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

Stock Code 股份代號: 242

ANNUAL REPORT 2010 年報

CONTENTS

Vision is behind every great leadership.
It is the ability to see the imperceptible and to believe the impossible.
It is what drove new inventions, fueled revolutions and brought man to the moon.

This cover design, featuring a navigator's telescope, embodies the spirit of early explorers who charted unknown territories with faith and battled tidal oceans with courage. They brought the world together, fostered trade and forever transformed human history. It is with the same spirit that Shun Tak forges ahead, discovering opportunities and developing possibilities to build a brighter future alongside with Hong Kong, Macau and the Pearl River Delta.

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

AUDIT COMMITTEE

MR. NORMAN HO *(Chairman)*

SIR ROGER LOBO

MRS. LOUISE MOK

REMUNERATION COMMITTEE

MS. PANSY HO *(Chairman)*

SIR ROGER LOBO

MR. NORMAN HO

MR. CHARLES HO

MS. DAISY HO

NOMINATION COMMITTEE

MS. PANSY HO *(Chairman)*

SIR ROGER LOBO

MR. NORMAN HO

MR. CHARLES HO

MS. DAISY HO

COMPANY SECRETARY

MS. ANGELA TSANG

REGISTERED OFFICE

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

AUDITOR

H. C. Watt & Company Limited

SOLICITOR

Norton Rose

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Bank of China, Macau Branch
Calyon, Hong Kong Branch
BNP Paribas, Hong Kong Branch
Hang Seng Bank Limited
Nanyang Commercial Bank, Ltd.
Sumitomo Mitsui Banking Corporation, Hong Kong Branch

SHARE REGISTRAR

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

ADR DEPOSITARY

The Bank of New York Mellon

SHARE LISTING

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

DISCOVERING

OPPORTUN

DEVELOPING

POSS


ITIES
IBILITIES
開啟機遇 成就無限可能

GLOBAL PERSPECTIVE
視野宏遠

EXPANSIVE


VISIONARY PIONEER
慧眼高瞻
NETWORK
馳騁縱橫


LOCAL WISD
PROFESSIONAL TALENTS
專精覃思
INDUSTRY LEADER
群雄俯首


OM
透察本源
FUNCHAL
TURBOJET
BOEING

SHUN TAK HOLDINGS LIMITED (THE "COMPANY") AND ITS SUBSIDIARIES (THE "GROUP") IS A LEADING LISTED CONGLOMERATE WITH CORE BUSINESSES IN PROPERTY, TRANSPORTATION, HOSPITALITY AND INVESTMENT SECTORS. ESTABLISHED IN 1972, THE COMPANY (HKSE 242) HAS BEEN LISTED ON THE HONG KONG STOCK EXCHANGE SINCE 1973.

PROPERTY

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

One Central, the Group's joint venture with Hongkong Land Holdings Limited, is located on a prime waterfront site in Macau Peninsula. One Central Residences, the project's residential portion comprising 7 prestigious towers, has commenced handover to homeowners in August 2009. The shopping mall opened for business in December 2009, and has successfully established its position as the flagship luxury retail destination of Macau.

Nova City in Taipa, in which the Group holds a 100% stake, is one of the largest luxury developments in Macau. The project comprises upscale residential units, world-class landscaping and clubhouse facilities. Sales of the first three phases have generated strong public response. Foundation works for Phase 4 will commence in the 2nd quarter of 2011, and that of Phase 5 is scheduled in for the 4th quarter of 2011.

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

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

The Group plays a prominent role in the Hong Kong property market with a portfolio comprising commercial, residential and retail property ventures. The Group's latest completed residential project is Radcliffe in Pokfulam, comprising exclusive duplex apartments. Chatham Garden, another residential property development project of the Group consisting approximately 370,000 square feet of residential and retail space, is expected to complete in 2012.

The Group currently provides property management services to 14.9 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.

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

In 2003, TurboJET launched a unique inter-regional air-sea network comprising a ferry

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

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

On land, the Group's joint venture company, Shun Tak & CITS Coach (Macao) Limited, has an operating fleet of 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 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 55.7% of SJM Holdings Limited ("SJM Holdings"), a listed company in Hong Kong. SJM Holdings owns the entire shareholding interests of Socidade 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 tourist.

DR. STANLEY HO

G.B.M., G.B.S.
Group Executive Chairman
aged 89

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*, Alpha Davis Investments Limited* and Hanika Realty Company Limited*, the chairman and an executive director of SJM Holdings Limited which is listed on the Main Board of The Stock Exchange of Hong Kong Limited, and the chairman of the board of directors of Estoril Sol, SGPS, S.A. which is listed on the Euronext Lisbon.

In the past three years, Dr. Stanley Ho was the chairman of Value Convergence Holdings Limited, which is listed on the Main Board of The Stock Exchange of Hong Kong Limited, up to 29 April 2008.

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

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

Dr. Stanley Ho was awarded the 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, a founding member and the chair of the Trustees Committee of the University of Macau Development Foundation, and the president of the Chamber of Macau Casino Gaming Concessionaires and Sub-concessionaires.

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

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

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

* *Shun Tak Shipping Company, Limited, Innowell Investments Limited, Alpha Davis Investments Limited and Hanika Realty Company 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.*

SIR ROGER LOBO

C.B.E., L.L.D., J.P.
Independent Non-Executive Director
aged 87

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

Sir Roger Lobo is an independent non-executive director of Melco International Development Limited and PCCW Limited (both of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited), a director of Johnson & Johnson (Hong Kong) Limited and Kjeldsen & Co. (Hong Kong) Limited.

MR. NORMAN HO

F.C.P.A., B.A., A.C.A.
Independent Non-Executive Director
aged 55

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 CITIC Pacific Limited, 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 a non-executive director and a member of the audit committee of Haitong International Securities Group Limited (formerly known as Taifook Securities Group Limited), which is listed on the Main Board of The Stock Exchange of Hong Kong Limited up to 30 June 2009.

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

MR. CHARLES HO

Independent Non-Executive Director
aged 61

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.

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 85

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 New World Development Company Limited and Melbourne Enterprises Limited, the non-executive chairman of Lifestyle International Holdings Limited and a non-executive director of SJM Holdings Limited, all of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

In the past three years, Dr. Cheng was also an independent non-executive director of Hang Seng Bank, Limited which is listed on the Main Board of The Stock Exchange of Hong Kong Limited, up to 6 May 2009. He is also the chairman of Chow Tai Fook Enterprises 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.*

MRS. LOUISE MOK

Non-Executive Director
aged 82

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.

MR. MICHAEL NG

Non-Executive Director
aged 52

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 48

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

Ms. Pansy Ho is the chief executive officer and a director of Shun Tak — China Travel Shipping Investments Limited and is directly in charge of the Group's shipping business. She is a director of Shun Tak Shipping Company, Limited*, Innowell Investments Limited*, Megaprosper Investments Limited*, Alpha Davis Investments Limited*, Ranillo Investments Limited* and Hanika Realty Company Limited*, the chairman of Macau Tower Convention & Entertainment Centre, an executive director of Air Macau Company Limited and vice-chairman of Macau International Airport Co. Ltd. She is also an independent non-executive director of Sing Tao News Corporation Limited and a non-executive director of Qin Jia Yuan Media Services Company Limited (both of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited).

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

Ms. Pansy Ho holds a Bachelor's degree in marketing and international business management from the University of Santa Clara in the United States. 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, Megaprosper Investments Limited, Alpha Davis Investments Limited, Ranillo Investments Limited and Hanika Realty Company 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 46

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

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

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

Ms. Daisy Ho is an executive committee member of The Real Estate Developers Association of Hong Kong, a member of the Hong Kong Institute of Real Estate Administrators and Macao Chamber of Commerce, a member of the Board of Directors of Macao Association of Building Contractors and Developers, Chairman of University of Toronto (Hong Kong) Foundation, Hong Kong advisor to the Dean's Advisory Board of Rotman School of Management, University of Toronto, advisory Council of the Canadian International School of Hong Kong, Governor of The Canadian Chamber of Commerce in Hong Kong, and director of Po Leung Kuk.

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

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

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

* *Shun Tak Shipping Company, Limited, Innowell Investments Limited, Megaprosper Investments Limited, Alpha Davis Investments Limited, Ranillo Investments Limited and Hanika Realty Company 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. MAISY HO

Executive Director
aged 43

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, chairman of membership committee and council member of Hong Kong Institute of Real Estate Administrators, committee member and vice chairman of Young Executive Committee of The Chinese General Chamber of Commerce, honorary president of Hong Kong Junior Police Call 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, honorary president of Care Action Macao 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, Liaoning Youth Federation, and vice-chairman of Jilin Youth Federation and Jilin Youth Entrepreneurs' Organization respectively.

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

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

* *Hanika Realty Company Limited is a company which has an interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.*

MR. DAVID SHUM

Executive Director
aged 56

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.

FINANCIAL HIGHLIGHTS AND DIVIDEND SCHEDULE

FINANCIAL HIGHLIGHTS

	2010 (HK$'000)	(Restated) 2009 (HK$'000)
Turnover	3,097,249	3,065,710
Profit attributable to owners of the Company	853,344	2,873,928
Total equity	17,612,749	16,417,514
Earnings per share *(HK cents)*		
– basic	41.4	134.4
– diluted	40.8	132.0
Dividends per share *(HK cents)*	6.0	22.5
Net asset value per share *(HK$)*	8.1	8.1

The calculation of basic earnings per share is based on the weighted average number of 2,061,564,627 shares (2009: 2,138,331,844 shares) in issue during the year. The calculation of diluted earnings per share is based on the weighted average number of 2,269,905,247 shares (2009: 2,188,248,658 shares) in issue after adjusting for the effects of all dilutive potential ordinary shares.

DIVIDEND SCHEDULE

Announcement of final dividend	28 March 2011
Deadline for lodgement of all transfers	4:30 p.m. on 7 June 2011
Closure of register of members	8 June to 15 June 2011
Annual General Meeting	15 June 2011
Posting of dividend warrants to shareholders	On or around 23 June 2011

SIGNIFICANT EVENTS

JAN

The permanent SkyPier at Hong Kong International Airport was officially inaugurated, with its ferry services managed by Hong Kong International Airport Ferry Terminal Services Ltd., a joint venture of the Group.

TurboJET received the Medal of Merit in Tourism from the Macau SAR Government, and renewed the Hong Kong Top Service Brand Mark from Hong Kong Brand Development Council and The Chinese Manufacturers' Association of Hong Kong.

FEB

Opening of TurboJET Premier Lounge at Macau Maritime Ferry Terminal to offer exclusive pre-boarding service for select passengers.

APR

TurboJET officially launched "Eticket" sales at convenient stores across Hong Kong.

減廢
Wastewi$e
Hong Kong Awards for Environmental Excellence
香港環保卓越計劃
Good 良好
membership no. WW

TurboJET received Hong Kong Awards for Environmental Excellence "Class of Good" Wastewi$e Label from the Environmental Campaign Committee.

MAY

TurboJET launched a new time-saving eCheck-in platform for Airport Route passengers.

JUN

Connected with One Central Shopping Mall, the new Mandarin Oriental, Macau opened doors for its guests.

The new Macau-Nansha route commenced operation under collaboration with Panyu Nansha Port Passenger Transport Co., Ltd.

Macau Tower launched its summer feature event, "Road to become a Super Star" Hello Kitty Exhibition.

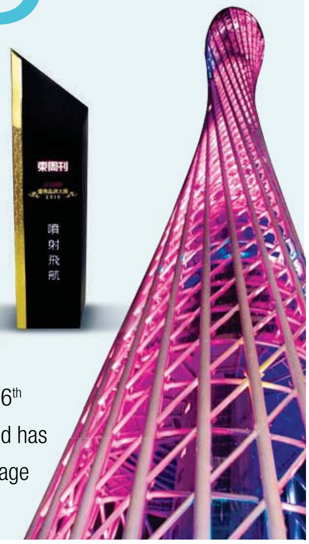
JUL

Toy 'R' Us celebrated its new store expansion at Macau Tower.

AUG

Soft Opening of CentralDeli in One Central.

SEP



TurboJET received Greater China Super Brands Award 2010 by East Week Magazine.

Canton Tower was officially launched at the eve of the 16th Guangzhou Asian Games and has since been greeting an average of over 8,000 visitors a day.

NOV

The Residences and Apartments at Mandarin Oriental, Macau was launched for sale and received popular response.

TurboJET received the 2010 Hong Kong Outstanding Corporate Citizenship Awards - Certificate of Merit from Hong Kong Productivity Council.

DEC

TurboJET received Hong Kong Green Awards 2010 - Green Office Management Award (Bronze) from Green Council.

One Central Macau celebrated the completion of all its four pillar offerings, One Central Residences, One Central Shopping Mall, Mandarin Oriental, Macau and The Residences & Apartments at Mandarin Oriental, Macau.

2010 HAS BEEN ANOTHER CHAPTER IN AN ONGOING GROWTH STORY FOR OUR COMPANY. WITH TWO RECESSIONARY YEARS BEHIND US, THE GROUP PROVED ITS RESILIENCE AND HAS EMERGED WITH A STRONGER STRATEGIC FOOTHOLD ACROSS ITS BUSINESSES, PAVING WAY FOR LONG-TERM GROWTH INTO THE FUTURE.

Dear Shareholders,

I am pleased to announce that profit attributable to owners of the Company for the year ended 31 December 2010 was HK$853 million (2009: HK$2,874 million). Basic earnings per share were HK 41.4 cents (2009: HK 134.4 cents). Subject to approval by our shareholders at the Annual General Meeting scheduled for 15 June 2011, the Directors recommend a final dividend of HK 6.0 cents per share (2009: HK 18.7 cents per share). No interim dividend was declared during the year (2009: HK 3.8 cents per share). The total dividends for the year amounted to HK 6.0 cents per share (2009: HK 22.5 cents per share).

2010 has been another chapter in an ongoing growth story for our Company. With two recessionary years behind us, the Group proved its resilience and has emerged with a stronger strategic foothold across its businesses, paving way for long-term growth into the future.

We continued to lead the property market in Macau, having completed the One Central flagship development with the debut of The Residences and Apartments at Mandarin Oriental, Macau. As the only hotel-managed property across Hong Kong and Macau with transferable strata title, its launch in November 2010 was met with promising response, with 79% of units sold as of March 2011.

Taipa Hills Memorial Garden, a columbarium project in Taipa Macau comprising approximately 50,000 standard niches featuring contemporary design and legitimate operation license will be launched for sale in the first half of 2011.

Nova City has matured into one of the most comprehensive residential communities in Macau with a strong customer base composed mostly of local users. Considerable anticipation has accumulated for its upcoming phases, with a large scale neighborhood shopping mall and a community central garden completing the overall lifestyle experience. Phase 4 is expected to be launched in 2011, captivating opportunities from the buoyant real estate market.

Coinciding with such is the presale of Chatham Garden Redevelopment Project in Hong Kong, a development that covers approximately 370,000 square feet of residential and retail space. Given its central location and limited supply of new properties in the area, we are confident that prospective homebuyers will respond positively to its launch in the thriving real estate market.

As consumer regained confidence in the economy, regional tourism revived significantly over the year. The Group's ferry business, TurboJET, made satisfactory recovery in terms of both volume and load factor. However, in light of persistent high fuel cost and aggressive price cuts from competitors, the operation suffered a marginal deficit. Yet, we will continue to invest in innovation and develop new market niche with diligence and discipline in order to navigate through challenges. Resources will be channeled to expand its air-to-sea inter-modal platform in harnessing international markets, and at the same time, new destinations are being explored to enhance our network advantage within the Pearl River Delta in preparation for the next frontier.

The hospitality division performed solidly over the course of 2010. The Group has strategically built a strong brand portfolio of hotels and travel services over the preceding years, with its planned efforts now paying dividends under the robust economy. The new Mandarin Oriental, Macau opened for business in June, and has since recorded month-on-month growth. SkyCity Marriott Hotel, one of the three airport hotels in Hong Kong, has gained significant market share with occupancy and room rate both registering promising improvements from corporate and group tour sectors.

Having established a successful track record in operating and marketing Macau Tower, the Group was appointed as manager of Canton Tower, the tallest TV Tower in the world. Its unveiling took place in late September immediately before the opening of the 16th Asian Games in Guangzhou, and has since been receiving an average of 8,000 visitors daily. With new attractions such as revolving restaurants and adventure activities opening in subsequent phases, the Canton Tower is set to become a landmark destination in Southern China.

The Group is also extending its penetration into Mainland's MICE business after securing a full operating license last year. The hospitality services division was commissioned by corporate clients to participate in national level mega events such as Shanghai World Expo and the 16th Asian Games in Guangzhou.

As we gather momentum and enter 2011 with increased confidence, I would like to take the opportunity in congratulating the management for their vision and remarkable stewardship. Central to everything we do is our priority of creating sustainable value for our shareholders, and my gratitude goes to every member of the Company in making this possible. Finally, may I thank our business partners and shareholders for their faith and continued support in making 2010 yet another rewarding year.

By order of the Board

STANLEY HO
Group Executive Chairman
28 March 2011

DISCOVER
KEY VANTAGE

PROPERTY

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

PROPERTY

One Central Macau celebrated its completion of all four pillar elements in December 2010.

THE STRONG REAL ESTATE MARKET BROUGHT ABOUT IMPROVED LEASING INCOME AND PROPERTY SALE PRICES, WITH THE MOMENTUM CONTINUING INTO YEAR 2011 WHEN A FULL PIPELINE OF PROJECTS IS EXPECTED TO BE UNVEILED.

In the absence of extraordinary income and large scale project completions which underpinned the strong financials in 2009, the Property division registered $256 million in profit as of 31 December 2010, representing a 27% year-on-year decline. Nonetheless, the strong real estate market brought about improved leasing income and property sale prices, with the momentum continuing into year 2011 when a full pipeline of projects is expected to be unveiled.

IN MACAU

ONE CENTRAL

A proud creation under the strong partnership with Hongkong Land Holdings Limited, the internationally acclaimed development comprises 7 prestigious residential towers which commenced handover to homeowners in August 2009, an approximately 400,000 square feet luxurious flagship shopping mall that celebrated its opening in December 2009, a five-star 213-room Mandarin Oriental Hotel launched in June 2010, as well as its final crown jewel, The Residences and Apartments at Mandarin Oriental, Macau, launched in November 2010. The latter was met with exceptional response as it is the only serviced apartments managed by an acclaimed international hotel group with transferable strata titles across Macau and Hong Kong. As of March 2011, 79% of The Residences and Apartments at Mandarin Oriental, Macau were sold.

As of end of December 2010, 97% of One Central Residences were sold and 81% of the shopping mall has been leased with more new stores expected to be opened in 2nd quarter of 2011.

NOVA CITY

Nova City is a large scale residential and retail development in Taipa, with the Group holding 100% of its development rights. In an effort to forge the most integrated residential community in Macau, new convenience and lifestyle offerings are introduced to its latest phases to enhance value for local homeowners.

Phase 4 of Nova City comprises three residential towers featuring over 680,000 square feet of gross floor area. The apartment units will have a range of layouts with most enjoying an open view of the Central Garden. Commencement of foundation works are scheduled for the 2nd quarter of 2011. 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 650,000 square feet, housing a diversified range of tenants including supermarket, dining outlets, leisure retail and entertainment components to provide unparalleled convenience to residents. The revised land contract with lease modification was gazetted in September 2010. It is now under planning and site works are expected to commence in the 4th quarter of 2011.

TAIPA HILLS MEMORIAL GARDEN

The Group holds a 79% interest in this columbarium project located in Taipa. With legitimate land deed and operation license, it offers approximately 50,000 standard niches to the undersupplied Macau, Hong Kong and Pearl River Delta markets. Foundation works are completed and fit-out works of ground floor are in progress with presale scheduled for the 2nd quarter of 2011. Built against a background of lush greeneries, the professionally managed property features contemporary design enhanced by beautiful landscaping, appointed with a hotel-style lobby and respectfully decorated halls. A new sales office in Hung Hom with sample niche mock-up will open in April 2011 to service prospective buyers from Hong Kong. The property is expected to set new benchmarks for the industry.

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.

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 GARDEN REDEVELOPMENT PROJECT

Capitalizing on the thriving property market, the Group is set to launch a deluxe development located in Central Kowloon adjacent to the Tsim Sha Tsui district, consisting of approximately 370,000 square feet of residential and retail space. Superstructure works are in progress, and scheduled completion is slated for the 4th quarter of 2012. Presale is expected to take place in the 2nd half of 2011. The Group holds a 51% interest in the project.

PROPOSED HOUSE DEVELOPMENT IN CHUNG HOM KOK

A premium residential site with panoramic seaview was acquired by the Group on 30 September 2010. Site formation and demolition works are in progress. Upscale and exclusive properties with total marketable gross floor area of approximately 33,000 square feet is under planning.

RADCLIFFE

Radcliffe, a luxury residential development featuring ten exclusive 3,620 square feet duplex boutique apartments, was completed in 2007, with 9 of the 10 duplex units sold as of 31 December 2010.

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 December 2010, the occupancy rate stood above 95%. Accessibility to The Westwood will be further enhanced when construction work of the MTR West Island Line is completed in 2014.

Property Management expanded its portfolio size to 14.9 million square feet.

LIBERTÉ PLACE

Liberté Place, the shopping podium of Liberté in West Kowloon, continues to maintain a high occupancy rate of over 95% due to its convenient location and direct footbridge connection to neighboring residential developments. An entrance to Lai Chi Kok MTR Station is constructed, upon the opening of which, a surge in foot traffic is expected and tenancy performance will be further improved.

IN CHINA

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

PROPERTY SERVICES

Shun Tak Property Management Limited ("STPML"), the Group's wholly owned subsidiary engaging in property management, has expanded its portfolio size to 14.9 million square feet across Hong Kong, Macau and China. Beyond traditional property management, it also operates complementing businesses in Macau, 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 Outstanding Residential Building Security Services, Outstanding Managed Property and Outstanding Managed Public Carpark recognized by the Regional Crime Prevention Offices, as well as the Certificate of Quality Water from the Water Department.

DEVELOP
NETWORK STRENGTH

TRANSPORTATION

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

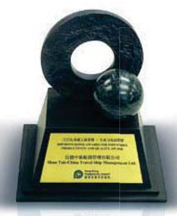
TRANSPORTATION

Apart from capturing the China market with its mutli-modal transit platform, TurboJET has also been striving to solidify its network advantage in Southern China through strategic alliances with mainland ferry operators.

AGGRESSIVE PRICE CUTS FROM COMPETITORS AND HIGH FUEL COST CONTRIBUTED TO THE NARROWING OF YIELD PER PASSENGER, YET TURBOJET MANAGED TO MAINTAIN ITS LEADERSHIP AND MARKET SHARE, WITH PASSENGER VOLUME AND LOAD FACTORS BOTH EXHIBITED RECOVERY THIS YEAR.

"Medal of Merit in Tourism" by the Macau SAR Government

"2010 Hong Kong Outstanding Corporate Citizenship Awards - Certificate of Merit"



"2009 Hong Kong Awards for Industries: Productivity and Quality Award"

"Hong Kong Green Award (Bronze) 2010"

"Hong Kong Awards for Environmental Excellence Wastewi$e Label - Class of Excellence"

Despite a considerable revival in global travel demand, the transportation division navigated through formidable headwinds in 2010. Aggressive price cuts from competitors and high fuel cost contributed to the narrowing of yield per passenger, yet TurboJET managed to maintain its leadership and market share, with passenger volume and load factors both exhibited recovery this year. The transportation division registered a loss of HK$26 million, (2009 profit of HK$28 million.)

Under the challenging climate, TurboJET applied rigor and discipline to all areas of its business. It placed sharp focus on cost-containment initiatives and effective route management. At the same time, it continued to invest in innovation and service qualities, while implementing go-to-market strategies targeted at international travelers, high purchasing power individuals and young consumers.

TurboJET endeavors to create a travel experience above and beyond point-to-point transportation. It launched a second Premier Jetfoil and the TurboJET Premier Lounge at the Macau Maritime Ferry Terminal to offer discerning individuals a luxurious travel option while making the desirable affordable. Since 2009, TurboJET has successfully fostered an upscale market which achieved an encouraging growth of approximately 20%. Meanwhile, the brand also penetrated the young consumer market through the introduction of cross-promotional Etickets featuring popular animation characters, as well as reinforcing its online presence through social media engagements. As a result of the integrated sales and marketing efforts, TurboJET managed to strengthen its brand affiliation across multiple sectors.

TurboJET Airport Routes, operating out of SkyPier at the Hong Kong International Airport (HKIA), displayed promising growth prior to the financial plummet and has rebounded strongly in 2010. Confident with its long term prospect, the company constantly seeks to upgrade the air-to-sea experience in order to better serve growing demand from international passengers. During the year, it introduced an eCheck-in service which enabled online check-in and boarding pass printing for the HKIA-Macau and HKIA-Nansha route. A new purpose-built luggage container was also put in place to improve the luggage processing system and reduce luggage reclaim time by half. In November, the suspended HKIA-Shenzhen route resumed service, connecting passengers to Shenzhen Airport which offers a strong domestic aviation network across China.

Apart from capturing the China market with its mutli-modal transit platform, TurboJET has also been striving to solidify its network advantage in Southern China through strategic alliances with mainland ferry operators. Following the addition of Nansha-Macau route launched in June 2010, it is now operating a total of three routes under such partnerships, attesting to the solid strength and leadership of TurboJET within the industry.

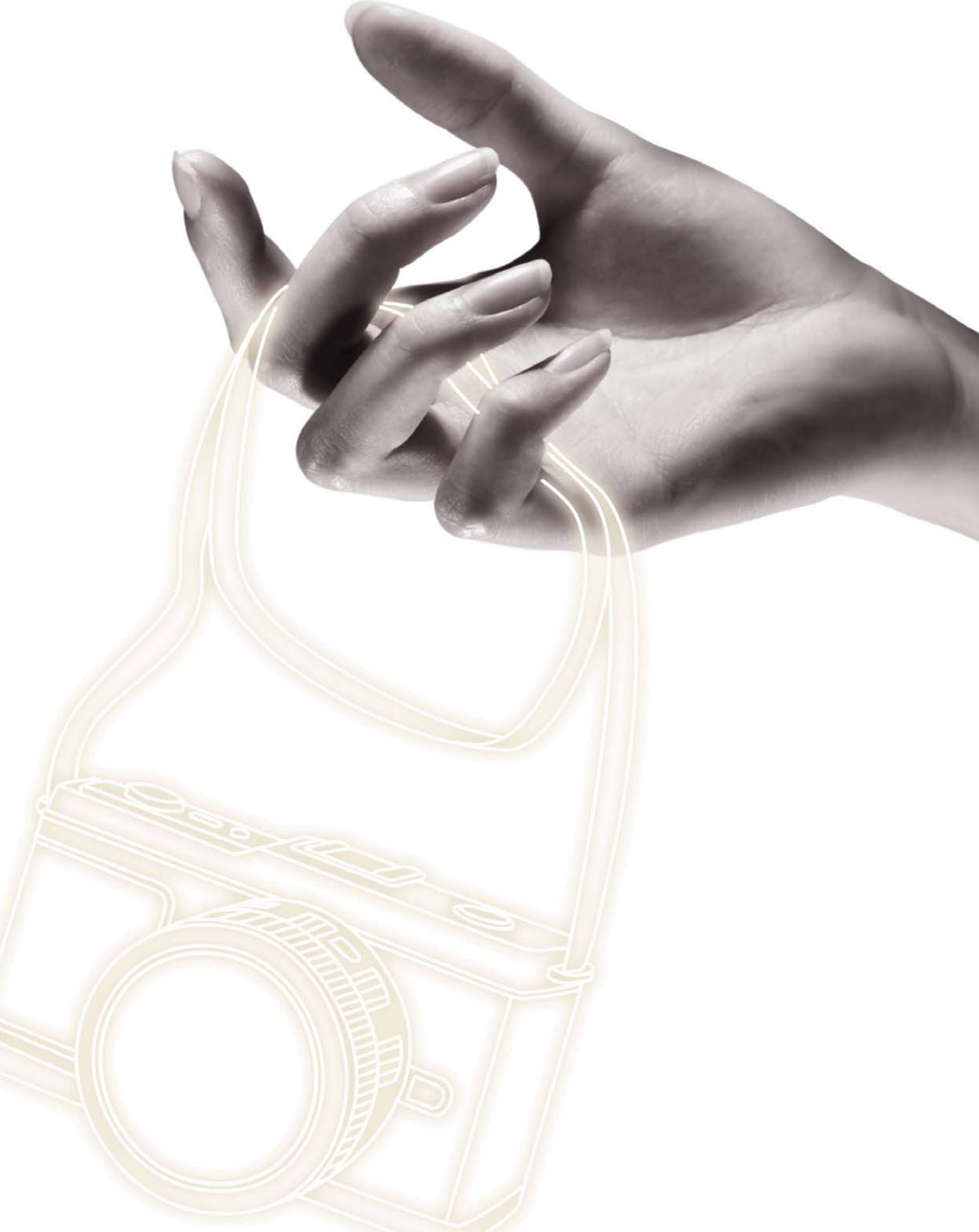
Over the year, TurboJET received a number of distinguished awards in recognition of its superior service quality and contribution to the society, amongst the most notables are the Medal of Merit in Tourism conferred by the Macau SAR Government, the 2009 Hong Kong Awards for Industries: Productivity and Quality Award, the 2010 Hong Kong Outstanding Corporate Citizenship Awards - Certificate of Merit, the Hong Kong Green Award (Bronze) 2010 and the Hong Kong Awards for Environmental Excellence Wastewi$e Label – Class of Excellence.

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. Tapping into the upscale travel market, 5 new limousines were added to extend exclusive chauffeur service. In 2010, HK$80 million in revenue was recorded, generating high profit return for the transportation division.

DISCOVER
TOWERING FUN

HOSPITALITY

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



Canton Tower has been receiving an average of 8,000 visitors a day since its opening in September 2010.

THE HOSPITALITY DIVISION PERFORMED SOLIDLY OVER THE COURSE OF 2010. THE GROUP HAS STRATEGICALLY BUILT A STRONG BRAND PORTFOLIO OF HOTELS AND TRAVEL SERVICES OVER THE PRECEDING YEARS, WITH ITS PLANNED EFFORTS NOW PAYING DIVIDENDS UNDER THE ROBUST ECONOMY.

After two lean years, regional tourism has rebounded strongly, propelling organic growth in the Group's hotel and destination operations. The division also expanded its presence in China through a management appointment for Canton Tower and participation in various mega international events. As a result, we achieved in 2010 an operating profit of HK$22 million (2009: loss of HK$37 million).

The new Mandarin Oriental, Macau at One Central made its debut in June 2010, offering 213 hotel rooms along with signature luxuries synonymous with the brand. Adjoining MGM Macau and the One Central flagship shopping mall, the hotel leveraged upon its convenient location and strong brand affiliation to conclude its first six months of operation with promising performance in both occupancy and room rate. The Group holds a 51% interest in the joint venture.

The Group's 34.9%-owned Westin Hotel, a classic family resort, generated improvements in occupancy from the surge in visitor numbers. Given the proliferation of new hotels in Cotai, however, the average room rate decreased. On the other hand, the Macau Golf & Country Club adjacent to the Westin Hotel reported an increase in earnings of approximately 3%.

In Hong Kong, the 658-room SkyCity Marriott Hotel adjacent to AsiaWorld-Expo, Hong Kong International Airport and SkyPier, made impressive headway in both occupancy and room rates as it capitalized upon group tour business and gained market share amongst airport hotels.

Macau Tower Convention & Entertainment Centre ("Macau Tower"), managed by the Group, continues to be a major MICE venue and iconic tourist landmark in Macau. Over the year, the destination received 662,000 paid visitors, a significant 28% increase compared with 2009. AJ Hackett Macau Tower, with its unique offerings including the world's highest Bungy Jump, Skyjump and Skywalk X, remains a magnet for adventure-seekers and is particularly popular amongst Japanese



and Indian visitors. On the other hand, its banquet business dipped 18% following a myriad of national celebrations in 2009 and a surge in venue supply from the opening of new establishments. Entering 2011 with Macau Tower celebrating its 10th Anniversary, new upgrades in facilities and tenancies are planned to rejuvenate the destination and better meet market demands.

In China, the Group was appointed the manager of Canton Tower which debuted in late September 2010 before the opening of the 16th Asian Games in Guangzhou. The monumental architecture rises 600m aboveground and has been attracting an average of 8,000 visitors daily. Currently in its initial phase, the Tower offers sightseeing and MICE services, with the launch of adventure activities (including Spider Walk, Bubble Tram, Gravity Machine, etc) two revolving restaurants and a basement food court planned for subsequent phases.

Having obtained a full MICE license in China last year, Shun Tak Hospitality Services Division ("STHS") has been actively harnessing corporate and MICE business opportunities in the mainland market. It was appointed as the operator of Guangdong Pavilion in Shanghai World Expo, and the designated service provider for leading China corporations for this event and Guangzhou Asian Games. Other projects include the Macau Pavilion promotion campaign, the Shenzhen Food Fair, Macao Branded Products Fair and Macao International Trade and Investment Fair.

Driven by a thriving economy and strong demand for travel, Shun Tak Travel Group saw a 17% increase in sales and a promising 138% 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 RMB$80 million in revenue in 2010, a 24% year-on-year growth resulting from a surge in business during the Shanghai World Expo.

DEVELOP
STRATEGIC EMINENCE

INVESTMENT

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

INVESTMENT

The Group owns an effective interest in STDM of approximately, 11.5%, which in turn owns approximately 55.7% of SJM Holdings Limited.

The investment division recorded a loss of HK$46 million (2009: profit of HK$22 million) with the decline mainly attributable to the lack of dividend income from Sociedade de Turismo e Diversões de Macau, S.A. ("STDM") and impairment loss on available-for-sale investment. The Group owns an effective interest in STDM of approximately 11.5%, which in turn owns approximately 55.7% of SJM Holdings Limited ("SJM Holdings"), a listed company in Hong Kong. SJM Holdings owns the entire shareholding interests of Socidade 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 is the Group's retail arm. Its licensed operation in Macau, Toys 'R' Us, has expanded into a 15,000 square feet flagship store at Macau Tower. With the market's rising affluence, the company recorded MOP 19 million in revenue as compared with MOP 14 million in 2009. In addition, a new business named "CentralDeli" with full deli, dairy, fine gourmet and wine on its menu, was launched in One Central Shopping Mall early August 2010.

DEVELOP COMMITTED FRIENDSHIPS

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

Great companies are driven by purpose as well as profit. Indeed, it has been Shun Tak's over-arching principle to give back to society at every opportunity. The Group has continued to invest significantly in community programs both as a business and through the incredible energy and commitment of its people.

Apart from philanthropic campaigns, education and environmental protection are amongst the most integral aspects of the Group's social responsibility initiatives. According to a rating report conducted by a third party assessor RepuTex, the Company scored exceptionally in areas including ethical business conduct, environmental policy and governance as well as community investment with an ESG (Environment, Social & Governance) overall rating of "A" in year 2010.

As with previous years, our employees actively participated in a score of fund-raising events. In addition to raising donations, our volunteers placed special emphasis upon community outreach programs. In April, a voluntary team hosted two game booths at the opening ceremony of Tin Shui Wai Pansy Ho Activity Centre managed by The Hong Kong Girl Guides Association, in promotion of the centre's objective of fostering balanced development amongst youth in the community.

Sending warmth to the elderly at Tung Wah Group of Hospitals Wong Chuk Hang Complex and children under the care of Po Leung Kuk, a group of 48 colleagues visited the facilities over Christmas 2010. Daily necessities, toys and fleece jackets were handed out to over 140 participants, as everyone shared in the spirit of the festive season for the third consecutive year.

Since 1998, TurboJET has been supporting the training of next generation seafarers through its Cadet Program. Currently, 9 cadets, 4 engineer trainees and 5 technician trainees are under the scheme. In addition, an annual scholarship has been established since 2008 to subsidize selected students who may be interested to pursue a career in the maritime industry from Hong Kong Polytechnic University, Hong Kong Institute of Vocational Education, Maritime Services Training Institute and Hong Kong Sea School.

On the Group level, Shun Tak participated in the School-Company Partnership organized by Young Entrepreneurs Development Council for the fourth consecutive year. 40 secondary school students attended workshops and company visits hosted by the Group to gain a preliminary understanding of commercial operations.

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 2010, shipping division renewed its Hong Kong Awards for Environmental Excellence Wastewi$e Label, and is conferred the Hong Kong Green Awards 2010 - Green Office Management Award (Bronze) by Green Council. Property management division has phased out the majority of fluorescent lightings in properties within its portfolio, and has been awarded the EnergyWise Label. These divisions also participated in the Earth Hour campaign organized by World Wide Fund to promote energy conservation.

Caption

1. Christmas Voluntary Service – Visiting elderly of Tung Wah Group
2. Opening ceremony of Tin Shui Wai Pansy Ho Activity Centre
3. TurboJET Scholarship Award Ceremony at Hong Kong Polytechnic University
4. Po Leung Kuk Charity Walk 2010
5. Students from IVE Chai Wan visiting shipyard of TurboJET
6. Hong Kong Awards for Environmental Excellence "Class of Good" Wastew$se Label

6

3

4


5

The Group has continued to invest significantly in community programs both as a business and through the incredible energy and commitment of its people.

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 2010	Estimated Completion Date
Hong Kong						
Chatham Garden	34,075	3,786	Residential/ Commercial	51%	Superstructure works in progress	2012
Radcliffe (formerly 120 Pokfulam Road)	336	1,684	Residential	100%	Completed	—
Nos. 44-50 Chung Hom Kok Road	2,223	2,964	Residential	100%	Under planning	2013
YTM Lots 30 & 31, Yau Tong	—	1,802	—	50%	Land bank	—
Macau						
One Central		18,344		51%		
One Central Residences	3,674		Residential		Completed	—
	561 motor car parking spaces		Carpark		Completed	—
	141 motorcycle parking spaces		Carpark		Completed	—
The Residences & Apartments at Mandarin Oriental Macau	4,598		Residential		Completed	—
Nova City				100%		
Phase IV	63,279	5,426	Residential		Under planning	—
Phase V	275,815	23,843	Residential/ Commercial		Under planning	—
Lote J, Aterro de Pac On, Taipa	6,522	2,200	Columbarium	79%	Superstructure works in progress	2011

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 2010	Estimated Completion Date
Macau						
Harbour Mile (Note 1)	401,166	39,800	Residential/ Commercial/ Hotel	100%	Land bank	—

Properties Under Planning

	Approx. Total Gross Floor Area (Sq.m)	Approx. Total Site Area (Sq.m)	Primary Use	Group's Interest	Development Progress as of Dec 2010	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 2010	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
Edificio Industrial Fu Tai, Macau Unit A4 on 4/F	350	—	Plant	100%	—	2013 renewable to 2049

Investment and Hotel Properties

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

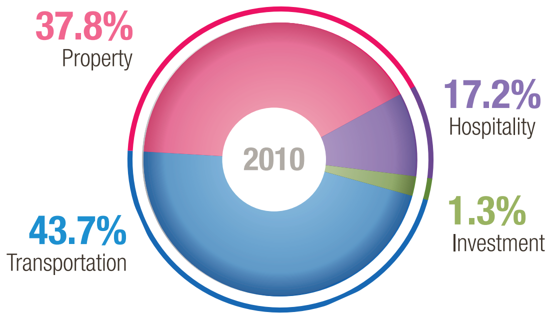
SCHEDULE OF MAJOR PROPERTIES

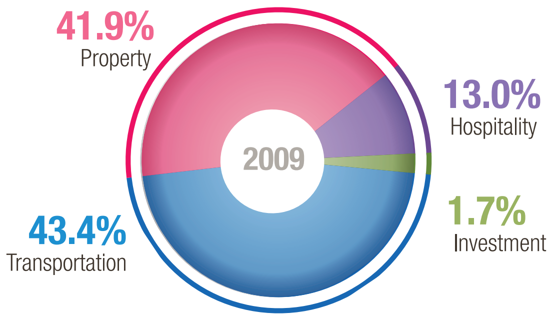
	Approx. Total Gross Floor Area (Sq.m)	Approx. Total Site Area (Sq.m)	Primary Use	Group's Interest	Approx. Lettable Floor Area (Sq.m)	Year of Lease Expiry
Hong Kong SkyCity Marriott Hotel 1 Sky City Road East, Hong Kong International Airport, Lantau, Hong Kong	42,616	13,776	Hotel	70%	—	2047
Mandarin Oriental Macau	30,094	18,344	Hotel	51%	—	2031
One Central Retail Complex, Macau	37,017	—	Commercial	51%	18,658	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
Nova Taipa Gardens, Macau	3,463	—	Commercial	100%	3,463	2015
Nova City Phase I, Macau	727	—	Commercial	100%	727	2031
Nova City Phase III, Macau	507	—	Commercial	100%	507	2031
Shun Tak Business Centre, 246 Zhongshan Si Road, Guangzhou, PRC	28,453	—	Office	60%	28,453	2045
	5,801	—	Commercial Shopping Arcade	60%	5,801	2035
	51 motor car parking spaces	—	Carpark	60%	—	2035

Notes:
(1) Completion date of the acquisition is extended to on or before 30 June 2012 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.

TURNOVER ANALYSIS

TURNOVER BY DIVISION





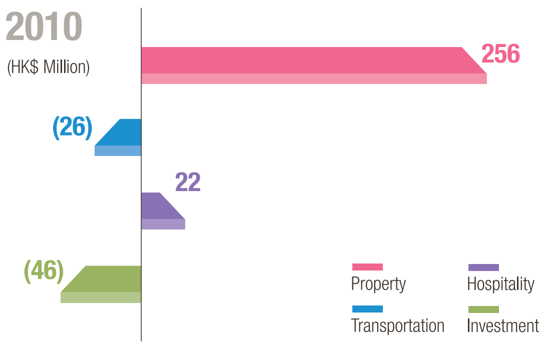
(HK$ million)	2010	(Restated) 2009	Variance	%	Remarks
Property	**1,170**	1,285	(115)	(9)	The decrease was mainly due to fewer sales recognised for residential units of Nova City in Macau.
Transportation	**1,355**	1,331	24	2	Turnover remained stable with a mild increase in passenger numbers.
Hospitality	**533**	399	134	34	The increase was mainly attributable to enhanced popularity of the SkyCity Marriott Hotel at the Hong Kong International Airport.
Investment	**39**	51	(12)	(24)	The variance was mainly due to absence of dividend income from STDM.
Total	**3,097**	3,066	31	1	

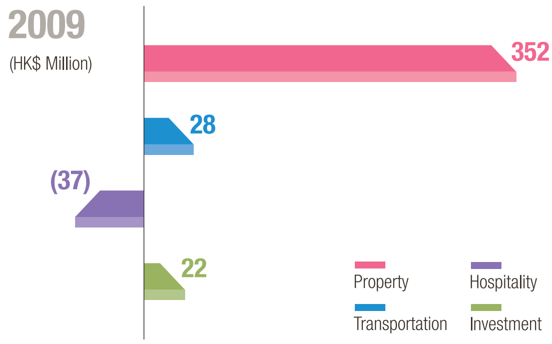
Turnover by Geographical Area

(HK$ million)	2010	(Restated) 2009	Variance	%	Remarks
Hong Kong	**1,251**	1,196	55	5	The increase was mainly attributable to enhanced popularity of the SkyCity Marriott Hotel at the Hong Kong International Airport.
Macau	**1,718**	1,777	(59)	(3)	The decrease was mainly due to fewer sales recognised for residential units of Nova City in Macau.
Others	**128**	93	35	38	The increase was mainly attributable to travel related business in Mainland China.
Total	**3,097**	3,066	31	1	

PROFIT AND LOSS ANALYSIS

OPERATING PROFIT BY DIVISION





(HK$ million)	2010	2009	Variance	%	Remarks
Property	256	352	(96)	(27)	The decrease was mainly due to less profit recognised from property sales of Nova City.
Transportation	(26)	28	(54)	(193)	The variance was largely attributable to increased fuel costs and write-down of inventories.
Hospitality	22	(37)	59	159	The increase was mainly attributable to the improved performance of Skycity Marriott Hotel following the pick up experienced by the tourism industry.
Investment	(46)	22	(68)	(309)	The decrease was mainly due to reduced dividend income and impairment losses on investments.
Net gain on disposal of a subsidiary	—	680	(680)	n/a	It represented the gain on disposal of the Group's 50% interest in Grand Lapa Hotel (formerly known as Mandarin Oriental Hotel Macau) to STDM Group in 2009.
Impairment losses on amounts due by investee companies and other receivables	—	(36)	36	n/a	
Unallocated net expenses	(24)	(62)	38	61	The variance was largely due to increased interest income in 2010.
Fair value changes on investment properties	402	221	181	82	The variance was mainly due to the strong real estate market.
Operating profit	584	1,168	(584)	(50)	
Finance costs	(122)	(77)	(45)	(58)	The increase was principally due to full year's interest expenses of the convertible bonds issued in October 2009 reflected in 2010.
Share of results of associates	6	26	(20)	(77)	The variance was mainly due to the disposal of 50% interest in Grand Lapa Hotel in June 2009 and the Westin Resort, Macau continued to operate in a challenging environment.
Share of results of jointly controlled entities	524	1,916	(1,392)	(73)	The variance was mainly due to reduced contribution from the 51% owned One Central property project in Macau.
Profit before taxation	992	3,033	(2,041)	(67)	
Taxation	(90)	(97)	7	7	
Profit for the year	902	2,936	(2,034)	(69)	
Profit attributable to non-controlling interests	(49)	(62)	13	21	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	853	2,874	(2,021)	(70)	

Operating Profit by Geographical Area

(HK$ million)	2010	2009	Variance	%	Remarks
Hong Kong	167	144	23	16	The variance mainly represented fair value gain of investment properties in Hong Kong.
Macau	368	1,006	(638)	(63)	The decrease was mainly due to the one-off gain on disposal of the Group's 50% interest in Grand Lapa Hotel to STDM Group in 2009.
Others	49	18	31	172	The increase was mainly due to fair value gain of an investment property in Guangzhou.
Total	584	1,168	(584)	(50)	

Liquidity, Financial Resources and Capital Structure

At 31 December 2010, the Group's total net assets increased by 7% over last year to HK$17,613 million. Cash and liquidity position remains strong and healthy. During the year, net cash from operating activities amounted to HK$267 million which was resulted mainly from settlement of sales receivable of Nova City in Macau. Major cash inflow for investing activities included HK$460 million of dividends received from a jointly controlled entity holding the One Central property project in Macau. Net cash outflow for financing activities of HK$113 million was mainly attributable to the composite effect of new loans and dividends paid to shareholders.

Cash Flow Variance Analysis (HK$ million)	2010	2009	Variance
Operating activities	267	1,248	(981)
Investing activities	520	288	232
Financing activities	(113)	(685)	572
Net increase in cash and cash equivalents	674	851	(177)

The Group's bank balances and deposits stood at HK$4,264 million as at 31 December 2010. 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 2010, total bank loan facilities available to the Group was HK$7,999 million, of which HK$2,446 million remained undrawn. The Group's bank borrowings outstanding at the year end amounted to HK$5,553 million. Apart from the bank borrowings, the Group's borrowings also comprised the liability component of guaranteed convertible bonds of HK$1,464 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
50%	32%	18%	100%

Based on a net borrowings of HK$2,753 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 18.1% (2009: 21.4%). 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.

Acquisition

On 30 September 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), completed the acquisition of a site located at Chung Hom Kok Road, Hong Kong, from Hanika Realty Company Limited (the "Vendor" and a connected person of the Company) at the consideration of around HK$624 million which was settled by HK$28 million as initial cash deposit and the remaining balance of around HK$596 million by the allotment and issuance of 148,566,084 new shares of the Company at an issue price of HK$4.01 per share by the Company to the Vendor. Further details were described in the Company's circular dated 12 July 2010.

Charges on Assets

At the year end, bank loans to the extent of approximately HK$712 million (2009: HK$784 million) were secured with charges on certain assets of the Group amounting to an aggregate carrying value of HK$1,179 million (2009: HK$1,220 million).

Contingent Liabilities

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

Financial Risk

The Group adopts a conservative policy in financial risk management with minimal exposure to currency and interest rate risks. Except for the 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 2,680 employees at the year end. The Group adopts competitive remuneration packages for its employees. Promotion and salary increments are based on performance. Social activities are organised to foster team spirit amongst employees and they are encouraged to attend training classes that are related to the Group's businesses and developments.

REPORT OF THE DIRECTORS

The directors of the Company (the "Directors") have pleasure in submitting their report together with the financial statements for the year ended 31 December 2010 of the Company.

Group Activities

The principal activity of the Company is investment holding. The activities of its principal subsidiaries, associates and joint ventures are shown on pages 158 to 160.

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 2010 and the state of affairs of the Company and of the Group at that date are shown in the financial statements on pages 68 to 160. Commentary on the annual results is included in the Chairman's Statement on pages 12 to 13 and Review of Operations on pages 14 to 31.

Particulars of Principal Subsidiaries, Associates and Joint Ventures

Particulars regarding the principal subsidiaries, associates and joint ventures of the Company and of the Group are shown on pages 158 to 160.

Dividend

No interim dividend (2009: HK 3.8 cents per share) was paid during the year ended 31 December 2010 . The board of Directors (the "Board") has recommended a final dividend of HK 6.0 cents per share (2009: HK 18.7 cents per share) in respect of the year ended 31 December 2010. Subject to shareholders' approval at the forthcoming annual general meeting of the Company, the proposed final dividend will be paid on or around 23 June 2011 to shareholders of the Company whose names appear on the register of members of the Company on 15 June 2011.

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 34 to 38.

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 73 to 74 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$1,596,000 (2009: HK$914,000).

Convertible Bonds

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

Group Borrowings

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

Finance Costs Capitalised

Finance costs capitalised by the Group during the year amounted to HK$8,151,000 (2009: HK$10,050,000).

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 75.2% of the Group's total purchases was attributable to the Group's five largest suppliers combined, with the largest supplier accounting for 30.7% of the Group's total purchases.

During the year, 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

Non-Executive Directors:

Dato' Dr. Cheng Yu Tung
Mrs. Louise Mok
Mr. Michael Ng (re-designated from executive director to non-executive director on 1 July 2010)

Independent Non-Executive Directors:

Sir Roger Lobo
Mr. Norman Ho
Mr. Charles Ho

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

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

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

Service Contracts of Directors

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

Corporate Governance

The Company is committed to maintaining high standards of corporate governance. Information on the corporate governance practices adopted by the Company during the year ended 31 December 2010 is set out in the Report on Corporate Governance Practices on pages 60 to 66.

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 was an associate (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) of Dr. Stanley Ho up to 27 December 2010. STDM is also a substantial shareholder of Interdragon Limited ("Interdragon"), a 60% subsidiary of the Company. Dr. Stanley Ho is a director of STDM. Mrs. Louise Mok was a director of STDM up till 31 March 2010. Ms. Pansy Ho was a director of STDM up till 31 March 2010, and thereafter become an appointed representative of the Company, which is a corporate director of STDM, since 1 April 2010. Ms. Daisy Ho was an appointed representative of the Company, which is a corporate director of STDM, up till 31 March 2010, and thereafter become an appointed representative of Lanceford Company Limited, which is also a corporate director of STDM, since 1 April 2010. Mr. David Shum has been an appointed representative of Interdragon, which is a corporate director of STDM, since 1 April 2010. 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) The Group received total fees of HK$9.5 million from STDM for managing hotels owned by STDM. Agreements for such hotel management expired during the year and have not been renewed.

   (b) Shun Tak-China Travel Shipping Investments Limited ("ST-CTSI"), a non-wholly owned subsidiary of the Company, purchased HK$282.7 million of fuel from the STDM Group in Macau for its shipping operations. ST-CTSI is beneficially owned as to 42.6% by the Company, 28.4% by STDM and 29% by China Travel International Investment Hong Kong Limited ("CTII"). Pursuant to a fuel arrangement agreement (the "Fuel 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.

       The Fuel Arrangement Agreement expired on 31 December 2010. On 28 October 2010, ST-CTSI signed an amendment agreement to the Fuel Arrangement Agreement with STDM to continue the aforesaid arrangement for a further period of 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.

(c) Under an agency agreement between ST-CTSI and STDM (the "STDM Agency Agreement"), STDM acted as the agent of ST-CTSI for the sale of ferry tickets for which it received HK$18.7 million in commission. The commission was calculated at 5% of the total net ticket sales generated by STDM as agent (less any discounts and concessions on ferry tickets agreed by ST-CTSI, and any taxes, fees and levies paid thereon to any government or ferry terminal operator).

The STDM Agency Agreement expired on 31 December 2010. On 28 October 2010, ST-CTSI and STDM signed an amendment agreement to the STDM Agency Agreement to extend the agreement for a further period of 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$161.2 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$7.3 million, was granted on such bulk purchases. The commission and discount rates for STDM are within the range of commission and discount rates granted by ST-CTSI to other sales agents and bulk purchasers respectively.

(d) 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.

During the year, the total rental and related expenses paid to the STDM Group under the STDM Master Leasing Agreement amounted to HK$9.6 million.

(e) On 4 February 2010, the Company entered into a master property services agreement (the "Master Property Services Agreement") with STDM to set out a framework for the provision of property related services by the Group to the STDM Group on a mutually non-exclusive basis, including without limitation, sales, leasing, project management, property management, property cleaning and other property related services for the properties as designated by the STDM Group and agreed by the Group from time to time.

The 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$23.8 million.

2. On 19 September 2007, Shun Tak-China Travel Ship Management Limited ("ST-CTSM"), a wholly-owned subsidiary of ST-CTSI, entered into an agreement (the "Co-operation Agreement") with New World First Ferry Services (Macau) Limited ("NWFF"), a company owned as to 50% by NWS Holdings Limited which is a subsidiary of New World Development Company Limited ("NWD"). NWD is a substantial shareholder of Ranex Investments Limited ("Ranex"), a 51% owned subsidiary of the Company. Under the terms of the Co-operation Agreement, the Hong Kong Ferry Service (as defined in the Company's announcement dated 19 September 2007) between the Hong Kong Macau Ferry Terminal and Macau and the Kowloon Ferry Service (as defined in the Company's announcement dated 19 September 2007) between the China Ferry Terminal and Macau are managed and operated by ST-CTSM and NWFF respectively.

   In particular, the Co-operation Agreement provides that:

   (i) ST-CTSM will make available discounted seats to NWFF for the Hong Kong Ferry Service in accordance with a discount formula, being the higher of the lowest fare offered by ST-CTSM to the market (including agents and brokers) per one-way ticket, or a discount rate of 20% off the published rate (net of taxes and fees) of such ticket, provided that the discounted seats fee does not exceed HK$30 million per annum;

   (ii) ST-CTSM and NWFF agree to sell ferry tickets for ferry services operated by each other for commissions at a rate mutually agreed from time to time, provided that cross-selling by NWFF of tickets for the Hong Kong Ferry Service commences after the discounted seats fee paid to ST-CTSM exceeds HK$30 million per annum; and

   (iii) ST-CTSM and NWFF may charter vessels from each other at a charter-hire fee and other terms to be mutually agreed from time to time.

   The Co-operation Agreement expired on 31 October 2010.

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

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

   During the year, the aggregate revenue received by the Group from the NWFF group and the aggregate expenses paid by the Group to the NWFF group under the NWFF Master Service Agreement amounted to HK$29.2 million and HK$0.9 million respectively.

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

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

   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$27.2 million under the CTSHK Agreement to CTSHK.

4. 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.

   During the year, ST-CTSI paid commission of HK$27.2 million under the Wincent Agreement to Wincent.

5. 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), 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 of Dato' Dr. Cheng Yu Tung, and hence a connected person of the Company.

   The Consultancy Agreement is in force for the period from 1 January 2010 to 3 March 2011.

   During the year, STP paid consultancy fees of HK$4.5 million under the Consultancy Agreement to Kiu Lok.

6. 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.

   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.

   During the year, the total rental and related expenses paid by the Group to STC under the STC Master Leasing Agreement amounted to HK$7.7 million.

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

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

       The Ferry Ticket Agreement expired on 30 November 2010.

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

The MGM Master Service Agreement expired on 31 December 2010. On 8 October 2010, the Company entered into a renewed master service agreement (the "Renewed MGM Master Service Agreement") with MGM to continue to set out a framework for products and/or services which may be provided/demanded by the Group to/from the MGM Group from time to time 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. Agreements or service contracts entered into under the Renewed MGM Master Service Agreement will be in writing for a fixed term of not more than 3 years.

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$61.6 million and HK$0.8 million respectively.

As set out in the announcement of the Company dated 5 March 2008, the annual cap on the service fees ("Revenue") receivable by the Group from the MGM Group in respect of the MGM Transactions for the year ended 31 December 2010 was set at HK$61 million (the "Previous 2010 Revenue Cap"). According to the consolidated financial statements of the Company for the year ended 31 December 2010, the aggregate revenue received by the Group from the MGM Group in respect of the MGM Transactions for the year ended 31 December 2010 was approximately HK$61.6 million, which has exceeded the Previous 2010 Revenue Cap by approximately HK$0.6 million. The Company has therefore revised the annual cap on Revenue in respect of the MGM Transactions for the year ended 31 December 2010 to HK$62 million (the "Revised 2010 Revenue Cap"), reflecting the actual aggregate revenue under the MGM Master Service Agreement received by the Group from the MGM Group for such year.

Pursuant to Rule 14A.36(1) of the Listing Rules, where a previously announced annual cap is exceeded, the Company must re-comply with the reporting, announcement and/or independent shareholders approval requirement under Rules 14A.35(3) and 14A.35(4) of the Listing Rules. As the Revised 2010 Revenue Cap exceeds 0.1% but does not exceed 5% of each of the applicable percentage ratios, the MGM Transactions are subject to reporting and announcement requirements, but exempted from the independent shareholders' approval requirement under Rule 14A.34 of the Listing Rules. The Company has made an announcement in respect of the revision of 2010 annual cap for continuing connected transactions with the MGM Group on 28 March 2011.

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

The auditor of the Company has confirmed that the continuing connected transactions mentioned in sub-paragraphs 1 to 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 or revised cap (mentioned in sub-paragraph 7 above) disclosed in the relevant announcements.

8. 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 30 December 2010, the completion date of the acquisition was further extended from 31 December 2010 to on or before 30 June 2012.

9. On 18 June 2010, Grace Wealth Development Limited ("Grace Wealth"), an indirect wholly-owned subsidiary of the Company, together with the Company as guarantor to Grace Wealth, entered into a conditional sale and purchase agreement (the "SPA") with Hanika Realty Company Limited ("Hanika"), for the acquisition (the "Acquisition") by Grace Wealth of a site located at No. 1 Horizon Drive and Nos. 44-50 Chung Hom Kok Road, Hong Kong, at a consideration of HK$624,175,000. The consideration was settled by an initial cash deposit of HK$28,425,000 and the remaining balance by the allotment and issuance of 148,566,084 new shares of the Company at an issue price of HK$4.01 per share by the Company to Hanika upon completion of the SPA. Hanika is owned as to 14.2% by Dr. Stanley Ho and 71.5% by Ranillo Investments Limited ("Ranillo"). Ranillo is owned as to 20% by each of Ms. Pansy Ho, Ms. Daisy Ho and Ms. Maisy Ho. The Acquisition was completed on 30 September 2010.

10. On 23 November 2010, Ranex, in which Sun Hung Kai Properties Limited ("SHKP") indirectly owns 29% of its issued share capital and the developer of the redevelopment of Chatham Garden located at No. 424 Chatham Road, Tsim Sha Tsui North, Kowloon (the "Development"), entered into a management contract (the "Management Contract") with Shun Tak Yee Fai Construction JV Limited ("STYF"), a joint venture indirectly owned by the Group and SHKP in equal share, whereby STYF was appointed as the management contractor by Ranex for the construction of the Development. Other than those related to the foundation works of the Development, STYF was responsible for (i) managing and supervising the construction and completion of the Development; (ii) entering into (as agent for Ranex) the works contracts with the works contractors and suppliers in relation to the Development; and (iii) paying (as agent for Ranex) all necessary preliminaries (the "Preliminaries") for the completion of the works to be carried out under the Management Contract. The contract value of the Management Contract, which comprises a management fee (the "Management Fee") and the Preliminaries was expected to be no more than HK$140,000,000. The Management Fee is equivalent to 5.5% of actual out-of-pocket expenses, except the Management Fee, incurred or to be incurred by Ranex in connection with the Development, subject to a cap of HK$40,000,000, payable by Ranex to STYF on a monthly basis. The Preliminaries mean the costs incurred or to be incurred by STYF on behalf of, and are reimbursable by, Ranex for the site overheads, subject to a cap of HK$100,000,000. The contract period is scheduled to end on 31 December 2012. Each of Shun Tak Development Limited ("STD") and Sun Hung Kai Real Estate Agency Limited ("SHKR"), being a wholly-owned subsidiary of each of the Company and SHKP respectively, has executed a guarantee in favour of Ranex to guarantee the due and punctual performance of the Management Contract by STYF. The liability for STD and SHKR, as guarantor, shall be limited to 50% of the total liability of STYF under the Management Contract.

11. On 13 December 2010, Tin Wai Development Company, Limited ("Tin Wai"), an indirect non wholly-owned subsidiary of the Company and the developer of the columbarium development situates at Avenida Son On Nos. 1, 3, 5 & 7 Taipa, Macau with a 6-storey columbarium building with gross floor area of approximately 6,522 square metres (the "Columbarium Development"), entered into a main contract (the "Main Contract") with Hip Hing Engineering (Macau) Company Limited ("Hip Hing"), an indirect subsidiary of NWD, whereby Hip Hing was appointed as the main contractor for the construction of the Columbarium Development at a contract sum of approximately HK$62.5 million payable on a monthly basis based on the progress of works properly executed and certified by the architects appointed by Tin Wai. Hip Hing's performance of its obligations under the Main 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 construction is expected to be completed in 2011.

12. On 13 December 2010, Nova Taipa-Urbanizações, Limitada ("NTU"), an indirect wholly-owned subsidiary of the Company and the developer of the residential development named Nova City Phase 4 situates at Lote BT35, Taipa, Macau with total gross floor area of approximately 63,279 square metres (the "Residential 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 Residential Development at a contract sum of approximately HK$180 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 licenced bank in Hong Kong for a sum not less than 10% of the contract sum. The foundation works is expected to be completed in 2012.

Under Chapter 14A of the Listing Rules, the transactions mentioned in sub-paragraphs 8 to 12 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.

13. 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 2010, the total outstanding sum of the shareholders' loan was HK$219.2 million.

Save for the transactions mentioned in sub-paragraphs 1 to 13 above, there was no other contract of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interests in Competing Businesses

The Directors (other than Independent Non-Executive Directors) named in the paragraphs below have interests in businesses, which are considered to compete or likely to compete, either directly or indirectly, with the businesses of the Group during the year.

Dr. Stanley Ho has beneficial interests in Melco International Development Limited which is also engaged in the businesses of property investment and/or hospitality.

Dr. Stanley Ho is a director of and has beneficial interests in STC which is also engaged in the businesses 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 and has beneficial interests in STDM, which is also engaged in the businesses of property investment, property development and/or hospitality. Mrs. Louise Mok was a director of STDM up till 31 March 2010. Ms. Pansy Ho was a director of STDM up till 31 March 2010, and thereafter become an appointed representative of the Company, which is a corporate director of STDM, since 1 April 2010. Ms. Daisy Ho was an appointed representative of the Company, which is a corporate director of STDM, up till 31 March 2010, and thereafter become an appointed representative of Lanceford Company Limited, which is also a corporate director of STDM, since 1 April 2010. Mr. David Shum has been an appointed representative of Interdragon, which is a corporate director of STDM, since 1 April 2010.

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

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

Disclosure of Interests

(1) Disclosure of Directors' Interests

As at 31 December 2010, the interests or short positions of the Directors and chief executive of the Company and their respective associates in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, were as follows:

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

Name of Director	Nature of interests	Number of shares held				Approximate percentage of total issued shares
		Personal interests	Note	Corporate interests	Note	Note (i)
Dr. Stanley Ho	Interests in issued shares	—		36,285,523	(iv)	1.67%
	Interests in unissued shares	—		148,883,374	(v)	6.85%
	Interests in underlying shares	1,587,300	(ii)	—		0.07%
Sir Roger Lobo	—	—		—		—
Mr. Norman Ho	—	—		—		—
Mr. Charles Ho	—	—		—		—
Dato' Dr. Cheng Yu Tung	—	—		—		—
Mrs. Louise Mok	Interests in issued shares	342,627		—		0.02%
Mr. Michael Ng	Interests in underlying shares	5,633,713	(iii)	—		0.26%
Ms. Pansy Ho	Interests in issued shares	47,087,604		191,931,661	(vi)	11.00%
	Interests in unissued shares	—		148,883,374	(v)	6.85%
	Interests in underlying shares	10,157,740	(ii)	—		0.47%
Ms. Daisy Ho	Interests in issued shares	45,647,811		97,820,707	(vii)	6.60%
	Interests in unissued shares	—		148,883,374	(v)	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	(viii)	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%

Notes:

(i) As at 31 December 2010, 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) 633,713 shares issuable to Mr. Michael Ng upon conversion of the Convertible Bonds (as defined hereunder in sub-paragraph (1)(d) headed "Interests of the Directors in Debentures of subsidiaries of the Company") for an aggregate nominal amount of HK$5,000,000 held by him as at 31 December 2010 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 36,285,523 shares, of which Dr. Stanley Ho was deemed to be interested by virtue of the SFO, comprised 11,446,536 shares held by Sharikat Investments Limited ("SIL") and 24,838,987 shares held by Dareset Limited ("DL"). SIL and DL are wholly owned by Dr. Stanley Ho.

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

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

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

(viii) These 23,066,918 shares, of which Ms. Maisy Ho was deemed to be interested by virtue of the SFO, were held by LionKing Offshore Limited, which is wholly owned by Ms. Maisy Ho.

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

Name of Director	Name of subsidiary	Corporate interests	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 2010, 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 2010, 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

Name of Director	Name of subsidiary	Personal interests	Approximate percentage of aggregate nominal amount of the Convertible Bonds in issue Note (i)
Mr. Michael Ng	Joyous King Group Limited	HK$5,000,000 Note (ii)	0.32%

Notes:

(i) As at 31 December 2010, 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$5,000,000 held by Mr. Michael Ng would be convertible into 633,713 shares of the Company, representing approximately 0.03% of the issued share capital of the Company as at 31 December 2010, 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 2010.

(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 2010	At 31 December 2010
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), (iv)	1 February 2010	1 April 2010 to 31 January 2015	4.68	—	2,500,000
	(iii), (iv)	1 February 2010	1 April 2011 to 31 January 2015	4.68	—	2,500,000

Notes:

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

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

(iii) These share options are subject to vesting. If Mr. Michael Ng's appointment with the Company is not terminated (other than termination with cause) before 1 April 2011, these 2,500,000 share options will be vested on 1 April 2011, or if the appointment is terminated pro rata to his number of completed months in services in the year ending 31 March 2011.

(iv) The closing price of the shares of the Company on 29 January 2010, the trading day immediately before 1 February 2010 (i.e. the grant date of these share options), was HK$4.52 per share.

The weighted average fair value of the 5,000,000 share options granted on 1 February 2010 is HK$1.64 per unit with total fair value of approximately HK$8.2 million. The valuation was based on the Hull-White Trinomial Model with the following data and assumptions:

- Closing price on the grant date — HK$4.42 per share
- Exercise price — HK$4.68 per share
- Expected volatility (based on the movement of share prices in recent years) — 56.7% per annum
- Average expected life after taking into account the probability of early exercise behaviour — 4.0 years
- Risk-free interest rate (based on Hong Kong Exchange Fund Notes as at the grant date) — 1.8% per annum
- Expected dividend yield — 2.5% 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.

Save for the share options granted to Mr. Michael Ng 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.

Save as disclosed above, as at 31 December 2010, none of the Directors or their spouse or children under 18 years of age were granted any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations under the Share Option Scheme.

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

(i) Purpose of the Share Option Scheme	To attract and retain the best quality personnel; to provide additional incentives to participants; and to promote the long term financial success of the Company by aligning the interests of the option holders to shareholders.
(ii) Participants of the Share Option Scheme	(a) any employee or any business related consultant, agent, representative or advisor of the Company or any affiliate; (b) any person who provides goods or services to the Company or any affiliate; (c) any customer of the Company or any affiliate; (d) any business ally or joint venture partner of the Company or any affiliate; or (e) related trusts and companies of (a) to (d) above.
(iii) Total number of shares available for issue under the Share Option Scheme and percentage on issued share capital as at the date of this annual report	The Company had granted options in respect of 123,523,670 shares of the Company under the Share Option Scheme up to the date of this annual report. The total number of shares available for issue under the Share Option Scheme is 70,719,721, representing approximately 3.25% of the Company's issued share capital as at the date of this annual report.
(iv) Maximum entitlement of each participant under the Share Option Scheme	In any 12-month period: - 1% of the issued share capital (excluding substantial shareholders and Independent Non-Executive Directors) - 0.1% of the issued share capital and not exceeding HK$5 million in aggregate value (for substantial shareholders and Independent Non-Executive Directors)

(v) The period within which the shares must be taken up under an option	The Board may at its absolute discretion determine save that such period shall not expire later than 10 years from the date of grant.
(vi) The minimum period for which an option must be held before it can be exercised	There is no such minimum holding period prescribed in the Share Option Scheme, but the Board may at its absolute discretion impose a vesting period on an option.
(vii) The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid	An offer for the grant of an option may be accepted within 28 days from the date of the offer and HK$1.00 is payable on acceptance of the grant of an option.
(viii) The basis of determining the subscription price	The subscription price is determined by the Board and shall be not less than the higher of: - the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of offer; - the average closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer; and - the nominal value of a share of the Company.
(ix) The remaining life of the Share Option Scheme	The Share Option Scheme shall remain in force until 31 May 2012.

(3) Substantial Shareholders and Other Persons

As at 31 December 2010, 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	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	148,833,374	6.85%
Megaprosper Investments Limited ("MIL")	(iv)	Interests in unissued shares	Interests of controlled corporation	Long position	148,833,374	6.85%

Notes:

(i) As at 31 December 2010, the total number of issued shares of the Company was 2,172,276,887.

(ii) Dr. Stanley Ho and Ranillo have 14.2% and 71.5% voting rights of Hanika respectively. Ranillo is owned as to 20% by each of Ms. Pansy Ho, Ms. Daisy Ho and Ms. Maisy Ho. Accordingly, the interests of Ranillo in the Company duplicate the interests of Hanika in the Company as described above. Dr. Stanley Ho, 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.

Save as disclosed above, no other person (other than the Directors and 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 2010.

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 2010.

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 161.

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, 28 March 2011

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 2010, 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 10 June 2010, 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 2010 and up to the date of this annual report are set out below:

Mr. Michael Ng was re-designated from an Executive Director to a Non-Executive Director of the Company and also ceased to act as a member of the Executive Committee, both with effect from 1 July 2010.

As at the date of this annual report, the Board consists of a total of 11 members, including the Group Executive Chairman (the "Chairman"), the Managing Director, the Deputy Managing Director, two other Executive Directors, and six Non-Executive Directors of whom three are Independent Non-Executive Directors. Changes in Board members are disclosed in the "Report of the Directors" in this annual report. The Board is well balanced between Executive and Non-Executive Directors who possess a diverse range of relevant skills to advance the interests of the Shareholders. Independent Non-Executive Directors possess a range of experience and are of high calibre to ensure that the interests of all Shareholders are taken into account and that key issues vital to the success of the Company are subject to independent and objective consideration by the Board. Brief biographies of the Directors and the relationship amongst them are set out in the "Management Profile" in this annual report.

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

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

To ensure the Board works effectively and discharges its responsibilities, Board members have full and timely access to relevant information and are properly briefed on issues considered at Board meetings. The duty of preparing meeting agenda is delegated to the company secretary 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. The Company also encourages the Directors to participate in relevant professional development courses to continually enhance their relevant knowledge and skills.

The roles of the Chairman and the Managing Director are distinct and separate, and are taken by Dr. Stanley Ho and Ms. Pansy Ho respectively. A clear separation is maintained between the responsibilities of the Chairman and the Managing Director with the former being mainly responsible for the leadership of the Board while the latter is responsible for the overall performance of the Company and its subsidiaries (the "Group").

The Board 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 2010, six Board meetings were held. All Directors have fully and actively participated in the affairs of the Board.

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

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

Model Code for Securities Transactions

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

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. All the Directors have confirmed, following specific enquiry by the Company on each of them, that they had fully complied with the Model Code throughout the year ended 31 December 2010.

Board Committees

Each of the Remuneration Committee, the Nomination Committee, the Executive Committee and the Audit Committee has defined duties and responsibilities as set out in its own written terms of reference which, if applicable, are on no less exacting terms than those set out in the Code. The written terms of reference will be regularly reviewed and updated in response to any regulatory changes or as the Board may deem appropriate. Other Board Committee for approving particular transaction is delegated with specific duties and authorities by the Board when it is formed. All Board Committees are provided with sufficient resources to discharge their duties.

Remuneration Committee

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

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

According to its written terms of reference, a copy of which is posted on the website of the Company, the Remuneration Committee shall meet at least once per year. Additional meetings may be held as required. Decision may also be made by circulation of written resolutions accompanied by explanatory materials. During the year ended 31 December 2010, two Remuneration Committee meetings were held and one set of written resolutions was passed; whereby the Remuneration Committee had reviewed and approved the remuneration packages of the Executive Directors and senior management, including the new remuneration package on re-designation of an Executive Director to a Non-Executive Director.

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

Nomination Committee

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

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

According to its written terms of reference, a copy of which is posted on the website of the Company, the Nomination Committee shall meet as required by its work. Decision may also be made by circulation of written resolutions accompanied by explanatory materials. During the year ended 31 December 2010, one Nomination Committee meeting was held; whereby the Nomination Committee made recommendations on re-designation of an Executive Director to a Non-Executive Director and cessation to act as a member of the Executive Committee upon such re-designation.

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 four members, namely, Ms. Pansy Ho (Managing Director), Ms. Daisy Ho (Deputy Managing Director) and the other two Executive Directors, Ms. Maisy Ho and Mr. David Shum. Mr. Michael Ng ceased to be a member of the Executive Committee on 1 July 2010. 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 2010, two Audit Committee meetings were held at which the Audit Committee reviewed the Company's interim and year-end financial reports, particularly judgemental areas before submission to the Board, the internal audit programme, findings and management's response as well as matters concerning the engagement of external auditor of the Company. The Audit Committee also considered and approved the annual audit and non-audit services fees and recommended the re-appointment of H. C. Watt & Company Limited as the Company's external auditor.

Auditors' Remuneration

For the year ended 31 December 2010, 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$6.4 million and HK$2.5 million respectively. The non-audit services included interim review, review of continuing connected transactions of the Company, and taxation and other services.

Accountability and Audit

The Directors acknowledge their responsibility for preparing the financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the Group and of the profit and cash flows of the Group for the year in accordance with Hong Kong Financial Reporting Standards, the Hong Kong Companies Ordinance and the Listing Rules. In preparing the financial statements for the year ended 31 December 2010, the Directors have selected suitable accounting policies and applied them consistently. The Directors also made judgements and estimates that are prudent and reasonable and prepared the financial statements on a going concern basis. The Company announced its interim and annual results in a timely manner after the end of the relevant periods as required by the Listing Rules.

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

Internal Control

The Board is responsible for ensuring a sound and effective system of internal control which is designed for (i) safeguarding the interests of the Shareholders; (ii) safeguarding assets of the Group against misappropriation; (iii) ensuring proper maintenance of accounting records for the provision of reliable financial information; and (iv) ensuring compliance with relevant legislation and regulations. Such system of internal control is aimed at mitigating the risks faced by the Group to an acceptable level but not at eliminating all the risks. Hence, such system can only provide reasonable but not absolute assurance that there will not be any material misstatement in the financial information and there will not be any financial loss or fraud.

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

Through the Audit Committee, the Board continues to review the effectiveness of the internal control system which includes financial, operational, compliance and risk management controls. The review process consists of (i) assessment of internal controls by the Group internal audit department; (ii) operational management's assurance of the maintenance of internal controls; and (iii) identification of control issues by the external auditor during statutory audit. The Audit Committee, supported by the Group internal audit department, reviews the adequacy of resources, qualifications, experiences and training requirements of staff responsible for the accounting and financial reporting functions.

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

The Group internal audit department reviews internal controls by evaluating the control environment, performing risk assessments of key processes, assessing the adequacy and testing the functioning of key controls on sample basis. During each audit, the qualifications and experience of staff as well as manpower and training budgets are reviewed to ensure that sufficient numbers of competent staff are available to carry out an effective internal control system. In addition, operational management of key processes is required to review its control framework with reference to the integrated framework of internal control recommended by the Committee of Sponsoring Organisations of the Treadway Commission and to confirm that the internal control system is functioning as intended. An audit report addressing the identified control deficiencies is issued for each internal audit.

The Group internal audit department reports to the Audit Committee periodically on the results of the assessment of internal controls and implementation of follow-up actions on control deficiencies. In addition, the head of Group internal audit department will attend the Audit Committee meetings to report the progress in achieving the strategic audit plan and give a summary of significant control deficiencies which have been identified.

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

Proactive Investor Relations

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

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

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

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

Looking Forward

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

Hong Kong, 28 March 2011

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 68 to 160, which comprise the consolidated and company balance sheets as at 31 December 2010, 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.

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 2010, 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
28 March 2011

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

	Note	2010 (HK$'000)	(Restated) 2009 (HK$'000)
Turnover	4	**3,097,249**	3,065,710
Other revenues	4	**98,961**	105,298
		3,196,210	3,171,008
Other net income	5	**21,000**	681,180
Cost of inventories sold or consumed		**(1,325,104)**	(1,295,333)
Staff costs		**(689,520)**	(686,612)
Depreciation and amortisation		**(210,430)**	(213,343)
Other costs		**(809,779)**	(709,521)
Fair value changes on investment properties		**402,187**	220,514
Operating profit	6	**584,564**	1,167,893
Finance costs	8	**(121,877)**	(77,040)
Share of results of associates		**5,974**	26,046
Share of results of jointly controlled entities		**524,138**	1,915,891
Profit before taxation		**992,799**	3,032,790
Taxation	9(a)	**(90,218)**	(97,125)
Profit for the year		**902,581**	2,935,665
Attributable to:			
Owners of the Company		**853,344**	2,873,928
Non-controlling interests		**49,237**	61,737
Profit for the year		**902,581**	2,935,665
Earnings per share (HK cents)	11		
– basic		**41.4**	134.4
– diluted		**40.8**	132.0

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

	2010 (HK$'000)	2009 (HK$'000)
Profit for the year	**902,581**	2,935,665
Other comprehensive income / (loss)		
Available-for-sale investments:		
Changes in fair value	**21,976**	63,753
Reclassification adjustment for losses included in profit or loss	**48,661**	—
Cash flow hedges:		
Changes in fair value	**46,590**	17,833
Deferred tax	**(7,687)**	(2,942)
Reclassification adjustment for (gains) / losses included in profit or loss	**(11,934)**	83,160
Deferred tax	**1,969**	(13,721)
Properties:		
Write-back / (write-down) of properties held for sale	**79,718**	(35,242)
Deferred tax	**(9,566)**	4,229
Reclassification adjustment for gains included in profit or loss upon sales of properties	**(136,770)**	(166,879)
Deferred tax	**16,008**	19,516
Exchange differences :		
Translation of financial statements of foreign operations	**18,162**	2,012
Other comprehensive income / (loss) for the year, net of tax	**67,127**	(28,281)
Total comprehensive income for the year	**969,708**	2,907,384
Attributable to:		
Owners of the Company	**896,428**	2,799,137
Non-controlling interests	**73,280**	108,247
Total comprehensive income for the year	**969,708**	2,907,384

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2010 (HK$'000)	As at 31 December (Restated) 2009 (HK$'000)	As at 1 January (Restated) 2009 (HK$'000)
Non-current assets				
Property, plant and equipment	12	**2,209,544**	2,491,527	2,593,072
Investment properties	13	**3,808,023**	3,385,392	3,164,103
Leasehold land	14	**8,902**	9,146	9,390
Associates	16	**177,483**	183,007	220,347
Jointly controlled entities	17	**2,258,366**	2,829,636	957,352
Intangible assets	18	**365,857**	365,796	363,393
Available-for-sale investments	19	**1,086,150**	1,065,804	999,394
Mortgage loans receivable	20	**10,833**	14,726	22,972
Deferred tax assets	9(c)	**31,072**	30,561	57,252
Other non-current assets	21	**1,355,423**	1,332,519	822,079
		11,311,653	11,708,114	9,209,354
Current assets				
Properties for or under development	22	**10,131,573**	8,877,550	8,778,240
Inventories	23	**209,173**	1,002,094	1,969,719
Trade receivables, other receivables and deposits paid	24	**1,190,761**	1,171,658	1,857,991
Available-for-sale investments	19	**11,894**	15,514	14
Derivative financial instruments	25	**38,574**	3,918	242
Taxation recoverable		**6,690**	4,059	9,362
Bank deposits, cash and bank balances	26	**4,264,015**	3,587,409	2,736,636
		15,852,680	14,662,202	15,352,204
Current liabilities				
Trade and other payables	27	**570,927**	1,303,221	816,312
Deposits received on sales of properties		**913**	59,266	269,466
Bank borrowings	28	**3,497,600**	1,416,800	1,994,000
Derivative financial instruments		**—**	—	97,075
Provision for employee benefits	29	**15,575**	16,424	28,948
Taxation payable		**99,247**	112,398	185,903
		4,184,262	2,908,109	3,391,704
Net current assets		**11,668,418**	11,754,093	11,960,500
Total assets less current liabilities		**22,980,071**	23,462,207	21,169,854

	Note	As at 31 December 2010 (HK$'000)	(Restated) 2009 (HK$'000)	As at 1 January (Restated) 2009 (HK$'000)
Non-current liabilities				
Bank borrowings	28	**2,055,600**	3,752,200	5,244,000
Convertible bonds	30	**1,464,102**	1,441,888	—
Deferred tax liabilities	9(c)	**1,000,792**	1,001,459	1,048,555
Loans from non-controlling shareholders	31	**846,828**	849,146	847,743
		5,367,322	7,044,693	7,140,298
Net assets		**17,612,749**	16,417,514	14,029,556
Equity				
Share capital	32	**543,069**	505,928	564,235
Reserves	34(a)	**14,554,242**	13,211,573	11,222,649
Proposed dividends		**130,337**	378,434	29,340
Equity attributable to owners of the Company		**15,227,648**	14,095,935	11,816,224
Non-controlling interests		**2,385,101**	2,321,579	2,213,332
Total equity		**17,612,749**	16,417,514	14,029,556

Pansy Ho
Director

Cheng Yu Tung
Director

BALANCE SHEET

	Note	As at 31 December 2010 (HK$'000)	2009 (HK$'000)
Non-current assets			
Property, plant and equipment	12	**993**	1,144
Subsidiaries	15	**630,805**	24,200
Associates	16	**250**	250
Available-for-sale investments	19	**234,723**	234,723
Other non-current assets	21	**11,028,765**	11,253,231
		11,895,536	11,513,548
Current assets			
Debtors, deposits and prepayments	24	**8,210**	11,461
Bank deposits, cash and bank balances	26	**33,420**	52,105
		41,630	63,566
Current liabilities			
Creditors, deposits and accrued charges	27	**1,350,696**	1,163,025
Provision for employee benefits	29	**2,988**	3,204
		1,353,684	1,166,229
Net current liabilities		**(1,312,054)**	(1,102,663)
Net assets		**10,583,482**	10,410,885
Equity			
Share capital	32	**543,069**	505,928
Reserves	34(b)	**9,910,076**	9,526,523
Proposed dividends		**130,337**	378,434
Total equity		**10,583,482**	10,410,885

Pansy Ho
Director

Cheng Yu Tung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Equity attributable to owners of the Company														
	Share capital (HK$'000)	Share premium (HK$'000)	Capital redemption reserve (HK$'000)	Capital reserve (HK$'000)	Convertible bonds equity reserve (HK$'000)	Legal reserve (HK$'000)	Special reserve (HK$'000)	Investment revaluation reserve (HK$'000)	Hedging reserve (HK$'000)	Asset revaluation reserve (HK$'000)	Exchange reserve (HK$'000)	Retained profits (HK$'000)	Proposed dividends (HK$'000)	Total (HK$'000)	Non-controlling interests (HK$'000)	Total equity (HK$'000)
At 1 January 2010	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
Profit for the year	—	—	—	—	—	—	—	—	—	—	—	853,344	—	853,344	49,237	902,581
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	853,344	—	896,428	73,280	969,708
Issue of new shares for acquisition of a site for development (note 32)	37,141	558,609	—	10,855	—	—	—	—	—	—	—	—	—	606,605	—	606,605
Share options granted	—	—	—	7,299	—	—	—	—	—	—	—	—	—	7,299	—	7,299
Expenses on issue of shares	—	(30)	—	—	—	—	—	—	—	—	—	—	—	(30)	—	(30)
2009 final dividend paid	—	—	—	—	—	—	—	—	—	—	—	—	(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	5,692,600	130,337	15,227,648	2,385,101	17,612,749

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Equity attributable to owners of the Company															
	Share capital (HK$'000)	Share premium (HK$'000)	Capital redemption reserve (HK$'000)	Capital reserve (HK$'000)	Convertible bonds equity reserve (HK$'000)	Legal reserve (HK$'000)	Special reserve (HK$'000)	Investment revaluation reserve (HK$'000)	Hedging reserve (HK$'000)	Asset revaluation reserve (HK$'000)	Exchange reserve (HK$'000)	Retained profits (HK$'000)	Proposed dividends (HK$'000)	Total (HK$'000)	Non-controlling interests (HK$'000)	Total equity (HK$'000)
At 1 January 2009	564,235	6,802,141	34,254	5	—	11,862	(151,413)	(20,770)	(34,531)	1,404,192	39,089	3,137,820	29,340	11,816,224	2,213,332	14,029,556
Profit for the year	—	—	—	—	—	—	—	—	—	—	—	2,873,928	—	2,873,928	61,737	2,935,665
Other comprehensive income / (loss) for the year	—	—	—	—	—	—	—	63,753	35,925	(178,376)	3,907	—	—	(74,791)	46,510	(28,281)
Total comprehensive income / (loss) for the year	—	—	—	—	—	—	—	63,753	35,925	(178,376)	3,907	2,873,928	—	2,799,137	108,247	2,907,384
Exercise of share options	7,609	88,426	—	—	—	—	—	—	—	—	—	—	—	96,035	—	96,035
Expenses on issue of shares	—	(72)	—	—	—	—	—	—	—	—	—	—	—	(72)	—	(72)
Repurchase of shares	(65,916)	—	65,916	—	—	—	—	—	—	—	—	(580,068)	—	(580,068)	—	(580,068)
Expenses on repurchase of shares	—	—	—	—	—	—	—	—	—	—	—	(9,225)	—	(9,225)	—	(9,225)
Equity component of convertible bonds issued (note 30)	—	—	—	—	80,397	—	—	—	—	—	—	—	—	80,397	—	80,397
2008 final dividend for shares issued upon exercise of share options	—	—	—	—	—	—	—	—	—	—	—	(261)	261	—	—	—
2008 final dividend paid	—	—	—	—	—	—	—	—	—	—	—	—	(29,601)	(29,601)	—	(29,601)
2009 interim dividend paid	—	—	—	—	—	—	—	—	—	—	—	(76,901)	—	(76,901)	—	(76,901)
2009 final dividend	—	—	—	—	—	—	—	—	—	—	—	(378,434)	378,434	—	—	—
Transfer of reserve	—	—	—	—	—	(4,044)	—	—	—	—	—	4,044	—	—	—	—
Share of reserve of an associate	—	—	—	9	—	—	—	—	—	—	—	—	—	9	—	9
	(58,307)	88,354	65,916	9	80,397	(4,044)	—	—	—	—	—	(1,040,845)	349,094	(519,426)	—	(519,426)
At 31 December 2009	505,928	6,890,495	100,170	14	80,397	7,818	(151,413)	42,983	1,394	1,225,816	42,996	4,970,903	378,434	14,095,935	2,321,579	16,417,514

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December

	Note	2010 (HK$'000)	2009 (HK$'000)
Operating activities			
Profit before taxation		**992,799**	3,032,790
Adjustments for:			
Depreciation and amortisation		**210,430**	213,343
Finance costs		**121,877**	77,040
Interest income		**(54,686)**	(24,140)
Dividend income from investments		**(18,153)**	(34,853)
Share of results of associates		**(5,974)**	(26,046)
Share of results of jointly controlled entities		**(524,138)**	(1,915,891)
Profits on sales of properties		**(136,770)**	(166,879)
Net (gain) / loss on disposal of property, plant and equipment		**(19,784)**	3,806
Net gain on disposal of interests in subsidiaries	35(b)	**—**	(679,609)
Excess of interest in fair value of net assets acquired over cost of acquisitions of subsidiaries	35(a)	**—**	(201)
(Gain) / loss on available-for-sale investments and other financial instruments		**(84)**	738
Share-based payments		**7,299**	—
Impairment losses on available-for-sale investments		**51,661**	123
Impairment losses on amounts due by investee companies		**—**	31,736
Fair value changes on investment properties		**(402,187)**	(220,514)
Operating profit before working capital changes		**222,290**	291,443
Decrease in properties for or under development and inventories of properties, excluding net finance costs capitalised		**261,940**	826,419
Decrease / (increase) in other inventories		**50,916**	(184)
(Increase) / decrease in trade receivables, other receivables and deposits paid		**(50,255)**	606,368
Decrease in trade and other payables		**(49,278)**	(73,998)
Decrease in deposits received on sales of properties		**(58,353)**	(210,200)
Decrease in provision for employee benefits		**(849)**	(12,524)
Cash generated from operations		**376,411**	1,427,324
Total income taxes paid		**(108,876)**	(178,885)
Net cash from operating activities		**267,535**	1,248,439

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December

	Note	2010 (HK$'000)	2009 (HK$'000)
Investing activities			
Purchase of property, plant and equipment		**(22,998)**	(72,085)
Purchase of license		**(400)**	—
Payment of costs and expenditure for properties under development, excluding net finance costs capitalised		**—**	(28,130)
Advances to jointly controlled entities		**(7,154)**	(619,769)
Repayments / funds transferred from jointly controlled entities		**11,273**	662,622
Acquisition of available-for-sale investments and other financial instruments		**(20,251)**	(19,218)
Advances to an investee company		**—**	(3,672)
Advances from an investee company		**—**	12,109
Repayments of mortgage loans		**4,568**	8,699
Acquisition of interests in subsidiaries	35(a)	**—**	320
Proceeds from disposal of interest in a subsidiary	35(b)	**—**	139,591
Proceeds from disposal, redemption or maturity of available-for-sale investments and other financial instruments		**21,339**	11,625
Capital refund from an investment fund		**1,245**	3,035
Proceeds from disposal of property, plant and equipment		**35,535**	2,616
Interest received		**13,095**	117,811
Dividends received from investments		**18,153**	34,335
Dividends received from associates		**1,500**	23,345
Dividends received from jointly controlled entities		**463,716**	14,361
Net cash from investing activities		**519,621**	287,595

	Note	2010 (HK$'000)	2009 (HK$'000)
Financing activities			
New loans		**1,805,500**	700,403
Repayments of loans		**(1,423,618)**	(2,768,000)
Proceeds from issue of shares		**—**	96,035
Expenses paid on issue of shares		**(30)**	(72)
Expenses paid on repurchase of shares		**—**	(9,225)
Proceeds from issue of convertible bonds, net of issuing expenses		**—**	1,508,219
Finance costs (including interests and bank charges) paid		**(107,164)**	(106,304)
Dividends paid to shareholders		**(377,648)**	(106,425)
Dividends paid to non-controlling shareholders		**(9,914)**	—
Net cash used in financing activities		**(112,874)**	(685,369)
Net increase in cash and cash equivalents		**674,282**	850,665
Effect of foreign exchange rates changes		**2,324**	108
Cash and cash equivalents at 1 January		**3,587,423**	2,736,650
Cash and cash equivalents at 31 December	35(c)	**4,264,029**	3,587,423

NOTES TO THE FINANCIAL STATEMENTS

Note 1 General Information

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

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

The principal activity of the Company is investment holding while the activities of its principal subsidiaries are set out on pages 158 to 160.

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 Hong Kong Financial Reporting Standards, 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 (together referred to as the "Group") is set out below.

(b) Basis of preparation

These 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 are measured at fair value.

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

HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HK-Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Improvements to HKFRSs 2009	

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. Adjustments are made to bring into line any dissimilar accounting policies that may exist. 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 significant intercompany transactions and balances within the Group are eliminated on consolidation.

Non-controlling interests (previously known as "minority 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 net identifiable 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, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured 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 Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained profits). 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.

For increases in interests in existing subsidiaries prior to 1 January 2010, goodwill was calculated as 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 exceeded the cost of the acquisition, the excess was recognised immediately in the consolidated income statement. The difference between the fair value and the carrying value of the underlying assets and liabilities attributable to the additional interest in a subsidiary was debited directly to special reserve.

Note 2 Principal Accounting Policies (Continued)

(c) Basis of consolidation (Continued)

(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. Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

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 may 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 accounted for as such. 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.

(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 Group's interest in 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 was measured as 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.

(d) Goodwill (Continued)

The carrying amount of goodwill acquired in a business combination is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. From the date of acquisition, goodwill is 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 goodwill is included in the calculation of the profit or loss on disposal.

(e) Subsidiaries

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

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

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

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

(i) Jointly controlled entities

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

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

(ii) Jointly controlled assets

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

The Group 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

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

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

(h) Revenue recognition (Continued)

Interest income is accrued on a time proportion basis on the principal outstanding and at the effective interest rate applicable.

(i) Property, plant and equipment

Property, plant and equipment 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. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of the asset or as a replacement.

An item of property, plant and equipment 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% – 33.3%

The assets' residual values and useful lives 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. 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. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance 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 amortised over the lease term on a straight-line basis.

(l) Properties for or under development for sale

Properties for or under development for sale are classified under current assets and stated at the lower of cost and net realisable value. Cost includes 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

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

(i) Financial assets at FVTPL

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

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

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

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payment terms that are not quoted in an active market. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the balance 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 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.

Note 2 Principal Accounting Policies (Continued)

(o) Financial Assets (Continued)

Recognition and measurement ***(Continued)***

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 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.

Impairment

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

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of 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.

(o) Financial Assets (Continued)

Impairment (Continued)

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).

(p) Trade and other receivables

Trade and other receivables are recognised initially 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 value. 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 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 designated as financial assets or liabilities at FVTPL.

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, 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 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 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 tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items 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 amount 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 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 the 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. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

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.

(w) Contingent liabilities

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

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

Note 2 Principal Accounting Policies (Continued)

(x) Capitalisation of borrowing costs

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

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.

Note 2 Principal Accounting Policies (Continued)

(z) Employee benefits

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

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

(aa) Related parties

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

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

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

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

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

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

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

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

Note 2 Principal Accounting Policies (Continued)

(bb) Impairment of assets

At each balance sheet date, assets, other than financial assets, investment properties, properties for or under development for sale, inventories and deferred tax assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When an indication of impairment exists, or when annual impairment testing is required in the case of goodwill, the asset's recoverable amount is estimated. 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 losses are recognised in profit or loss, except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is recognised in other comprehensive income and treated as a decline in revaluation. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss recognised in prior years for an asset other than goodwill is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised. Reversals of impairment losses are credited to 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 the 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 resource and assess performance of the segment.

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

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

HKFRS 3 (Revised) Business Combinations

HKFRS 3 (Revised) and consequential amendments to HKAS 27, "Consolidated and Separate Financial Statements", HKAS 28, "Investments in Associates", and HKAS 31, "Interests in Joint Ventures" are effective prospectively to business combinations for which the date of acquisition is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all acquisition-related costs should be expensed. The cost of acquisition includes the fair value at acquisition date of any contingent purchase consideration. In a business combination achieved in stages, the previously held equity interest in the acquiree is remeasured at fair value and the difference between its fair value and carrying amount is recognised in profit or loss. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results of the Group after the date of its adoption. The adoption of HKFRS 3 (Revised) and consequential amendments to HKAS 27, HKAS 28 and HKAS 31 do not have an impact on the financial statements of the Group as there is no business combination conducted in 2010.

HKAS 27 (Revised) Consolidated and Separate Financial Statements

HKAS 27 (Revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. There has been no impact of HKAS 27 (Revised) on the current year as there have been no transactions with non-controlling interests. HKAS 27 (Revised) has also resulted in the renaming of "minority interests" as "non-controlling interests".

HK-Int 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

This Interpretation, as a clarification of an existing standard, is effective immediately. According to the Interpretation, the classification of a term loan in accordance with paragraph 69(d) of HKAS 1 shall depend on whether or not the borrower has an unconditional right to defer payment for at least twelve months after the balance sheet date. Consequently, amounts repayable under a loan agreement which includes a clause that gives the lender the unconditional right to call the loan at any time shall be classified by the borrower as current in its balance sheet. This Interpretation did not have a material impact on the Group's financial statements.

Improvements to HKFRSs 2009

The Improvements to HKFRSs 2009 comprise a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. Of these, only the amendment relating to HKAS 17, "Leases" has impact for the current year's financial statements. The amendment to HKAS 17 deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interests which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land", and amortised over the lease term.

The Group has reassessed the classification of leases of land as at 1 January 2010 on the basis of information existing at the inception of those leases. As a result of the reassessment, the Group has reclassified certain leasehold land in Hong Kong and Macau from under operating lease to finance lease because the leases transfer substantially all the risks and rewards incidental to ownership to the Group e.g. at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the land.

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

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

The amendment to HKAS 17 has been applied retrospectively with comparatives restated. The effect of the resulting changes on the consolidated balance sheet is summarised below. There are no effects on the consolidated income statement and the consolidated statement of comprehensive income.

	31 December 2010 (HK$'000)	31 December 2009 (HK$'000)	1 January 2009 (HK$'000)
Increase in property, plant and equipment	**532,324**	547,586	561,161
Decrease in leasehold land	**(1,208,219)**	(1,241,526)	(1,272,028)
Increase in properties for or under development	**675,895**	693,940	710,867
	—	—	—

The adoption of the other revisions, amendments and interpretations has had no material effect on the Group's financial statements.

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

HKAS 12 (Amendments)	Income Taxes - Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (Revised)	Related Party Disclosures[3]
HKAS 32 (Amendments)	Financial Instruments: Presentation – Classification of Rights Issues[1]
HKFRS 1 (Revised) (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards - Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2]
HKFRS 1 (Revised) (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[4]
HKFRS 7 (Amendments)	Financial Instruments: Disclosures - Transfers of Financial Assets[4]
HKFRS 8 (Amendments)	Operating Segments[3]
HKFRS 9	Financial Instruments[6]
HK(IFRIC)–Int 14 (Amendments)	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]
HK(IFRIC)–Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]
Improvements to HKFRSs 2010[7]	

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2012
6 Effective for annual periods beginning on or after 1 January 2013
7 Amendments that are effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate

The Group has already commenced an assessment of the impact of these new or revised HKFRSs, including HKAS 12 (Amendments), HKAS 24 (Revised) and HKFRS 9, certain of which are relevant to the 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.

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	
	2010 (HK$'000)	(Restated) 2009 (HK$'000)
Turnover		
Revenue from sales of properties	**896,993**	1,043,470
Revenue from passenger transportation services	**1,435,991**	1,414,420
Revenue from sale of fuel	**40,819**	24,914
Revenue from travel agency services	**83,543**	59,935
Revenue from hotel operation	**222,980**	131,701
Rental income	**163,849**	154,572
Dividends from investments	**18,153**	34,853
Interest income from mortgage loans receivable	**965**	1,396
Management fees and others	**233,956**	200,449
	3,097,249	3,065,710
Other revenues		
Interest income	**53,721**	22,744
Claims received	**9,806**	8,304
Others	**35,434**	74,250
	98,961	105,298
	3,196,210	3,171,008

Note 5 Other Net Income

	Group	
	2010 (HK$'000)	2009 (HK$'000)
Net gain on disposal of interests in subsidiaries (note 35(b))	—	679,609
Net gain / (loss) on disposal of property, plant and equipment	19,784	(3,806)
Net loss on financial assets designated as at FVTPL	—	(496)
Net gain on derivative financial instruments	—	134
Excess of interest in fair value of net assets acquired		
over cost of acquisitions of subsidiaries (note 35(a))	—	201
Others	1,216	5,538
	21,000	681,180

Note 6 Operating Profit

	Group	
	2010 (HK$'000)	(Restated) 2009 (HK$'000)
After crediting:		
Interest income		
– unlisted investments	193	452
– bank deposits and others	54,493	23,673
Total interest income on financial assets not at FVTPL	54,686	24,125
Bank interest income from financial assets designated as at FVTPL	—	15
	54,686	24,140
Rental income from investment properties	157,616	144,178
Less: Direct operating expenses arising from investment properties	(13,986)	(10,838)
	143,630	133,340
Dividend income from listed investments	6,887	4,225
Dividend income from unlisted investments		
– Sociedade de Turismo e Diversões de Macau, S.A. ("STDM")	—	30,381
– others	11,266	247
Exchange gain	3,264	1,779

Note 6 Operating Profit (Continued)

	Group	
	2010 (HK$'000)	(Restated) 2009 (HK$'000)
After charging:		
Cost of inventories		
– properties	**686,677**	780,545
– fuel	**500,663**	440,712
– others	**137,764**	74,076
	1,325,104	1,295,333
Depreciation of property, plant and equipment		
– held for rental income under operating leases	**1,167**	1,829
– others	**208,680**	211,074
Amortisation		
– leasehold land	**244**	244
– intangible assets	**339**	196
Audit fee	**6,425**	6,207
Minimum lease payments of properties under operating leases	**20,401**	20,404
Impairment losses		
– available-for-sale investments	**51,661**	123
– amounts due by investee companies	**—**	31,736
– other receivables	**—**	4,328
– trade receivables	**83**	119
Share-based payments	**7,299**	—
Provident fund contributions	**31,795**	34,877

Note 7 Directors' Emoluments and Five Highest Paid Individuals

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

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)
Executive Directors						
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
Non-Executive Directors						
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
Independent Non-Executive Directors						
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

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 55 to 57.

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

Group

2009

	Fees (HK$'000)	Salaries, allowances and benefits (HK$'000)	Performance bonus (HK$'000)	Provident fund contributions (HK$'000)	Gratuity payments (HK$'000)	Total (HK$'000)
Executive Directors						
Dr. Stanley Ho	65	—	—	—	—	65
Ms. Pansy Ho	65	7,523	322	415	—	8,325
Ms. Daisy Ho	65	4,497	474	219	—	5,255
Ms. Maisy Ho	5	3,242	368	146	—	3,761
Mr. David Shum	36	2,316	208	112	—	2,672
Mr. Michael Ng (from 1 April 2009)	4	2,949	249	9	—	3,211
Dr. Ambrose So (until 7 April 2009)	1	1,784	—	14	2,278	4,077
Mr. Patrick Huen (until 7 April 2009)	30	1,683	—	18	2,356	4,087
Mr. Anthony Chan (until 7 April 2009)	1	738	—	18	2,353	3,110
Non-Executive Directors						
Dato' Dr. Cheng Yu Tung	5	—	—	—	—	5
Mrs. Louise Mok	5	100	—	—	—	105
Independent Non-Executive Directors						
Sir Roger Lobo	200	100	—	—	—	300
Mr. Norman Ho	200	100	—	—	—	300
Mr. Charles Ho	200	—	—	—	—	200
Mr. Yeh V-Nee (until 19 January 2009)	10	5	—	—	—	15
	892	25,037	1,621	951	6,987	35,488

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

Among the five highest paid individuals in the Group, all are directors (2009: all are directors or former directors) of the Company and the details of their emoluments have been disclosed above.

Details of the basis of determining Directors' emoluments are disclosed in the Report on Corporate Governance Practices on page 63.

Note 8 Finance Costs

	Group	
	2010 (HK$'000)	2009 (HK$'000)
Interest on bank loans and overdraft wholly repayable within 5 years	**50,224**	64,878
Interest on convertible bonds wholly repayable within 5 years (note 30)	**73,364**	14,066
Interest on loans from non-controlling shareholders	**—**	323
Other finance costs	**6,440**	7,823
Total interest expenses on financial liabilities not at FVTPL	**130,028**	87,090
Less: Amount capitalised in properties under development	**(8,151)**	(10,050)
	121,877	77,040

Finance costs have been capitalised at weighted average rate of 0.65% (2009: 0.80%) per annum for properties under development.

Note 9 Taxation

(a) Taxation in the consolidated income statement represents:

	Group	
	2010 (HK$'000)	2009 (HK$'000)
Current tax – Hong Kong		
Tax for the year	**23,726**	29,133
Benefit of previously unrecognised tax losses and deductible temporary differences	**(314)**	(2,864)
Over-provision in respect of prior years	**(13)**	(139)
	23,399	26,130
Current tax – Overseas		
Tax for the year	**76,490**	86,836
Benefit of previously unrecognised tax losses and deductible temporary differences	**(84)**	(81)
Over-provision in respect of prior years	**(9,668)**	(4,616)
	66,738	82,139
Deferred tax		
Origination and reversal of temporary differences	**(2,873)**	(13,222)
Benefit of previously unrecognised tax losses and deductible temporary differences	**(4)**	(186)
	(2,877)	(13,408)
Other taxes – Overseas		
Taxation charged to revenues	**2,958**	2,264
Taxation attributable to the Company and its subsidiaries	**90,218**	97,125

Hong Kong profits tax is provided for at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits for the year. Overseas taxation is calculated at the rates applicable in their respective jurisdictions.

Note9 Taxation(Continued)

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

	Group	
	2010 (HK$'000)	2009 (HK$'000)
Profit before taxation	**992,799**	3,032,790
Tax at the applicable tax rate of 16.5% (2009: 16.5%)	**163,812**	500,410
Tax effect of net expenses / (income) that is not deductible / (taxable) in determining taxable profit	**1,173**	(105,543)
Tax effect of utilisation of previously unrecognised tax losses and deductible temporary differences	**(402)**	(3,131)
Tax effect of unrecognised tax losses and deductible temporary differences in the year	**25,595**	33,545
Tax effect of shares of results of associates and jointly controlled entities	**(87,468)**	(320,420)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(5,769)**	(11,992)
Deferred tax assets over-provided in prior years	**—**	6,747
Over-provision in respect of prior years	**(9,681)**	(4,755)
Income tax expense for the year	**87,260**	94,861
Other taxes	**2,958**	2,264
Total tax expenses	**90,218**	97,125

Note9 Taxation(Continued)

(c) Deferred tax assets and liabilities recognised

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

Deferred tax assets

	Depreciation in excess of related depreciation allowances (HK$'000)	Unrealised intra-group profit (HK$'000)	Tax losses (HK$'000)	Cash flow hedges (HK$'000)	Others (HK$'000)	Total (HK$'000)
Group						
At 1 January 2009	(535)	(25,600)	(93,103)	(16,017)	(1,104)	(136,359)
Charge / (credit) to income statement for the year	205	901	(41,357)	—	231	(40,020)
Charge to other comprehensive income for the year	—	—	—	16,017	—	16,017
At 31 December 2009	**(330)**	**(24,699)**	**(134,460)**	**—**	**(873)**	**(160,362)**
Charge to income statement for the year	**9**	**43**	**2,947**	**—**	**—**	**2,999**
At 31 December 2010	**(321)**	**(24,656)**	**(131,513)**	**—**	**(873)**	**(157,363)**
Company						
At 1 January 2009			(215)			
Charge to income statement for the year			54			
At 31 December 2009			**(161)**			
Charge to income statement for the year			**24**			
At 31 December 2010			**(137)**			

Note 9 Taxation (Continued)

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

Deferred tax liabilities

	Depreciation allowances in excess of related depreciation (HK$'000)	Revaluation of properties (HK$'000)	Clawback of capital allowances of properties (HK$'000)	Cash flow hedges (HK$'000)	Fair value adjustments on acquisitions (HK$'000)	Total (HK$'000)
Group						
At 1 January 2009	110,421	86,788	56,221	—	874,232	1,127,662
Exchange adjustment	47	38	—	—	—	85
Charge / (credit) to income statement for the year	48,740	30,531	5,269	—	(57,928)	26,612
Charge / (credit) to other comprehensive income for the year	—	—	—	646	(23,745)	(23,099)
At 31 December 2009	**159,208**	**117,357**	**61,490**	**646**	**792,559**	**1,131,260**
Exchange adjustment	**1,421**	**1,002**	**—**	**—**	**—**	**2,423**
Charge / (credit) to income statement for the year	**(4,526)**	**46,872**	**5,227**	**—**	**(53,449)**	**(5,876)**
Charge / (credit) to other comprehensive income for the year	**—**	**—**	**—**	**5,718**	**(6,442)**	**(724)**
At 31 December 2010	**156,103**	**165,231**	**66,717**	**6,364**	**732,668**	**1,127,083**
Company						
At 1 January 2009	215					
Credit to income statement for the year	(54)					
At 31 December 2009	**161**					
Credit to income statement for the year	**(24)**					
At 31 December 2010	**137**					

Note 9 Taxation (Continued)

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

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

	Group		Company	
	2010 (HK$'000)	2009 (HK$'000)	**2010 (HK$'000)**	2009 (HK$'000)
Deferred tax assets recognised	**(31,072)**	(30,561)	**—**	—
Deferred tax liabilities recognised	**1,000,792**	1,001,459	**—**	—
	969,720	970,898	**—**	—

(d) Deferred tax assets unrecognised

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

	Group		Company	
	2010 (HK$'000)	2009 (HK$'000)	**2010 (HK$'000)**	2009 (HK$'000)
Tax losses	**846,858**	746,007	**396,299**	349,672
Deductible temporary differences	**95,360**	84,101	**—**	—
	942,218	830,108	**396,299**	349,672

Included in the unrecognised tax losses of the Group are losses of HK$6,293,000 (2009: HK$5,549,000) that will expire within three years from the balance sheet date. Other tax losses and deductible temporary differences of the Group and the tax losses of the Company may be carried forward indefinitely.

Note 10 Dividends

	2010 (HK$'000)	2009 (HK$'000)
2008 final dividend of HK 1.3 cents on 20,078,870 shares issued upon exercise of share options	—	261
Interim dividend: Nil (2009: HK 3.8 cents on 2,023,710,803 shares)	—	76,901
Proposed final dividend of HK 6.0 cents on 2,172,276,887 shares (2009: HK 18.7 cents on 2,023,710,803 shares)	130,337	378,434
	130,337	455,596

Note 11 Earnings per Share

The calculation of basic earnings per share is based on profit attributable to owners of the Company of HK$853,344,000 (2009: HK$2,873,928,000) and the weighted average number of 2,061,564,627 shares (2009: 2,138,331,844 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$926,708,000 (2009: HK$2,887,994,000) and the weighted average number of 2,269,905,247 shares (2009: 2,188,248,658 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	
	2010 (HK$'000)	2009 (HK$'000)	2010	2009
Profit / number of shares for the purpose of basic earnings per share	853,344	2,873,928	2,061,564,627	2,138,331,844
Effect of dilutive potential ordinary shares				
– share options	—	—	14,770,683	13,057,786
– convertible bonds	73,364	14,066	193,569,937	36,859,028
Profit / number of shares for the purpose of diluted earnings per share	926,708	2,887,994	2,269,905,247	2,188,248,658

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)
Cost						
At 1 January 2009						
as originally stated	800,528	229,025	33,521	2,227,379	945,081	4,235,534
adjustment on adoption of						
amendment to HKAS 17	—	767,565	—	—	—	767,565
as restated	800,528	996,590	33,521	2,227,379	945,081	5,003,099
Exchange adjustment	—	—	—	—	11	11
Acquisition of subsidiaries (note 35(a))	—	—	—	—	1,975	1,975
Additions / transfers	166	—	45,963	1,065	69,949	117,143
Disposals / transfers	—	—	—	(2,331)	(14,983)	(17,314)
At 31 December 2009, as restated	800,694	996,590	79,484	2,226,113	1,002,033	5,104,914
At 1 January 2010						
as originally stated	**800,694**	**229,025**	**79,484**	**2,226,113**	**1,002,033**	**4,337,349**
adjustment on adoption of						
amendment to HKAS 17	**—**	**767,565**	**—**	**—**	**—**	**767,565**
as restated	**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	**800,694**	**990,479**	**—**	**2,135,832**	**1,004,756**	**4,931,761**

Note 12 Property, Plant and Equipment (Continued)

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)
Accumulated depreciation						
At 1 January 2009						
as originally stated	864	125,888	—	1,466,934	609,937	2,203,623
adjustment on adoption of						
amendment to HKAS 17	—	206,404	—	—	—	206,404
as restated	864	332,292	—	1,466,934	609,937	2,410,027
Exchange adjustment	—	—	—	—	6	6
Acquisition of subsidiaries (note 35(a))	—	—	—	—	1,341	1,341
Charge for the year	20,752	16,600	—	101,364	74,187	212,903
Write-back on disposal	—	—	—	(1,932)	(8,958)	(10,890)
At 31 December 2009, as restated	21,616	348,892	—	1,566,366	676,513	2,613,387
At 1 January 2010						
as originally stated	**21,616**	**128,913**	**—**	**1,566,366**	**676,513**	**2,393,408**
adjustment on adoption of						
amendment to HKAS 17	**—**	**219,979**	**—**	**—**	**—**	**219,979**
as restated	**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	**42,369**	**363,284**	**—**	**1,580,802**	**735,762**	**2,722,217**
Net book value						
At 31 December 2010	**758,325**	**627,195**	**—**	**555,030**	**268,994**	**2,209,544**
At 31 December 2009, as restated	779,078	647,698	79,484	659,747	325,520	2,491,527
At 1 January 2009, as restated	799,664	664,298	33,521	760,445	335,144	2,593,072

Note 12 Property, Plant and Equipment (Continued)

Company

	Other assets (HK$'000)
Cost	
At 1 January 2009	3,488
Additions	122
Disposals	(42)
At 31 December 2009	**3,568**
Additions	**262**
Disposals	**(68)**
At 31 December 2010	**3,762**
Accumulated depreciation	
At 1 January 2009	1,973
Charge for the year	491
Write-back on disposal	(40)
At 31 December 2009	**2,424**
Charge for the year	**410**
Write-back on disposal	**(65)**
At 31 December 2010	**2,769**
Net book value	
At 31 December 2010	**993**
At 31 December 2009	1,144

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.

In 2009, the gross carrying amounts of vessels held for rental income under operating leases were HK$55,426,000 and the related accumulated depreciation charges were HK$51,462,000.

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

Contingent rental payment amounting to approximately HK$696,000 (2009: HK$132,000) 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 and properties under development is as follows:

	Group		
	31 December 2010 (HK$'000)	(Restated) 31 December 2009 (HK$'000)	(Restated) 1 January 2009 (HK$'000)
Hong Kong			
Long lease			
Leasehold land and buildings	13,320	13,703	14,087
Medium-term lease			
Hotel buildings	758,325	779,078	799,664
Leasehold land and buildings	195,493	200,869	206,246
	967,138	993,650	1,019,997
Outside Hong Kong			
Medium-term lease			
Leasehold land and buildings	418,382	433,126	443,965
Properties under development	—	79,484	33,521
	418,382	512,610	477,486
	1,385,520	1,506,260	1,497,483

Note 13 Investment Properties

	Group	
	2010 (HK$'000)	2009 (HK$'000)
Valuation		
At 1 January	**3,385,392**	3,164,103
Exchange adjustment	**20,444**	775
Fair value changes	**402,187**	220,514
At 31 December	**3,808,023**	3,385,392

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

	Group	
	2010 (HK$'000)	2009 (HK$'000)
Hong Kong		
Long lease	**444,000**	356,000
Medium-term lease	**2,274,475**	2,168,992
	2,718,475	2,524,992
Outside Hong Kong		
Medium-term lease	**800,048**	681,400
Freehold	**289,500**	179,000
	1,089,548	860,400
	3,808,023	3,385,392

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

A revaluation of all investment properties was performed at 31 December 2010 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	
	2010 (HK$'000)	(Restated) 2009 (HK$'000)
Cost		
At 1 January (as originally stated)	**1,516,003**	1,515,097
Adjustment on adoption of amendment to HKAS 17	**(1,506,003)**	(1,505,097)
At 1 January (as restated) and at 31 December	**10,000**	10,000
Amortisation		
At 1 January		
as originally stated	**265,331**	233,679
adjustment on adoption of amendment to HKAS 17	**(264,477)**	(233,069)
as restated	**854**	610
Amortisation for the year	**244**	244
At 31 December	**1,098**	854
Net book value at 31 December	**8,902**	9,146

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

	Group		
	31 December 2010 (HK$'000)	(Restated) 31 December 2009 (HK$'000)	(Restated) 1 January 2009 (HK$'000)
Hong Kong			
Medium-term lease	**8,902**	9,146	9,390

Note 15 Subsidiaries

	Company	
	2010 (HK$'000)	2009 (HK$'000)
Unlisted shares, at cost	**630,805**	24,200

Particulars regarding the principal subsidiaries are set out on pages 158 to 160.

Note 16 Associates

	Group		Company	
	2010 (HK$'000)	2009 (HK$'000)	**2010 (HK$'000)**	2009 (HK$'000)
Unlisted shares, at cost	**—**	—	**250**	250
Share of net assets	**177,346**	182,870	**—**	—
Goodwill	**137**	137	**—**	—
	177,483	183,007	**250**	250

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

	2010 (HK$'000)	2009 (HK$'000)
Total assets	**799,262**	775,096
Total liabilities	**(287,325)**	(280,504)
Revenue	**338,020**	344,136
Profit for the year	**23,338**	61,459

Particulars regarding the principal associates are set out on pages 158 to 160.

Note 17 Jointly Controlled Entities

	Group	
	2010 (HK$'000)	2009 (HK$'000)
Share of net assets	**2,258,366**	2,829,636

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

	2010 (HK$'000)	2009 (HK$'000)
Share of assets and liabilities attributable to the Group		
Non-current assets	**2,865,106**	2,545,614
Current assets	**1,516,881**	2,519,779
Current liabilities	**(1,944,743)**	(2,050,824)
Non-current liabilities	**(178,878)**	(184,933)
Net assets	**2,258,366**	2,829,636
Share of income and expenses attributable to the Group		
Income	**1,226,649**	3,746,512
Expenses	**(702,511)**	(1,830,621)
Profit for the year	**524,138**	1,915,891

Particulars regarding the principal jointly controlled entities are set out on pages 158 to 160.

Note 18 Intangible Assets

Group

	Goodwill (HK$'000)	Licences (HK$'000)	Franchises and royalties (HK$'000)	Total (HK$'000)
Cost				
At 1 January 2009	364,728	—	4,617	369,345
Acquisition of subsidiaries (note 35(a))	—	2,599	—	2,599
At 31 December 2009	**364,728**	**2,599**	**4,617**	**371,944**
Addition	**—**	**400**	**—**	**400**
At 31 December 2010	**364,728**	**2,999**	**4,617**	**372,344**
Amortisation and impairment loss				
At 1 January 2009	2,275	—	3,677	5,952
Amortisation for the year	—	107	89	196
At 31 December 2009	**2,275**	**107**	**3,766**	**6,148**
Amortisation for the year	**—**	**249**	**90**	**339**
At 31 December 2010	**2,275**	**356**	**3,856**	**6,487**
Net book value				
At 31 December 2010	**362,453**	**2,643**	**761**	**365,857**
At 31 December 2009	362,453	2,492	851	365,796

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 2010 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 five and seven 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 (2009: 6% per annum and zero growth rate on revenues). The discount rate 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.

Note 19 Available-for-sale Investments

	Group		Company	
	2010 (HK$'000)	2009 (HK$'000)	**2010 (HK$'000)**	2009 (HK$'000)
Equity securities				
Unlisted				
Cost	**894,104**	894,104	**234,723**	234,723
Impairment losses	**(77,289)**	(74,289)	**—**	—
	816,815	819,815	**234,723**	234,723
Listed in Hong Kong, at market value	**249,530**	227,314	**—**	—
Listed outside Hong Kong, at market value	**5,782**	2,536	**—**	—
	1,072,127	1,049,665	**234,723**	234,723
Debt securities				
Unlisted, at fair value	**—**	21,427	**—**	—
Investment funds				
Listed outside Hong Kong, at market value	**14**	14	**—**	—
Unlisted, at fair value	**25,903**	10,212	**—**	—
	25,917	10,226	**—**	—
	1,098,044	1,081,318	**234,723**	234,723

The fair values of listed securities are determined on the basis of their quoted market prices at the balance sheet date. In 2009, the Group used the market values determined by independent financial institutions to estimate the fair values of unlisted debt securities. Investment funds are valued based on the net asset value per share as reported by the managers of such funds.

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

Note 19 Available-for-sale Investments (Continued)

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

	Equity securities		Debt securities		Investment funds		Total	
	2010 (HK$'000)	2009 (HK$'000)	**2010 (HK$'000)**	2009 (HK$'000)	**2010 (HK$'000)**	2009 (HK$'000)	**2010 (HK$'000)**	2009 (HK$'000)
Group								
Non-current assets	**1,072,127**	1,049,665	**—**	5,927	**14,023**	10,212	**1,086,150**	1,065,804
Current assets	**—**	—	**—**	15,500	**11,894**	14	**11,894**	15,514
	1,072,127	1,049,665	**—**	21,427	**25,917**	10,226	**1,098,044**	1,081,318
Company								
Non-current assets	**234,723**	234,723	**—**	—	**—**	—	**234,723**	234,723

Note 20 Mortgage Loans Receivable

	Group	
	2010 (HK$'000)	2009 (HK$'000)
Mortgage loans receivable	**11,556**	16,124
Less: Current portion	**(723)**	(1,398)
Non-current portion	**10,833**	14,726

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% (2009: 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% (2009: prime rate plus 1.75% and prime rate plus 2.75%) per annum.

Note 21 Other Non-current Assets

	Group		Company	
	2010 (HK$'000)	2009 (HK$'000)	**2010 (HK$'000)**	2009 (HK$'000)
Amounts due by subsidiaries less provision	**—**	—	**11,028,640**	11,253,106
Amounts due by associates less provision	**21,136**	11,136	**—**	—
Amounts due by jointly controlled entities less provision	**1,334,022**	1,321,118	**—**	—
Amounts due by investee companies less provision	**125**	125	**125**	125
Club debentures	**140**	140	**—**	—
	1,355,423	1,332,519	**11,028,765**	11,253,231

Amounts due by subsidiaries are unsecured and with no fixed term of repayment. Amount of HK$237,820,000 (2009: HK$227,971,000) is interest bearing at prime rate (2009: prime rate) per annum while the remaining balances are non-interest bearing.

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

Amounts due by jointly controlled entities are unsecured. Amount of HK$1,319,569,000 has no fixed term of repayment (2009: HK$1,275,000,000 repayable by 5 December 2010), amount of HK$23,598,000 (2009: HK$30,562,000) is repayable upon notice of either party and amount of HK$4,266,000 in 2009 was repayable by 3 instalments. The remaining balances have no fixed term of repayment. Amount of HK$1,275,000,000 (2009: HK$1,275,000,000) is interest bearing at HIBOR plus 3% (2009: HIBOR plus 3%) per annum. In 2009, HK$4,266,000 was interest bearing at base lending rates promulgated by the People's Bank of China in PRC per annum. The remaining balances are non-interest bearing.

Amounts due by investee companies are unsecured, non-interest bearing and with no fixed term of repayment. No impairment loss (2009: HK$ 31,736,000) was recognised in the consolidated income statement for doubtful debts of amounts due by investee companies.

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

Note 22 Properties for or under development

	Group	
	2010 (HK$'000)	(Restated) 2009 (HK$'000)
Cost		
At 1 January		
as originally stated	**8,183,610**	8,067,373
adjustment on adoption of amendment to HKAS 17	**693,940**	710,867
as restated	**8,877,550**	8,778,240
Additions / transfers	**1,254,023**	99,310
At 31 December	**10,131,573**	8,877,550

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

	Group		
	31 December 2010 (HK$'000)	(Restated) 31 December 2009 (HK$'000)	(Restated) 1 January 2009 (HK$'000)
Hong Kong			
Long lease	**782,383**	—	—
Medium-term lease	**1,878,180**	1,878,180	1,878,180
	2,660,563	1,878,180	1,878,180
Outside Hong Kong			
Medium-term lease	**6,621,279**	6,422,833	6,439,760
	9,281,842	8,301,013	8,317,940

The amount of properties for or under development expected to be completed and recovered after more than one year is HK$9,960,848,000 (2009: HK$8,877,550,000). The remaining balance is expected to be completed and recovered within one year.

Note 23 Inventories

	Group	
	2010 (HK$'000)	2009 (HK$'000)
Properties	**87,219**	829,224
Spare parts	**111,622**	164,518
Others	**10,332**	8,352
	209,173	1,002,094

During the year, the Group wrote back provision for write-down of inventories of certain properties amounting to HK$79,718,000 in the asset revaluation reserve and HK$9,057,000 in the consolidated income statement based on estimated net realisable value. In 2009, the Group wrote back provision for write-down of inventories of certain properties amounting to HK$22,033,000 in the consolidated income statement and recognised write-down of inventories of certain properties amounting to HK$35,242,000 in the asset revaluation reserve based on estimated net realisable value. The Group also recognised write-down of other inventories amounting to HK$47,797,000 (2009: HK$7,951,000) in the consolidated income statement.

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

	Group	
	2010 (HK$'000)	2009 (HK$'000)
Hong Kong		
Long lease	**7,460**	14,920
Medium-term lease	**2,132**	2,132
	9,592	17,052
Outside Hong Kong		
Medium-term lease	**41,327**	535,526
	50,919	552,578

Note 24 Trade Receivables, Other Receivables and Deposits Paid

	Group		Company	
	2010 (HK$'000)	2009 (HK$'000)	**2010 (HK$'000)**	2009 (HK$'000)
Current portion of mortgage loans receivable	**723**	1,398	**—**	—
Deposits for acquisitions of interests in land development rights	**814,542**	814,542	**—**	—
Trade and other debtors, deposits and prepayments	**375,496**	355,718	**8,210**	11,461
	1,190,761	1,171,658	**8,210**	11,461

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	
	2010 (HK$'000)	2009 (HK$'000)
0 – 30 days	**104,423**	92,469
31 – 60 days	**23,820**	28,926
61 – 90 days	**4,720**	7,393
over 90 days	**7,530**	42,383
	140,493	171,171

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	
	2010 (HK$'000)	2009 (HK$'000)
Past due up to:		
0 – 30 days	**42,770**	41,288
31 – 60 days	**10,701**	11,696
61 – 90 days	**2,463**	8,166
over 90 days	**2,111**	34,448
	58,045	95,598

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

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

	Group	
	2010 (HK$'000)	2009 (HK$'000)
At 1 January	**5,723**	5,658
Impairment loss recognised during the year	**83**	119
Uncollectible amounts written off	**—**	(54)
At 31 December	**5,806**	5,723

Note 25 Derivative Financial Instruments

	Group	
	2010 (HK$'000)	2009 (HK$'000)
Current assets		
Fuel swap contracts	**38,574**	3,918

During the year, fuel swap contracts were designated as cash flow hedges to hedge fuel price risk in anticipated future fuel purchases. These contracts were remeasured at fair value based on the estimated future cash flows. The fair value gains or losses are transferred from hedging reserve to cost of inventories in the consolidated income statement when the forecast purchases occur, at various dates between 1 month and 12 months (2009: between 1 month and 3 months) from the balance sheet date.

Note 26 Bank Deposits, Cash and Bank Balances

	Group		Company	
	2010 (HK$'000)	2009 (HK$'000)	**2010 (HK$'000)**	2009 (HK$'000)
Bank deposits	**3,660,782**	2,902,100	**12,140**	38,748
Cash and bank balances	**603,233**	685,309	**21,280**	13,357
	4,264,015	3,587,409	**33,420**	52,105

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

Note 27 Trade and Other Payables

	Group		Company	
	2010 (HK$'000)	2009 (HK$'000)	**2010 (HK$'000)**	2009 (HK$'000)
Amounts due to subsidiaries	**—**	—	**1,342,509**	1,141,997
Amount due to an associate	**2,846**	2,846	**—**	—
Amount due to a jointly controlled entity	**40**	655,604	**—**	—
Loan	**5,000**	5,000	**—**	—
Trade and other creditors, deposits and accrued charges	**563,041**	639,771	**8,187**	21,028
	570,927	1,303,221	**1,350,696**	1,163,025

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

The ageing analysis of trade creditors is as follows:

	Group	
	2010 (HK$'000)	2009 (HK$'000)
0 – 30 days	**226,021**	292,035
31 – 60 days	**25,498**	10,400
61 – 90 days	**3,233**	1,679
over 90 days	**2,031**	2,549
	256,783	306,663

Note 28 Bank Borrowings

	Group	
	2010 (HK$'000)	2009 (HK$'000)
Bank loans repayable within a period		
Not exceeding 1 year	**3,497,600**	1,416,800
More than 1 year but not exceeding 2 years	**791,400**	2,591,600
More than 2 years but not exceeding 5 years	**1,264,200**	1,160,600
	5,553,200	5,169,000
Less: Current portion	**(3,497,600)**	(1,416,800)
Non-current portion	**2,055,600**	3,752,200

Bank loans to the extent of HK$156,000,000 (2009: HK$196,000,000) are secured by charges on certain vessels of the Group of HK$267,192,000 (2009: HK$282,139,000). Bank loans to the extent of HK$556,200,000 (2009: HK$588,000,000) are secured by charges on property, plant and equipment of HK$849,524,000 (2009: HK$900,898,000), bank deposits, cash and bank balances of HK$35,734,000 (2009: HK$12,047,000), inventories of HK$703,000 (2009: HK$746,000) and other assets of HK$25,793,000 (2009: HK$24,339,000) of the Group. Bank loans to the extent of HK$1,250,000,000 (2009: HK$1,250,000,000) are secured by corporate guarantee of the Company and non-controlling shareholders of a subsidiary on a pro-rata basis in accordance with their shareholding in the subsidiary. The balance is secured by corporate guarantee of the Company or subsidiaries.

Bank loans to the extent of HK$712,200,000 (2009: HK$784,000,000) are repayable by instalments.

Bank loans are interest bearing at HIBOR plus 0.42% to HIBOR plus 1.5% (2009: HIBOR plus 0.4% 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 1.5% (2009: HIBOR plus 0.4% to HIBOR plus 1.5%) per annum.

Note 29 Provision for Employee Benefits

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

	Group		Company	
	2010 (HK$'000)	2009 (HK$'000)	**2010 (HK$'000)**	2009 (HK$'000)
At 1 January	**16,424**	28,948	**3,204**	7,255
Net amount provided / (written back) during the year	**277**	(7,780)	**(216)**	(1,380)
Amount paid during the year	**(1,126)**	(4,744)	**—**	(2,671)
At 31 December	**15,575**	16,424	**2,988**	3,204

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 year	14,066
Liability component at 31 December 2009	**1,441,888**
Imputed interest expense (note 8)	**73,364**
Interest paid	**(51,150)**
Liability component at 31 December 2010	**1,464,102**

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

The Bonds are convertible on or after 22 October 2010 up to and including 15 October 2014 into fully paid ordinary shares with a par value of HK$0.25 each of the Company 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 per share effective from 1 June 2010.

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.

During the year ended 31 December 2010, there was no conversion of the convertible bonds into shares of the Company by the bondholders and no redemption of the convertible bonds by Joyous King Group Limited.

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

The liability component is measured at amortised cost. The interest expense for the year 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 are non-interest bearing except that at the year end of 2009, an amount of HK$4,552,000 is interest bearing at prime rate 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

	2010 Number of shares	2010 (HK$'000)	2009 Number of shares	2009 (HK$'000)
Authorised				
Ordinary shares of HK$0.25 each				
At 1 January and 31 December	**4,000,000,000**	**1,000,000**	4,000,000,000	1,000,000
Issued and fully paid				
Ordinary shares of HK$0.25 each				
At 1 January	**2,023,710,803**	**505,928**	2,256,941,300	564,235
Issue of new shares for acquisition of a site for development	**148,566,084**	**37,141**	—	—
Exercise of share options	**—**	**—**	30,436,610	7,609
Repurchase of shares	**—**	**—**	(263,667,107)	(65,916)
At 31 December	**2,172,276,887**	**543,069**	2,023,710,803	505,928

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)(vii)).

During the year, no share option was exercised. In 2009, share options were exercised to subscribe for 30,436,610 new ordinary shares in the Company at total consideration of HK$96,035,000 of which HK$7,609,000 was credited to share capital and the balance of HK$88,426,000 was credited to share premium.

By a special resolution dated 26 May 2009, 263,667,107 issued ordinary shares of the Company were repurchased from STDM and its subsidiary at a repurchase price of HK$2.20 (totalling HK$580,068,000) each in an off-market manner pursuant to a repurchase agreement dated 15 June 2009. The parties to the repurchase agreement had agreed that the consideration payable for the 263,667,107 repurchased shares was set off against part of the consideration receivable for the disposal of a subsidiary (note 35(b)).

The repurchased shares for 2009 were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to Section 49H of the Hong Kong Companies Ordinance, an amount equivalent to the par value of the shares cancelled of HK$65,916,000 was transferred from retained profits to capital redemption reserve. The premium and expenses paid on the repurchase of the shares of HK$523,377,000 was charged to retained profits.

Note 33 Share Option Schemes

The Company has currently a share option scheme which was adopted on 31 May 2002 (the 2002 share option scheme), whereby the board of directors of the Company may grant share options to eligible persons, including, among others, Directors and employees of the Company, to subscribe for ordinary shares in the Company. Details of the 2002 share option scheme are disclosed in section (2) under Disclosure of Interests in the Report of the Directors on pages 55 to 57.

Details of the share options are as follows:

2010

Date of grant	Exercise price	Number of options: At 1 January 2010	Granted during the year	At 31 December 2010	Note
The 2002 share option scheme					
25 May 2004	HK$3.15	**44,060,520**	**—**	**44,060,520**	(i)
22 September 2004	HK$4.20	**5,000,000**	**—**	**5,000,000**	(i)
1 February 2010	HK$4.68	**—**	**5,000,000**	**5,000,000**	(iii),(iv)
		49,060,520	**5,000,000**	**54,060,520**	(v)
Weighted average exercise price		**HK$3.26**	**HK$4.68**	**HK$3.39**	

2009

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

Note 33 Share Option Schemes (Continued)

Notes:

(i) The share options outstanding at 31 December 2010 and 31 December 2009 were granted to Directors of the Company and exercisable during a period of 10 years commencing on the date of each grant. These share options vested on the date of each respective grant.

(ii) The share options outstanding at 1 January 2009 were granted to an employee and were exercisable during a period of 5 years commencing on the date of grant. These share options vested on the date of grant.

(iii) The share options are subject to vesting with 2,500,000 share options already vested on 1 April 2010 and the remaining 2,500,000 share options to be vested on 1 April 2011, provided that if the Director, Mr. Michael Ng's appointment with the Company is terminated (other than termination with cause) before 1 April 2011, the remaining share options to be vested on 1 April 2011 will be calculated pro rata to his number of completed months in services in the year ending 31 March 2011. The expiry date of the share options is 31 January 2015.

(iv) The weighted average fair value of the 5,000,000 share options granted on 1 February 2010 is HK$1.64 per unit with total fair value of approximately HK$8.2 million. The valuation was based on the Hull-White Trinomial Model with the following data and assumptions:

• Closing price on the grant date	HK$4.42 per share
• Exercise price	HK$4.68 per share
• Expected volatility (based on the movement of share prices in recent years)	56.7% per annum
• Average expected life after taking into account the probability of early exercise behaviour	4.0 years
• Risk-free interest rate (based on Hong Kong Exchange Fund Notes as at the grant date)	1.8% per annum
• Expected dividend yield	2.5% 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) The weighted average remaining contractual life for the share options outstanding at 31 December 2010 is 3.49 years (2009: 4.43 years).

(vi) During 2010, no share options were exercised under the 2002 share option scheme (2009: 30,436,610 under the 2002 share option scheme). The weighted average share price at the dates of exercise in 2009 was HK$4.28.

(vii) Save for the share options granted in note (iii) above, no other share options were granted, cancelled or lapsed during both years.

Note 34 Reserves

(a) Group

	2010 (HK$'000)	2009 (HK$'000)
Share premium	**7,449,074**	6,890,495
Capital redemption reserve	**100,170**	100,170
Capital reserve	**18,169**	14
Convertible bonds equity reserve	**80,397**	80,397
Legal reserve	**8,972**	7,818
Special reserve	**(151,413)**	(151,413)
Investment revaluation reserve	**113,620**	42,983
Hedging reserve	**13,721**	1,394
Asset revaluation reserve	**1,175,206**	1,225,816
Exchange reserve	**53,726**	42,996
Retained profits	**5,692,600**	4,970,903
	14,554,242	13,211,573

Note 34 Reserves (Continued)

(a) Group (Continued)

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2010 and 31 December 2009 are presented in the consolidated statement of changes in equity on pages 73 to 74 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 a Director 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 comprises 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 of business combination achieved in stages prior to 1 January 2010 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 2009	6,802,141	34,254	—	639,397	7,475,792
Profit for the year	—	—	—	2,941,350	2,941,350
Exercise of share options	88,426	—	—	—	88,426
Expenses on issue of shares	(72)	—	—	—	(72)
Repurchase of shares	—	65,916	—	(580,068)	(514,152)
Expenses on repurchase of shares	—	—	—	(9,225)	(9,225)
Dividends	—	—	—	(455,596)	(455,596)
At 31 December 2009	**6,890,495**	**100,170**	**—**	**2,535,858**	**9,526,523**
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	**7,449,074**	**100,170**	**18,154**	**2,342,678**	**9,910,076**

Distributable reserves of the Company as at 31 December 2010 amounted to HK$2,473,015,000 (2009: HK$2,914,292,000) of which HK$130,337,000 (2009: HK$378,434,000) has been proposed as final dividend.

The consolidated profit attributable to owners of the Company includes a loss of HK$67,940,000 (2009: profit of HK$1,313,517,000) which has been dealt with in the financial statements of the Company.

Note 35 Consolidated Cash Flow Statement

(a) Acquisition of interests in subsidiaries

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

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

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

	Fair value and book value	
	2010 (HK$'000)	2009 (HK$'000)
Net assets acquired		
Property, plant and equipment	—	634
Intangible assets	—	2,599
Inventories	—	38
Trade receivables, other receivables and deposits paid	—	4,470
Bank deposits, cash and bank balances	—	2,965
Trade and other payables	—	(5,213)
Taxation payable	—	(150)
	—	5,343
Interests in a jointly controlled entity originally held by the Group	—	(2,497)
	—	2,846
Excess of interest in fair value of net assets acquired over cost of acquisitions	—	(201)
Total consideration	—	2,645
Satisfied by		
Cash consideration	—	2,565
Direct cost relating to the acquisitions	—	80
	—	2,645
Cash inflow on acquisitions		
Cash consideration	—	(2,565)
Direct cost relating to the acquisitions	—	(80)
Cash and cash equivalents acquired	—	2,965
	—	320

Note 35 Consolidated Cash Flow Statement (Continued)

(b) Disposal of interests in subsidiaries

	2010 (HK$'000)	2009 (HK$'000)
Assets disposed of		
Associate	—	40,050
Net gain on disposal	—	679,609
	—	719,659
Satisfied by		
Consideration	—	722,168
Direct cost relating to the disposal	—	(2,509)
	—	719,659
Cash inflow on disposals		
Consideration	—	722,168
Set-off by consideration for off-market share repurchase	—	(580,068)
Net proceeds received	—	142,100
Direct cost relating to the disposal	—	(2,509)
	—	139,591

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

Note 35 Consolidated Cash Flow Statement (Continued)

(c) Analysis of cash and cash equivalents

	2010 (HK$'000)	2009 (HK$'000)
Investment funds	**14**	14
Bank deposits, cash and bank balances (note 26)	**4,264,015**	3,587,409
Cash and cash equivalents in the consolidated cash flow statement	**4,264,029**	3,587,423

Cash and cash equivalents at the balance sheet date include cash and bank balances of HK$80,305,000 (2009: HK$57,972,000) held by subsidiaries which are not freely remissible to the Group because of currency exchange restrictions.

(d) Major non-cash transactions

During the year, the Group had the following major non-cash transactions:-

(i) On 30 Septemeber 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.

In 2009, part of the dividend income of HK$30,381,000 and dividend receivable of HK$48,434,000 from investments were settled through the current account with an investee company. The Group also disposed of its entire equity interest in and loan to a wholly-owned subsidiary. Part of the consideration for the disposal was set off by the consideration payable for the off-market share repurchase. Further details of the disposal are set out in note 35(b).

Note 36 Segment Information

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

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

The principal activities of each reportable segment are as follows:

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

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 2009.

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
2010

	Property (HK$'000)	Transportation (HK$'000)	Hospitality (HK$'000)	Investment (HK$'000)	Eliminations (HK$'000)	Consolidated (HK$'000)
Turnover and revenue						
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
Segment results	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						(90,218)
Profit for the year						902,581

Note 36 Segment Information (Continued)

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

Group

2010

	Property (HK$'000)	Transportation (HK$'000)	Hospitality (HK$'000)	Investment (HK$'000)	Eliminations (HK$'000)	Consolidated (HK$'000)
Assets						
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
Total assets						27,164,333
Liabilities						
Segment liabilities	251,819	225,801	96,917	7,365	(28,606)	553,296
Unallocated liabilities						8,998,288
Total liabilities						9,551,584
Other information						
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)

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

Group

2009 (Restated)

	Property (HK$'000)	Transportation (HK$'000)	Hospitality (HK$'000)	Investment (HK$'000)	Eliminations (HK$'000)	Consolidated (HK$'000)
Turnover and revenue						
External turnover	1,285,011	1,331,482	398,621	50,596	—	3,065,710
Inter-segment turnover	6,337	140,485	28,795	—	(175,617)	—
Other revenues (external and excluding interest income)	45,520	32,196	4,200	638	—	82,554
	1,336,868	1,504,163	431,616	51,234	(175,617)	3,148,264
Segment results	351,979	27,886	(36,765)	21,950	—	365,050
Fair value changes on investment properties	220,514	—	—	—	—	220,514
Net gain on disposal of a subsidiary	—	—	679,609	—	—	679,609
Impairment losses on amounts due by investee companies and other receivables	—	—	—	(36,064)	—	(36,064)
Interest income						22,744
Unallocated income						5,538
Unallocated expense						(89,498)
Operating profit						1,167,893
Finance costs						(77,040)
Share of results of associates	(36)	—	24,360	1,722	—	26,046
Share of results of jointly controlled entities	1,904,239	10,570	2,823	(1,741)	—	1,915,891
Profit before taxation						3,032,790
Taxation						(97,125)
Profit for the year						2,935,665

Note 36 Segment Information (Continued)

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

Group

2009 (Restated)

	Property (HK$'000)	Transportation (HK$'000)	Hospitality (HK$'000)	Investment (HK$'000)	Eliminations (HK$'000)	Consolidated (HK$'000)
Assets						
Segment assets	16,469,042	2,656,335	1,527,315	1,102,670	(28,686)	21,726,676
Associates	2,653	—	179,520	834	—	183,007
Jointly controlled entities	2,800,353	9,641	21,383	(1,741)	—	2,829,636
Unallocated assets						1,630,997
Total assets						26,370,316
Liabilities						
Segment liabilities	1,029,342	255,346	77,533	7,347	(28,686)	1,340,882
Unallocated liabilities						8,611,920
Total liabilities						9,952,802
Other information						
Additions to non-current assets (other than financial instruments and deferred tax assets)	48,099	51,461	16,928	2,547		
Depreciation	14,428	130,616	64,728	1,487		
Amortisation						
– leasehold land	—	—	244	—		
– intangible assets	—	—	107	89		
Impairment losses on						
– available-for-sale investments	—	—	—	123		
– trade receivables	—	—	65	54		
Net (write-back) / write-down of inventories	(14,820)	—	—	738		

Note 36 Segment Information (Continued)

(c) Geographical information

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

Group

	Hong Kong (HK$'000)	Macau (HK$'000)	Others (HK$'000)	Consolidated (HK$'000)
2010				
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**
2009 (Restated)				
Revenue from external customers	1,214,604	1,840,279	93,381	3,148,264
Non-current assets	4,475,166	1,285,210	491,485	6,251,861

(d) Information about major customers

In 2010 and 2009, the revenue from the Group's largest external customer amounted to less than 10% of the Group's total revenue.

Note 37 Significant Related Party Transactions

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

	Note		2010 (HK$'000)	2009 (HK$'000)
STDM Group	(i)			
Dividend income from STDM			—	30,381
Ferry tickets sold (after discount) to STDM Group		*	153,884	191,239
Commission paid to STDM Group on ferry tickets sold by STDM Group		*	18,708	17,230
Fees received from STDM for management of hotels		*	9,468	26,314
Fees received from STDM Group for provision of property related services		*	23,778	9,364
Rental and related expenses paid to STDM Group		*	9,557	6,785
Fuel purchased from STDM Group for Macau shipping operations		*	282,699	241,730
Amount collected by STDM Group for sale of ferry tickets and related services in Macau			418,111	413,562
Amount collected by STDM Group for sale of Bungy Jumping and other outdoor adventure activities in Macau Tower			12,011	10,849
Amount reimbursed to STDM Group for expenses incurred in respect of shipping operations in Macau			144,886	131,507
Amount reimbursed by STDM Group for staff expenses and administrative resources shared			25,124	27,236
Revenue of duty free goods sold on board collected for STDM			7,286	12,573
Disposal of 100% equity interest in Skamby and related shareholder's loan to STDM Group	(ii)	*	—	722,168
Off-market share repurchase of the Company's shares held by STDM Group	(iii)	*	—	580,068
Associates				
Insurance premium paid to an associate			34,113	39,599
Jointly controlled entities				
Ferry passengers handling fees received on behalf of a jointly controlled entity			39,156	34,374
Amounts paid to a jointly controlled entity in respect of the Chatham Garden redevelopment project for				
Management fee		*	5,672	695
Related construction cost and preliminary works			103,196	10,766

Note 37 Significant Related Party Transactions (Continued)

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

	Note		2010 (HK$'000)	2009 (HK$'000)
Key management personnel				
Ferry tickets sold (after discount) to a jointly controlled entity of New World Development Company Limited ("NWD")	(iv)	*	**28,852**	34,644
Amount collected on behalf of a jointly controlled entity of NWD for sale of ferry tickets	(iv)		**14,119**	13,373
Construction cost paid to a subsidiary of NWD in respect of a development project	(iv)	*	**56,813**	—
Ferry tickets sold (after discount) to MGM Grand Paradise Limited ("MGM")	(v)	*	**45,324**	37,652
Fees received from MGM for laundry, decoration, travel and other services rendered	(v)	*	**13,028**	11,543
Directors' emoluments	(vi)			
Salaries and other short-term employee benefits			**22,456**	27,550
Post-employment benefits			**923**	951
Gratuity payments to former directors			**—**	6,987
Share-based payments			**7,299**	—
Acquisition of a site from Hanika Realty Company Limited ("HRL")	(vii)	*	**624,175**	—
Other related parties				
Commission paid to China Travel Service (Hong Kong) Limited ("CTSHK") for sale of ferry tickets	(viii)	*	**27,201**	26,783
Net income collected by CTSHK for sale of ferry tickets and related services	(viii)		**117,942**	122,403

Note 37 Significant Related Party Transactions (Continued)

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

	Note	2010 (HK$'000)	2009 (HK$'000)
STDM Group	(i)		
Net receivable from STDM Group	(ix)	17,578	42,756
Associates			
Amounts due by associates	(x)	21,136	11,136
Jointly controlled entities			
Amount due to a jointly controlled entity	(xi)	40	655,604
Amounts due by jointly controlled entities	(xi)	1,334,022	1,321,118
Construction costs payable to a jointly controlled entity		10,898	68,374
Key management personnel			
Non-controlling shareholder's loan from NWD to a subsidiary	(xii)	123,917	123,917
Non-controlling shareholder's loan from a company beneficially owned by Dr. Stanley Ho to a subsidiary	(xiii)	87,707	87,707
Refundable deposit paid by a subsidiary to Sai Wu Investimento Limitada ("Sai Wu")	(xiv) *	500,000	500,000
Other related parties			
Non-controlling shareholder's loan from Dragages Investments Limited ("DI") to a subsidiary	(xv)	128,250	123,750
Non-controlling shareholder's loan from Sun Hung Kai Properties Limited ("SHK") to a subsidiary	(xii)	359,359	359,359

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

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

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

(v) Ms. Pansy Ho is a director of, and has beneficial interest in MGM.

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

(vii) 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 are directors of and have beneficial interests in HRL (Further details were described in the Company's circular dated 12 July 2010).

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

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

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

(xi) Amount due to a jointly controlled entity is unsecured, non-interest bearing and with no fixed term of repayment. Amounts due by jointly controlled entities are unsecured. Amount of HK$1,319,569,000 has no fixed term of repayment (2009: HK$1,275,000,000 repayable by 5 December 2010), amount of HK$23,598,000 (2009: HK$30,562,000) is repayable upon notice of either party and amount of HK$4,266,000 in 2009 was repayable by 3 instalments. The remaining balances have no fixed term of repayment. Amount of HK$1,275,000,000 (2009: HK$1,275,000,000) is interest bearing at HIBOR plus 3% (2009: HIBOR plus 3%) per annum. In 2009, amount of HK$4,266,000 was interest bearing at base lending rates promulgated by the People's Bank of China in PRC per annum. The remaining balances are non-interest bearing. The related interest income for the year amounted to HK$44,943,000 (2009: HK$45,708,000). No interest receivable (2009: interest receivable of HK$44,000) remained unsettled as at year end.

(xii) The subsidiary, Ranex Investments Limited ("Ranex"), carries on the business of property investment and development. Ranex is owned as to 51% by the Group, 29% by SHK, 10% by NWD and 10% by an unrelated third party. The non-controlling shareholders' loans to Ranex from NWD and SHK are unsecured, non-interest bearing and with no fixed term of repayment.

(xiii) The subsidiary, Shun Tak Cultural Centre Limited, holds 100% interest in Shun Tak Business Centre in Guangzhou and is owned as to 60% by the Group and 40% by a company beneficially owned by Dr. Stanley Ho. The non-controlling shareholder's loan is unsecured, non-interest bearing and with no fixed term of repayment.

(xiv) The subsidiary, Shun Tak Nam Van Investment Limited ("Shun Tak Nam Van"), entered into a conditional sale and purchase agreement with Sai Wu, a company beneficially owned as to 60% by Dr. Stanley Ho and 40% by other independent third parties, to acquire the interest in the land development right in respect of the property sites adjoining the Macau Tower in Nam Van, Macau. The refundable deposit was paid by Shun Tak Nam Van to Sai Wu in order to further extend the completion date of the acquisition without changing the consideration or other terms of the acquisition. On 30 December 2010, the completion date of the acquisition was further extended from 31 December 2010 to on or before 30 June 2012.

(xv) The subsidiary, Union Sky Holdings Limited, holds The SkyCity Marriott Hotel at the Hong Kong International Airport and is owned as to 70% by the Group and 30% by DI. The non-controlling shareholder's loan is unsecured, non-interest bearing and with no fixed term of repayment.

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

Note 38 Retirement Benefits Schemes

The Group provides defined contribution provident fund schemes for its eligible employees in Hong Kong, including the Occupational Retirement ("ORSO") scheme and the Mandatory Provident Fund ("MPF") scheme. On 1 December 2009, the ORSO scheme became inactive and transferred all eligible employees together with their assets held under the ORSO scheme to the MPF scheme and provident fund scheme in Macau respectively.

Under the MPF scheme, the Group and its employees' contributions to the MPF scheme are ranging from 5% to 10% of the employees' relevant income with a maximum monthly contribution of HK$1,000 to certain employees. Under the ORSO scheme, the Group and its employees were each required to make contributions to the scheme calculated at 5% to 10% of the employees' monthly basic salaries prior to 1 December 2009.

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 2010 were HK$31,795,000 (2009: HK$34,877,000). 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$23,348,000 (2009: HK$23,681,000).

Note 39 Commitments

(a) Capital commitments

	Group	
	2010 (HK$'000)	2009 (HK$'000)
Contracted but not provided for	10,180	55,229
Authorised but not contracted for	856	637
	11,036	55,866

In addition to the above, the Group had commitments of payment of HK$3,080 million (2009: HK$3,080 million) in cash and issue of 148,883,374 (2009: 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	
	2010 (HK$'000)	2009 (HK$'000)
Within one year	29,437	25,258
In the second to fifth year inclusive	20,116	16,798
	49,553	42,056

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 7 years.

(c) Future minimum lease payments receivable

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

	Group	
	2010 (HK$'000)	2009 (HK$'000)
Within one year	111,809	100,725
In the second to fifth year inclusive	151,394	148,080
Over five years	11,687	28,824
	274,890	277,629

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

Note 39 Commitments (Continued)

(d) Property development commitments

The Group had outstanding commitments of HK$1,448 million (2009: HK$87 million out of which HK$33 million represents the Group's share of such commitments of a jointly controlled entity) under various contracts for property development projects.

Note 40 Contingent Liabilities

	Group		Company	
	2010 (HK$'000)	2009 (HK$'000)	**2010 (HK$'000)**	2009 (HK$'000)
Guarantees given by the Group to financial institutions on behalf of purchasers of flats	**36,754**	51,900	**36,754**	51,900
Guarantees issued by the Company for credit facilities granted to subsidiaries	**—**	—	**4,228,500**	3,772,500
Guarantees issued by the Company for bank guarantees issued for the Group	**6,540**	10,100	**3,040**	10,100
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$2.2 million (2009: HK$2.9 million).

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 debt securities, mortgage loans receivable, amounts due by associates and jointly controlled entities, trade and other debtors, bank deposits and cash at banks.

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

Note 41 Financial Instruments (Continued)

(a) Credit risk (Continued)

Summary quantitative data

	Group		Company	
	2010 (HK$'000)	2009 (HK$'000)	**2010 (HK$'000)**	2009 (HK$'000)
Available-for-sale investments	**—**	21,427	**—**	—
Mortgage loans receivable	**10,833**	14,726	**—**	—
Other non-current assets	**1,355,283**	1,332,379	**11,028,765**	11,253,231
Trade receivables, other receivables and deposits paid (excluding deposits and prepayments)	**171,116**	194,056	**7,836**	11,171
Derivative financial instruments	**38,574**	3,918	**—**	—
Bank deposits, cash and bank balances	**4,264,015**	3,587,409	**33,420**	52,105
	5,839,821	5,153,915	**11,070,021**	11,316,507

The Group has concentration of credit risk on amount due by a jointly controlled entity of HK$1,320 million (2009: HK$1,275 million). As the jointly controlled entity has a strong financial position, the Directors consider that the credit risk is minimal.

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

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

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

None of the terms of financial assets which are past due or impaired have been renegotiated during the year ended 31 December 2010 (2009: same).

Note 41 Financial Instruments (Continued)

(b) Liquidity risk

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

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

Group

	Less than 1 year (HK$'000)	Later than 1 year and not later than 5 years (HK$'000)	More than 5 years (HK$'000)	Over 1 year but no fixed repayment term (HK$'000)	Total undiscounted cash flows (HK$'000)	Carrying amount at 31 December 2010 (HK$'000)
2010						
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**
	4,119,677	**3,759,050**	**—**	**846,828**	**8,725,555**	**8,435,057**
2009						
Bank borrowings	1,416,800	3,752,200	—	—	5,169,000	5,169,000
Convertible bonds	51,150	1,754,600	—	—	1,805,750	1,441,888
Trade and other payables	1,303,221	—	—	—	1,303,221	1,303,221
Loans from non-controlling shareholders	—	—	—	849,146	849,146	849,146
	2,771,171	5,506,800	—	849,146	9,127,117	8,763,255

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

	2010 (HK$'000)	2009 (HK$'000)
Variable-rate financial assets / (liabilities)		
Mortgage loans receivable	11,556	16,124
Amounts due by jointly controlled entities	1,275,000	1,279,266
Bank balances and deposits	4,026,364	3,239,548
Bank borrowings	(5,553,200)	(5,169,000)
Loans from non-controlling shareholders	—	(4,552)
	(240,280)	(638,614)
Fixed-rate financial assets / (liabilities)		
Available-for-sale investments	—	21,427
Convertible bonds	(1,464,102)	(1,441,888)
	(1,464,102)	(1,420,461)
Net interest-bearing liabilities	(1,704,382)	(2,059,075)

Company

	2010 (HK$'000)	2009 (HK$'000)
Variable-rate financial assets		
Amounts due by subsidiaries	237,820	227,971
Bank balances and deposits	23,123	43,152
	260,943	271,123

Note 41 Financial Instruments (Continued)

(c) Market risk (Continued)

*(i) Interest rate risk **(Continued)***

Sensitivity analysis

At 31 December 2010, if interest rates had been 50 basis points (2009: 50 basis points) lower with all other variables held constant, the Group's profit after taxation and equity would have been HK$4.4 million (2009: HK$15.7 million) higher, arising mainly as a result of lower net interest expenses on net variable-rate financial liabilities.

At 31 December 2010, if interest rates had been 50 basis points (2009: 50 basis points) higher with all other variables held constant, the Group's profit after taxation and equity would have been HK$0.9 million higher arising mainly as a result of higher interest income on variable-rate financial assets (2009: HK$2.7 million lower arising mainly as a result of higher net interest expenses on net variable-rate financial liabilities).

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

The analysis is prepared on the same basis for 2009.

(ii) Currency risk

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

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

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

Note 41 Financial Instruments (Continued)

(c) Market risk (Continued)

(ii) Currency risk (Continued)

Summary quantitative data

Group

	USD (HK$'000)	MOP (HK$'000)	RMB (HK$'000)	Total (HK$'000)
2010				
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**
	97,970	**70,642**	**72,719**	**241,331**
2009				
Available-for-sale investments	39,796	—	—	39,796
Amount due by a jointly controlled entity	4,266	—	—	4,266
Bank deposits	15,505	1,043	—	16,548
Cash and bank balances	14,470	51,282	58,012	123,764
Trade and other receivables	158	34,439	2,885	37,482
Trade and other payables	(47,539)	(47,691)	(11,579)	(106,809)
Derivative financial instruments	3,918	—	—	3,918
	30,574	39,073	49,318	118,965

Company

	USD (HK$'000)	MOP (HK$'000)	Total (HK$'000)
2010			
Bank deposits	**—**	**3,883**	**3,883**
Cash and bank balances	**21**	**1,614**	**1,635**
	21	**5,497**	**5,518**
2009			
Cash and bank balances	201	98	299

Note 41 Financial Instruments (Continued)

(c) Market risk (Continued)

(ii) Currency risk ***(Continued)***

Sensitivity analysis

At 31 December 2010, if HKD weakened 10% (2009: 10%) against RMB with all other variables held constant, the Group's exchange reserve would have been HK$7.3 million (2009: HK$4.9 million) higher. Conversely, if HKD had strengthened 10% (2009: 10%) against RMB with all other variables held constant, the Group's exchange reserve would have been HK$7.3 million (2009: HK$4.9 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 2009.

(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	
	2010 (HK$'000)	2009 (HK$'000)	**2010 (HK$'000)**	2009 (HK$'000)
Financial assets, at fair value				
Available-for-sale investments	**281,229**	240,076	**—**	—
Financial assets, at cost less impairment losses				
Available-for-sale investments	**816,815**	819,815	**234,723**	234,723
	1,098,044	1,059,891	**234,723**	234,723

Note 41 Financial Instruments (Continued)

(c) Market risk (Continued)

*(iii) Equity price risk **(Continued)***

Sensitivity analysis

The Group's equity investments amounting to 90.8% (2009: 95.7%) 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% (2009: 10%) increase in stock prices at 31 December 2010 would have increased the equity by HK$25.5 million (2009: HK$23.0 million); an equal change in the opposite direction would have decreased the equity by HK$25.5 million (2009: HK$23.0 million) and the Group's profit after taxation by HK$5.6 million respectively.

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 2009.

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 34% of the anticipated fuel consumption for 2011 was hedged at the balance sheet date.

Summary quantitative data

	Group	
	2010 (HK$'000)	2009 (HK$'000)
Financial assets, at fair value		
Fuel swap contracts	**38,574**	3,918

Sensitivity analysis

At 31 December 2010, if the fuel price increased by 10% (2009: 10%) with all other variables held constant, the Group's equity would have been HK$13.4 million (2009: HK$5.0 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% (2009: 10%) with all other variables held constant, the Group's equity would have been HK$18.8 million (2009: HK$5.0 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 2009.

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	
	2010 (HK$'000)	2009 (HK$'000)	**2010 (HK$'000)**	2009 (HK$'000)
Financial assets				
Loan and receivables (including cash and cash equivalents)	**5,801,247**	5,128,570	**11,070,021**	11,316,507
Available-for-sale investments	**1,098,044**	1,081,318	**234,723**	234,723
Financial liabilities				
Financial liabilities measured at amortised cost	**8,435,057**	8,763,255	**1,350,696**	1,163,025

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)

2010

	Level 1 (HK$'000)	Level 2 (HK$'000)	Level 3 (HK$'000)	Total (HK$'000)
Assets				
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

2009

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. 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.

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.

Note 41 Financial Instruments (Continued)

Fair value estimation (Continued)

Specific valuation techniques used to value financial instruments include:

— Quoted market prices or dealer quotes for similar instruments.

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

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

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 2010, the Group's strategy, which was unchanged from 2009, was to maintain a healthy net debt-to-adjusted capital ratio.

The net debt-to-adjusted capital ratio at 31 December 2010 and 2009 was as follows:

	Group	
	2010 (HK$'000)	2009 (HK$'000)
Bank borrowings (note 28)	**5,553,200**	5,169,000
Convertible bonds (note 30)	**1,464,102**	1,441,888
Less: Cash and cash equivalents (note 35(c))	**(4,264,029)**	(3,587,423)
Net debts	**2,753,273**	3,023,465
Equity attributable to owners of the Company	**15,227,648**	14,095,935
Less: Hedging reserve (note 34)	**(13,721)**	(1,394)
Adjusted capital	**15,213,927**	14,094,541
Net debt-to-adjusted capital ratio	**18.1%**	21.5%

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.

(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.

Note 43 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(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 Comparatives

Certain comparative figures have been restated as a result of the adoption of the amendment relating to HKAS 17, "Leases" and to conform with the current year's presentation. Revenue of HK$163,540,000 and the corresponding discount of HK$163,540,000 in connection with the revenue from passenger transportation services previously shown separately in the consolidated income statement have been netted off.

Note 45 Approval of Financial Statements

The financial statements were approved and authorised for issue by the Board of Directors on 28 March 2011.

PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

	Place of incorporation/ Principal place of operation	Issued and paid up ordinary share capital/ registered capital	Percentage held by the Group	Principal activities
PROPERTY – HONG KONG				
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
PROPERTY – MACAU				
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

	Place of incorporation/ Principal place of operation	Issued and paid up ordinary share capital/ registered capital	Percentage held by the Group	Principal activities
PROPERTY – MAINLAND CHINA				
Guangzhou Shun Tak Real Estate Company, Limited**	PRC	HK$130,000,000@	60	property investment
Shun Tak Cultural Centre Limited	Hong Kong	HK$10	60	investment holding
TRANSPORTATION				
Conwick Investment Limited	Hong Kong/ Hong Kong-Macau	HK$2 HK$2+	42.6	shipping
Far East Hydrofoil Company, Limited	Hong Kong/ Hong Kong-Macau	HK$2,000 HK$5,000,000+	42.6	shipping
Glowfield Group Limited	British Virgin Islands	US$27	42.6	investment holding
Hongkong Macao Hydrofoil Company, Limited	Hong Kong/ Hong Kong-Macau	HK$10,000,000	42.6	shipping
Interdragon Limited	British Virgin Islands	US$10,000	60	investment holding
Ocean Shipbuilding & Engineering Limited	Hong Kong	HK$200 HK$100,000+	42.6	shipbuilding and repairs
Shun Tak-China Travel Ferries Limited	British Virgin Islands	US$2	42.6	investment holding
Shun Tak-China Travel Ship Management Limited	Hong Kong/ Hong Kong-Macau	HK$200 HK$1,000,000+	42.6	ship management
Shun Tak-China Travel Shipping Investments Limited	British Virgin Islands	US$10,000	42.6	investment holding
Shun Tak Ferries Limited	Hong Kong	HK$2	100	investment holding
Sunrise Field Limited	Hong Kong/ Hong Kong-Macau	HK$1	42.6	shipping
Tai Tak Hing Shipping Company Limited	Hong Kong/ Hong Kong-Macau	HK$200 HK$5,200,000+	42.6	shipping
Wealth Trump Limited	Hong Kong/ Hong Kong-Macau	HK$1	42.6	shipping

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
HOSPITALITY				
Florinda Hotel International Limited	British Virgin Islands/ Macau	US$1	100	hotel management
Shun Tak, Serviços Recreativos, S.A.	Macau	MOP1,000,000	100	property holding
Shun Tak Travel Services Limited	Hong Kong	HK$2,000,000	100	travel agency services
Sociedade de Turismo e Desenvolvimento Insular, S.A.R.L.#	Macau	MOP200,000,000	35	hotel and golf club operations
Union Sky Holdings Limited**	Hong Kong	HK$10,000	70	hotel owning and operation
FINANCE				
Joyous King Group Limited	British Virgin Islands	US$1	100	financing
Shun Tak Finance Limited	Hong Kong	HK$2	100	financing
Step Ahead International Limited	British Virgin Islands/ Hong Kong	US$1	100	general investment

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

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

\+ *Non-voting deferred shares*
@ *Registered capital*
\# *Associates*
^ *Joint ventures*
** *Companies not audited by H. C. Watt & Company Limited*

FIVE-YEAR FINANCIAL SUMMARY

	2010 (HK$ million)	(Restated) 2009 (HK$ million)	(Restated) 2008 (HK$ million)	(Restated) 2007 (HK$ million)	(Restated) 2006 (HK$ million)
Consolidated Income Statement					
Turnover	**3,097**	3,066	4,182	3,166	2,374
Profit attributable to owners of the Company	**853**	2,874	101	1,014	664
Total dividends	**130**	456	29	316	279
Consolidated Balance Sheet					
Non-current assets	**11,312**	11,708	9,209	8,880	7,919
Current assets	**15,852**	14,662	15,352	17,435	5,622
Current liabilities	**(4,184)**	(2,908)	(3,392)	(5,170)	(814)
Non-current liabilities	**(5,367)**	(7,044)	(7,140)	(5,762)	(1,990)
Net assets	**17,613**	16,418	14,029	15,383	10,737
Share capital	**543**	506	564	582	548
Reserves	**14,555**	13,212	11,223	12,292	8,030
Proposed dividends	**130**	378	29	164	175
Equity attributable to owners of the Company	**15,228**	14,096	11,816	13,038	8,753
Non-controlling interests	**2,385**	2,322	2,213	2,345	1,984
Total equity	**17,613**	16,418	14,029	15,383	10,737
Number of issued and fully paid shares (million)	**2,172**	2,024	2,257	2,328	2,191
Performance Data					
Earnings per share (HK cents)					
– basic	**41.4**	134.4	4.4	45.7	31.0
– diluted	**40.8**	132.0	4.3	43.9	29.7
Dividends per share (HK cents)					
– interim	**—**	3.8	—	7.0	4.5
– final	**6.0**	18.7	1.3	7.0	8.0
Dividend cover	**6.9**	6.0	3.4	3.3	2.5
Current ratio	**3.8**	5.0	4.5	3.4	6.9
Gearing (%)	**18.1**	21.4	38.1	20.1	—
Return on equity attributable to owners of the Company (%)	**5.6**	20.4	0.9	7.8	7.6
Net asset value per share (HK$)	**8.1**	8.1	6.2	6.6	4.9

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.

	2010	2009	2008	2007	2006
Headcount by Division					
Head Office	**201**	197	206	174	161
Property	**411**	531	362	328	294
Transportation	**1,587**	1,684	1,844	1,796	1,759
Hospitality	**427**	457	441	143	121
Investment	**51**	39	27	89	86

DESIGN : THE GRAPHIS COMPANY LIMITED
PRINTING : IFN FINANCIAL PRESS LIMITED

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

信德集團有限公司
香港中環干諾道中二百號
信德中心西座三十九頂樓

www.shuntakgroup.com