TRANSPORTATION</b>				
Conwick Investment Limited	Hong Kong/ Hong Kong-Macau	HK\$2 HK\$2 <sup>+</sup>	42.6	shipping
Far East Hydrofoil Company, Limited	Hong Kong/ Hong Kong-Macau	HK\$2,000 HK\$5,000,000 <sup>+</sup>	42.6	shipping
Glowfield Group Limited	British Virgin Islands	US\$27	42.6	investment holding
Hongkong Macao Hydrofoil Company, Limited	Hong Kong/ Hong Kong-Macau	HK\$10,000,000	42.6	shipping
Interdragon Limited	British Virgin Islands	US\$10,000	60	investment holding
Ocean Shipbuilding & Engineering Limited	Hong Kong	HK\$200 HK\$100,000 <sup>+</sup>	42.6	shipbuilding and repairs
Shun Tak-China Travel Ferries Limited	British Virgin Islands	US\$2	42.6	investment holding
Shun Tak-China Travel Ship Management Limited	Hong Kong/ Hong Kong-Macau	HK\$200 HK\$1,000,000 <sup>+</sup>	42.6	ship management
Shun Tak-China Travel Shipping Investments Limited	British Virgin Islands	US\$10,000	42.6	investment holding
Shun Tak Ferries Limited	Hong Kong	HK\$2	100	investment holding
Sunrise Field Limited	Hong Kong/ Hong Kong-Macau	HK\$1	42.6	shipping
Tai Tak Hing Shipping Company Limited	Hong Kong/ Hong Kong-Macau	HK\$200 HK\$5,200,000 <sup>+</sup>	42.6	shipping
Wealth Trump Limited	Hong Kong/ Hong Kong-Macau	HK\$1	42.6	shipping
Shun Tak-China Travel Macau Ferries Limited (formerly known as New World First Ferry Services (Macau) Limited)	British Virgin Islands/ Hong Kong-Macau	US\$1	42.6	shipping
Companhia de Serviços de Ferry STCT (Macau) Limitada (formerly known as New Ferry - Transporte Marítimo de Passageiros (Macau), Limitada)	Macau	MOP100,000	42.6	shipping

## Principal Subsidiaries, Associates and Joint Ventures

	Place of incorporation/ Principal place of operation	Issued and paid up ordinary share capital/ registered capital	Percentage held by the Group	Principal activities
<b>HOSPITALITY</b>				
Shun Tak, Serviços Recreativos, S.A.	Macau	MOP1,000,000	100	property holding
Shun Tak Travel Services Limited	Hong Kong	HK\$2,000,000	100	travel agency services
Sociedade de Turismo e Desenvolvimento Insular, S.A.R.L.#	Macau	MOP200,000,000	35	hotel and golf club operations
Union Sky Holdings Limited**	Hong Kong	HK\$10,000	70	hotel owning and operation
<b>FINANCE</b>				
Joyous King Group Limited	British Virgin Islands	US\$1	100	financing
Shun Tak Finance Limited	Hong Kong	HK\$2	100	financing
Step Ahead International Limited	British Virgin Islands/ Hong Kong	US\$1	100	general investment

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

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

+ *Non-voting deferred shares*

@ *Registered capital*

# *Associates*

^ *Joint ventures*

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

## Five-Year Financial Summary

	2011 (HK\$ million)	(Restated) 2010 (HK\$ million)	(Restated) 2009 (HK\$ million)	2008 (HK\$ million)	2007 (HK\$ million)
<b>Consolidated Income Statement</b>					
Turnover	2,968	3,097	3,066	4,182	3,166
Profit attributable to owners of the Company	781	867	2,891	101	1,014
Total dividends	120	130	456	29	316
<b>Consolidated Balance Sheet</b>					
Non-current assets	11,609	11,312	11,708	9,209	8,880
Current assets	17,695	15,852	14,662	15,352	17,435
Current liabilities	(4,270)	(4,184)	(2,908)	(3,392)	(5,170)
Non-current liabilities	(6,596)	(5,291)	(6,987)	(7,140)	(5,762)
Net assets	18,438	17,689	16,475	14,029	15,383
Share capital	543	543	506	564	582
Reserves	15,242	14,616	13,259	11,223	12,292
Proposed dividends	120	130	378	29	164
Equity attributable to owners of the Company	15,905	15,289	14,143	11,816	13,038
Non-controlling interests	2,533	2,400	2,332	2,213	2,345
Total equity	18,438	17,689	16,475	14,029	15,383
Number of issued and fully paid shares (million)	2,172	2,172	2,024	2,257	2,328

Comparative figures for the years ended 31 December 2008 and 31 December 2007 have not been restated to reflect the adoption of new/revised HKFRSs in 2009 and 2010 as the Directors are of the opinion that it is impracticable to do so.

### Performance Data

Earnings per share (HK cents)					
– basic	35.9	42.1	135.2	4.4	45.7
– diluted	35.7	41.4	132.8	4.3	43.9
Dividends per share (HK cents)					
– interim	—	—	3.8	—	7.0
– final	4.0	6.0	18.7	1.3	7.0
Dividend cover	9.0	7.0	6.0	3.4	3.3
Current ratio	4.1	3.8	5.0	4.5	3.4
Gearing (%)	12.0	18.0	21.4	38.1	20.1
Return on equity attributable to owners of the Company (%)	4.9	5.7	20.4	0.9	7.8
Net asset value per share (HK\$)	8.5	8.1	8.1	6.2	6.6

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.

	2011	2010	2009	2008	2007
<b>Headcount by Division</b>					
Head Office	210	201	197	206	174
Property	385	411	531	362	328
Transportation	1,839	1,587	1,684	1,844	1,796
Hospitality	452	427	457	441	143
Investment	44	51	39	27	89

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