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## **SHUN TAK HOLDINGS LIMITED**

**信德集團有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 242)**

**Website: <http://www.shuntakgroup.com>**

### **2008 Annual Results Announcement**

#### **GROUP RESULTS**

The Group's audited profit attributable to equity holders of the Company for the year ended 31 December 2008 amounted to HK\$101 million, a decrease of approximately 90% over 2007 profit of HK\$1,014 million. Basic earnings per share were HK 4.4 cents (2007: HK 45.7 cents).

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

#### **DIVIDENDS**

The Directors now recommend the declaration of a final dividend of HK 1.3 cents (2007: HK 7.0 cents) per share. No interim dividend was declared by the Directors during the year (2007: HK 7.0 cents per share). The total dividends for the year amounted to HK 1.3 cents (2007: HK 14.0 cents) per share.

The recommended final dividend, if approved at the forthcoming annual general meeting of the Company to be held on 26 May 2009, is expected to be paid on 10 June 2009 to the shareholders of the Company whose names appear on the Register of Members of the Company on 26 May 2009.

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

		(Restated)
		2007
	2008	(HK\$'000)
	(HK\$'000)	(HK\$'000)
	Note	
<b>Turnover</b>	3	3,318,137
Other revenues		165,512
		<u>4,474,437</u>
Other net (loss)/income	4	23,558
Cost of inventories sold or consumed		(1,005,324)
Staff costs		(670,343)
Depreciation and amortisation		(140,551)
Other costs		(987,048)
Fair value changes on investment properties		<u>121,283</u>
<b>Operating profit</b>	3, 5	825,224
Excess of interest in fair value of net assets acquired over cost of acquisition of subsidiaries		291,177
Finance costs	6	(61,145)
Share of results of associates		283,298
Share of results of jointly controlled entities		<u>22,533</u>
<b>Profit before taxation</b>		1,361,087
Taxation	7	(99,279)
<b>Profit after taxation</b>		<u><u>1,261,808</u></u>
<b>Attributable to:</b>		
Equity holders of the Company		1,013,548
Minority interests		<u>248,260</u>
		<u><u>29,981</u></u>
<b>Dividends</b>		<u><u>316,298</u></u>
<b>Earnings per share (HK cents)</b>	8	
— basic		<u><u>45.7</u></u>
— diluted		<u><u>43.9</u></u>

## CONSOLIDATED BALANCE SHEET

At 31 December

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### Note 1 Statement of Compliance

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs, which also include Hong Kong Accounting Standards (HKASs) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong, and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

### Note 2 Impact of New and Revised Hong Kong Financial Reporting Standards

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

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

- 1 Effective for annual periods beginning on or after 1 January 2009
- 2 Effective for annual periods beginning on or after 1 July 2009
- 3 Effective for annual periods ending on or after 30 June 2009
- 4 Effective for annual periods beginning on or after 1 July 2008
- 5 Effective for annual periods beginning on or after 1 October 2008
- 6 Effective for transfer of assets from customers received on or after 1 July 2009
- 7 Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

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

## Note 3 Segment Information

### Business segments

#### 2008

	Property (HK\$'000)	Transportation (HK\$'000)	Hospitality (HK\$'000)	Investment and others (HK\$'000)	Eliminations (HK\$'000)	Consolidated (HK\$'000)
<b>Turnover and revenue</b>						
External turnover	2,045,640	1,842,031	345,528	117,649	—	4,350,848
Inter-segment turnover	3,304	188,348	34,145	—	(225,797)	—
Other revenues	11,017	40,208	8,100	4,403	—	63,728
	<u>2,059,961</u>	<u>2,070,587</u>	<u>387,773</u>	<u>122,052</u>	<u>(225,797)</u>	<u>4,414,576</u>
<b>Segment results</b>						
Fair value changes on investment properties	369,808	(149,634)	4,359	113,699	—	338,232
Unallocated income	(191,585)	—	—	—	—	(191,585)
Unallocated expense						3,449
Interest income						(94,767)
Operating profit						59,861
Finance costs						115,190
Share of results of associates	15	—	36,655	1,811	—	(157,888)
Share of results of jointly controlled entities	1,239	6,599	6,159	—	—	38,481
Profit before taxation						13,997
Taxation						9,780
Profit after taxation						<u>20,201</u>
						<u>29,981</u>
<b>Assets</b>						
Segment assets	17,486,595	2,868,031	1,652,140	1,067,355	(38,904)	23,035,217
Associates	2,689	—	217,055	603	—	220,347
Jointly controlled entities	925,361	13,432	18,559	—	—	957,352
Unallocated assets						348,642
Total assets						<u>24,561,558</u>
<b>Liabilities</b>						
Segment liabilities	762,639	415,782	140,041	9,794	(38,904)	1,289,352
Unallocated liabilities						9,242,650
Total liabilities						<u>10,532,002</u>
<b>Other information</b>						
Capital expenditure	57,149	341,280	524,461	34		
Depreciation	15,164	114,990	5,336	2,879		
Amortisation						
— leasehold land	182	2,976	10,428	—		
— intangible assets	—	—	—	277		
Impairment losses on						
— intangible assets	—	—	—	3,015		
— receivables	96	—	131	—		

## 2007 (Restated)

	Property (HK\$'000)	Transportation (HK\$'000)	Hospitality (HK\$'000)	Investment and others (HK\$'000)	Eliminations (HK\$'000)	Consolidated (HK\$'000)
<b>Turnover and revenue</b>						
External turnover	846,425	2,011,135	367,939	92,638	—	3,318,137
Inter-segment turnover	2,880	208,186	38,243	—	(249,309)	—
Other revenues	<u>1,266</u>	<u>18,870</u>	<u>2,532</u>	<u>3,532</u>	<u>—</u>	<u>26,200</u>
	<u>850,571</u>	<u>2,238,191</u>	<u>408,714</u>	<u>96,170</u>	<u>(249,309)</u>	<u>3,344,337</u>
<b>Segment results</b>						
Segment assets	286,881	259,177	43,080	81,006	—	670,144
Fair value changes on investment properties	121,283	—	—	—	—	121,283
Unallocated income						3,671
Unallocated expense						(109,186)
Interest income						<u>139,312</u>
Operating profit						825,224
Excess of interest in fair value of net assets acquired over cost of acquisition of subsidiaries	291,098	—	79	—	—	291,177
Finance costs						(61,145)
Share of results of associates	224,980	1,545	54,834	1,939	—	283,298
Share of results of jointly controlled entities	18,881	4,455	(803)	—	—	<u>22,533</u>
Profit before taxation						1,361,087
Taxation						<u>(99,279)</u>
Profit after taxation						<u>1,261,808</u>
<b>Assets</b>						
Segment assets	18,290,198	2,839,913	1,044,267	1,682,550	(57,685)	23,799,243
Associates	2,674	5,111	228,637	792	—	237,214
Jointly controlled entities	946,873	29,124	(761)	—	—	975,236
Unallocated assets						<u>1,303,617</u>
Total assets						<u>26,315,310</u>
<b>Liabilities</b>						
Segment liabilities	1,860,822	404,207	152,111	11,329	(57,685)	2,370,784
Unallocated liabilities						<u>8,561,396</u>
Total liabilities						<u>10,932,180</u>
<b>Other information</b>						
Capital expenditure	11,265	35,729	347,685	1,305		
Depreciation	6,055	113,366	3,783	1,844		
Amortisation						
— leasehold land	181	2,976	10,417	—		
— intangible assets	—	—	—	296		
Impairment losses on receivables	<u>455</u>	<u>—</u>	<u>278</u>	<u>—</u>		

## Geographical segments

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

## Note 4 Other Net (Loss)/Income

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

## Note 5 Operating Profit

	2008 (HK\$'000)	(Restated) 2007 (HK\$'000)
<b>After crediting:</b>		
Interest income	62,117	144,992
Rental income from investment properties	146,008	141,405
Less: Direct operating expenses arising from investment properties	<u>(12,745)</u>	<u>(11,257)</u>
	133,263	130,148
Dividend income from investments	91,571	76,564
<b>After charging:</b>		
Cost of inventories		
— properties	1,442,783	341,529
— fuel	757,515	589,136
— others	<u>84,463</u>	<u>74,659</u>
	2,284,761	1,005,324

## Note 6 Finance Costs

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

## Note 7 Taxation

	2008 (HK\$'000)	2007 (HK\$'000)
<b>Company and subsidiaries</b>		
Hong Kong profits tax	30,772	61,153
Overseas tax	138,849	31,547
Deferred tax	<u>(189,822)</u>	<u>6,579</u>
	<u>(20,201)</u>	<u>99,279</u>

Hong Kong profits tax is provided for at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits for the year. Overseas taxation is calculated at the rates applicable in their respective jurisdictions.

Deferred tax has been provided for temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits.

#### **Note 8 Earnings per Share**

The calculation of basic earnings per share is based on profit attributable to equity holders of the Company of HK\$101,360,000 (2007: HK\$1,013,548,000) and the weighted average number of 2,320,189,585 shares (2007: 2,218,420,201 shares) in issue during the year. The calculation of diluted earnings per share is based on profit attributable to equity holders of the Company of HK\$101,360,000 (2007: HK\$1,013,548,000) and the weighted average number of 2,372,131,777 shares (2007: 2,306,385,218 shares) in issue after adjusting for the effects of all dilutive potential ordinary shares.

#### **Note 9 Trade Receivables and Payables — Ageing Analysis**

Trade debtors are managed in accordance with defined credit policies, dependent on market requirements and businesses which they operate. Subject to negotiation, credit is only available for major customers with well-established trading records. The ageing analysis of trade debtors is as follows:

	2008 (HK\$'000)	2007 (HK\$'000)
0 — 30 days	690,405	144,702
31 — 60 days	23,374	67,928
61 — 90 days	7,851	131,052
over 90 days	<u>21,475</u>	<u>22,002</u>
	<u><b>743,105</b></u>	<u><b>365,684</b></u>

The ageing analysis of trade creditors is as follows:

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

#### **Note 10 Comparatives**

Certain comparative figures have been reclassified in order to conform with the current year's presentation.

## **BUSINESS REVIEW**

### **Property**

The property division of Shun Tak Holdings Limited (“the Group”) reported an operating profit of HK\$370 million (2007: HK\$287 million) or 29% growth for the year ended 31 December 2008.

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

Following the successful acquisition of 75% shareholding from its partners in December 2007, the Group now controls 100% interest of Nova City. As at 31 December 2008, more than 87% of Nova City Phase 3 has been sold and occupation permits for all four residential towers were issued in December 2008, with handover of units commencing in the same month. The remaining phases of the development, Nova City Phases 4 and 5, are currently under planning.

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

In May 2008, the Group undertook to acquire a plot of land adjoining the original Nam Van site earmarked for Harbour Mile, with additional development rights of 1.6 million square feet gross floor area. The combined 4.3 million square feet site will be used to develop a mixed-use development consisting primarily of premium residential units. Other commercial elements including shopping mall, serviced apartments and hotel will be developed according to market demands. The project is now under planning and is subject to Macau SAR Government’s approval.

During the same month, the Group entered into a Sale and Purchase Agreement with Sociedade de Turismo e Diversões de Macau, S.A. (“STDM”) to purchase the latter’s 20% interest in a project in Cotai. The Group now controls 100% interest in the Cotai project and is in discussion with the Macau SAR Government on its plan to develop an ultra luxurious hotel to be operated by the Jumeirah Group.

In Hong Kong, the Group's latest completed project, the Radcliffe, featuring ten exclusive 3,620 square feet duplex apartments, was completed in the first half of 2007. Seven of the ten duplex units were sold as at 31 December 2008.

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

Shun Tak Property Management Limited, the Group's property management division, provides integrated management solutions to a diversified range of residential, commercial and industrial properties in Hong Kong and Macau. Its portfolio will expand to over 13 million square feet with the target take up of One Central in 2009.

## **Transportation**

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

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

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

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

TurboJET Airport Routes continue to exhibit strong growth, registering a 32% year-on-year increase in passenger volume. In order to cope with the increasing demand and offer better connectivity with flight schedules, a 21% additional capacity has been introduced.

The permanent SkyPier is scheduled for completion in the fourth quarter of 2009, offering upgraded facilities and increased capacity for multimodal transit passengers. TurboJET and Expert Fortune Limited are planning to launch a new service between Nam Sha and the Hong Kong International Airport. The application has been submitted for approval.

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

## **Hospitality**

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

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

The Group's acclaimed 34.9%-owned Westin Resort Macau continues to be popular among tourists seeking a non-gaming resort destination and the adjacent Macau Golf & Country Club also recorded satisfactory performance.

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

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

Macau Tower Convention and Entertainment Centre has received over 7.1 million paid visitors since its opening in December 2001. Its unique adventure activities also contribute to its popularity among leisure visitors, with the Guinness World Record activities, Bungy Jump and SkyJump, recording 9,402 jumps collectively. This represents a year-on-year growth of approximately 33% (2007: 7,049 jumps).

Under Shun Tak Hospitality Services Limited ("STHSL"), a new MICE arm has been established to better serve growing demand from Greater China and other Asian markets. In addition, STHSL plans to operate MICE business in China with the aim of providing more comprehensive travel services and a further expansion of its business travel market in the Mainland in the first half of 2009. A new retail outlet in the Hong Kong - Macau Ferry Terminal, Shun Tak Centre, effectively improves the Group's exposure and ability to capitalize on walk-in business and enhancing service level.

## **Investment**

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

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

With its share prices trading below its intrinsic value and growth potential, the Group has implemented a buyback program with the objective of enhancing return potential for its investors. Affirming the Group's confidence in its future prospects, the Group has repurchased 105,338,000 shares of its common stock on the Stock Exchange for an aggregate consideration, including transactions costs, of approximately HK\$322

million in 2008. The Group also announced in January 2009 that it intends to repurchase 263,667,107 shares held by STDM and its subsidiary at the price of HK\$2.20 per share, representing approximately 11.68% of the Company's issued share capital subject to approval from independent shareholders.

## **RECENT DEVELOPMENTS AND PROSPECTS**

Year 2008 has been a period of consolidation following years of phenomenal growth in Hong Kong and Macau. With the economic downturn, the Group has taken the opportunity to review its business portfolio and streamline its operations in order to build a stronger foundation to meet future expansion prospects.

The property division is expected to benefit from the sales recognition of Nova City Phase 3 and One Central Residences. Subject to market conditions, the Group will continue to strategically maximize our property sales revenue from the remaining units of Nova City Phase 3, One Central Residences and Radcliffe.

Subject to relevant governmental approvals, various construction projects will progress as normal in 2009 including Nova City Phase 4 and 5, Harbour Mile, the Jumeirah Macau Hotel in Cotai and the Chatham Redevelopment project in Hong Kong.

TurboJET will continue to sustain cost control measures and pave way for diversification into various customer segments. With plans to introduce additional refurbished vessels, a new luxury class marketed as the "Premier Jetfoil" has been created to provide an additional alternative for charter groups and discerning customers. Additional capacity has been introduced on the TurboJET Airport Routes. Plans to launch new routes from SkyPier to Nam Sha and other PRC ports also reflect the diversification strategy.

Other exciting developments in the hospitality division took place in the later half of 2008. The Group announced plans to invest in a top quality hotel in Cotai and appointed the Dubai-based Jumeirah hotel group as its management.

The Group made its foray into the Hong Kong hospitality scene with the soft opening of the SkyCity Marriott Hotel in December 2008. The new hotel is strategically located in the transportation hub of Chek Lap Kok and is directly linked to the AsiaWorld-Expo. With such advantage, the hotel is expected to be widely popular amongst convention delegates, business travelers and transit visitors.

In January 2009, the Group announced an agreement to dispose of its 50% approximately interest in the Mandarin Oriental Macau to STDM at a consideration of HK\$740 million and 50% of the site's future redevelopment potential if and when

disposed or redeveloped by STDM, subject to independent shareholders' approval. The undertaking effectively improved the financial position of the Group, and also allowed it to streamline its portfolio segmentation in anticipation of the opening of the new Mandarin Oriental Hotel within One Central.

In January 2009, the Group also announced that it intends to repurchase 263,667,107 shares held by STDM and its subsidiary at the price of HK\$2.20 per share, which represents approximately 11.68% of the Company's issued share capital subject to approval from shareholders.

The Group will continue to monitor the performance of its share price and implement its share buyback program at opportune moments.

## FINANCIAL REVIEW

### Liquidity, Financial Resources and Capital Structure

The Group's bank balances and deposits amounted to HK\$2,737 million at 31 December 2008. It is the Group's policy to secure adequate funding to match with cash flows required for working capital and investing activities. At 31 December 2008, total loan facilities available to the Group amounted to HK\$11,933 million, of which HK\$4,695 million remained undrawn. The loan facilities outstanding at the year end amounted to HK\$7,238 million. The maturity profile of the Group's borrowings is set out below:

#### Maturity Profile

Within 1 year	1-2 years	2-5 years	Over 5 years	Total
28%	18%	49%	5%	100%

Based on a net borrowings of HK\$4,501 million at the year end, the Group's gearing ratio (expressed as a ratio of net borrowings to equity attributable to equity holders of the Company) was 38.1% (2007: 20.1%). The Group will continue to maintain a healthy gearing ratio and consider to reduce its finance costs.

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

## **Pledge of Assets**

At the year end, certain assets of the Group with an aggregate carrying value of HK\$1,368 million (2007: HK\$800 million) were pledged with banks for loan facilities.

## **Contingent Liabilities**

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

## **Financial Risk**

The Group adopts a conservative policy in financial risk management with minimal exposure to currency and interest rate risks. The funds raised by the Group are on a floating rate basis. None of the Group's outstanding borrowings was denominated in foreign currency at the year end. Approximately 96% of the bank deposits, cash and bank balances are denominated in Hong Kong dollars and United States dollars with the remaining balance mainly in Renminbi and Macau pataca. The Group's principal operations are primarily conducted in Hong Kong dollars so that the exposure to foreign exchange fluctuations is minimal. While the Group has financial assets and liabilities denominated in the United States dollar and Macau pataca, they are continuously pegged to Hong Kong dollar and the exposure to currency risk for such currencies is minimal to the Group. The Group engages in fuel hedging activities to minimise its exposure to fluctuations in fuel prices in accordance with the Group's approved treasury policies.

## **Human Resources**

The Group, including subsidiaries but excluding associates and jointly controlled entities, employed approximately 2,880 employees at the year end. The Group adopts competitive remuneration packages for its employees. Promotion and salary increment are based on performance. Social activities are organised to foster team spirit amongst staff. Staff are encouraged to attend training classes that are related to the Group's businesses.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed for the period from Thursday, 21 May 2009 to Tuesday, 26 May 2009, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend and for attending and voting at the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the

Company's Hong Kong registrars, Computershare Hong Kong Investor Services Limited, of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 20 May 2009.

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company will be held on Tuesday, 26 May 2009. The notice of annual general meeting will be published and dispatched to shareholders of the Company in the manner as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") in due course.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the year ended 31 December 2008, the Company repurchased 105,338,000 of its own shares on the Stock Exchange at an aggregate consideration of HK\$321,579,000. The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Details of the repurchases are as follows:

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

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

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

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company is committed to maintaining high standards of corporate governance. Corporate governance requirements keep changing, therefore the Board of Directors of the Company reviews its corporate governance practices from time to time to meet the rising expectations of shareholders and comply with increasingly stringent regulatory requirements. In the opinion of the Directors, the Company has applied all those principles as set out in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2008, except for deviation from Code provision A.5.4 as referred to under the section “Model Code for Securities Transactions” in this announcement.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

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

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors’ securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they fully complied with the Model Code throughout the year ended 31 December 2008 except for the deviation in the following circumstances.

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

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

## REVIEW OF FINANCIAL STATEMENTS

The Group's consolidated financial statements and the annual report for the year ended 31 December 2008 have been reviewed by the Audit Committee of the Company. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2008 have been agreed by the Group's auditor, H. C. Watt & Company Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2008. The work performed by H. C. Watt & Company Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by H. C. Watt & Company Limited on the preliminary announcement.

By Order of the Board  
**Stanley Ho**  
*Group Executive Chairman*

Hong Kong, 2 April 2009

*As at the date hereof, the executive Directors are Dr. Stanley Ho, Ms. Pansy Ho, Ms. Daisy Ho, Dr. Ambrose So, Mr. Patrick Huen, Mr. Anthony Chan, Ms. Maisy Ho, Mr. David Shum and Mr. Michael Ng. The non-executive Directors are Dato' Dr. Cheng Yu Tung and Mrs. Louise Mok and the independent non-executive Directors are Sir Roger Lobo, Mr. Norman Ho and Mr. Charles Ho.*