



SHUN TAK HOLDINGS LIMITED

信德集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 242)

2006 Annual Results Announcement

GROUP RESULTS

The Group's audited profit attributable to equity holders of the Company for the year ended 31 December 2006 amounted to HK\$663.9 million, an increase of 82.2% over 2005 profit of HK\$364.4 million. Basic earnings per share were HK 31.0 cents (2005: HK 17.5 cents).

DIVIDENDS

A final dividend of HK 8.0 cents (2005: HK 4.5 cents) per share has been proposed. In addition to the interim dividend of HK 4.5 cents (2005: HK 2.5 cents) per share previously paid, the total dividends for the year amounted to HK 12.5 cents (2005: HK 7.0 cents) per share.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December

		(Restated)
		2005
	Note	2006
		(HK\$'000)
		(HK\$'000)
Turnover	3	2,508,804
Other revenues		2,489,018
Other income		152,211
		<u>3,623</u>
		2,806,391
Cost of inventories sold or consumed		2,644,852
Staff costs		(670,283)
Depreciation and amortisation		(740,272)
Other costs		(601,370)
Fair value changes on investment properties		(529,599)
		(132,634)
		(878,975)
		<u>62,065</u>
		134,483
Operating profit	3, 4	581,070
Excess of interest in fair value of net assets acquired over cost of acquisition of a subsidiary		607,817
Finance costs	5	22,689
Share of results of associates		—
Share of results of jointly controlled entities		(47,866)
		(33,725)
		400,513
		71,605
		<u>(17,598)</u>
		(1,438)
Profit before taxation		938,808
Taxation	6	644,259
		<u>(56,831)</u>
		(63,266)
Profit after taxation		881,977
		<u>580,993</u>
Attributable to:		
Equity holders of the Company		663,916
Minority interests		364,390
		<u>218,061</u>
		216,603
		<u>881,977</u>
		<u>580,993</u>
Dividends		278,534
		<u>146,142</u>
Earnings per share (HK cents)	7	
— basic		31.0
		<u>17.5</u>
— diluted		29.7
		<u>16.8</u>

CONSOLIDATED BALANCE SHEET

At 31 December

	Note	2006 (HK\$'000)	2005 (HK\$'000)
Non-current assets			
Property, plant and equipment		972,843	936,855
Investment properties		2,988,264	2,912,255
Leasehold land		598,188	601,782
Associates		210,770	196,955
Jointly controlled entities		962,186	14,553
Intangible assets		4,328	2,275
Available-for-sale investments		1,279,770	1,057,684
Mortgage loans receivable		82,158	283,099
Deferred tax assets		16,237	11,285
Other non-current assets		803,649	370,951
		<u>7,918,393</u>	<u>6,387,694</u>
Current assets			
Properties under development		1,071,824	1,026,554
Inventories		224,346	235,674
Trade receivables, other receivables and deposits paid	8	870,417	303,049
Available-for-sale investments		25,260	29,038
Derivative financial instruments		—	5,363
Taxation recoverable		2,779	4,169
Bank deposits, cash and bank balances		3,427,514	3,864,250
		<u>5,622,140</u>	<u>5,468,097</u>
Current liabilities			
Bank borrowings		91,742	166,995
Trade and other payables	8	634,005	519,243
Derivative financial instruments		26,141	—
Provision for employee benefits		27,654	28,222
Taxation payable		34,432	65,211
		<u>813,974</u>	<u>779,671</u>
Net current assets		<u>4,808,166</u>	<u>4,688,426</u>
Total assets less current liabilities		<u>12,726,559</u>	<u>11,076,120</u>

	<i>Note</i>	2006 <i>(HK\$'000)</i>	2005 <i>(HK\$'000)</i>
Non-current liabilities			
Bank borrowings		834,982	849,724
Deferred tax liabilities		180,490	158,412
Loans from minority shareholders		<u>974,314</u>	<u>1,104,858</u>
		<u>1,989,786</u>	<u>2,112,994</u>
Net assets		<u>10,736,773</u>	<u>8,963,126</u>
Equity			
Share capital		547,628	520,505
Reserves		8,030,269	6,530,298
Proposed dividends		<u>175,241</u>	<u>93,691</u>
Equity attributable to equity holders of the Company			
		8,753,138	7,144,494
Minority interests		<u>1,983,635</u>	<u>1,818,632</u>
Total equity		<u>10,736,773</u>	<u>8,963,126</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.

Note 2 Impact of Revised Hong Kong Financial Reporting Standards

- a) The adoption of HKAS 1, HKAS 27 & HKFRS 3 (Amendments), HKAS 21 (Amendment), HKAS 39 (Amendment) and HKAS 39 & HKFRS 4 (Amendments) has no material impact on the Group's accounting policies.
- b) The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

		Effective for accounting periods beginning on or after
HK(IFRIC)-Int 8	Scope of HKFRS 2	1 May 2006
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives	1 June 2006
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment	1 November 2006
HKAS 1 (Amendment)	Presentation of Financial Statements — Capital Disclosures	1 January 2007
HKFRS 7	Financial Instruments: Disclosures	1 January 2007
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions	1 March 2007
HKFRS 8	Operating Segments	1 January 2009

Note 3 Segment Information
Business segments
2006

	Transportation (HK\$'000)	Property (HK\$'000)	Hospitality (HK\$'000)	Investment and others (HK\$'000)	Eliminations (HK\$'000)	Consolidated (HK\$'000)
Turnover and revenue						
External turnover	1,798,201	298,640	291,234	120,729	—	2,508,804
Inter-segment turnover	141,119	2,096	32,803	—	(176,018)	—
Other revenues	67,029	933	696	40,833	—	109,491
	<u>2,006,349</u>	<u>301,669</u>	<u>324,733</u>	<u>161,562</u>	<u>(176,018)</u>	<u>2,618,295</u>
Segment results	236,721	84,024	26,834	102,119	—	449,698
Fair value changes on investment properties	—	62,065	—	—	—	62,065
Unallocated income						3,759
Unallocated expense						(88,153)
Interest income						153,701
Operating profit						581,070
Excess of interest in fair value of net assets acquired over cost of acquisition of a subsidiary	—	22,689	—	—	—	22,689
Finance costs						(47,866)
Share of results of associates	412	347,835	50,750	1,516	—	400,513
Share of results of jointly controlled entities	5,789	(23,713)	—	326	—	(17,598)
Profit before taxation						938,808
Taxation						(56,831)
Profit after taxation						<u>881,977</u>
Assets						
Segment assets	2,541,762	5,850,554	692,532	1,435,121	(33,726)	10,486,243
Associates	3,566	546	205,311	1,347	—	210,770
Jointly controlled entities	24,540	958,179	(20,533)	—	—	962,186
Unallocated assets						1,881,334
Total assets						<u>13,540,533</u>
Liabilities						
Segment liabilities	359,223	446,868	59,617	18,476	(33,726)	850,458
Unallocated liabilities						1,953,302
Total liabilities						<u>2,803,760</u>
Other information						
Capital expenditure	50,985	25,051	82,729	6,767		
Depreciation	112,510	4,472	4,218	1,004		
Amortisation						
— leasehold land	2,976	179	10,417	—		
— intangible assets	—	—	—	89		
Impairment losses on						
— goodwill	—	2,275	—	—		
— receivables	—	52	1,991	—		

Business segments

2005 (Restated)

	Transportation (HK\$'000)	Property (HK\$'000)	Hospitality (HK\$'000)	Investment and others (HK\$'000)	Eliminations (HK\$'000)	Consolidated (HK\$'000)
Turnover and revenue						
External turnover	1,638,103	496,655	257,895	96,365	—	2,489,018
Inter-segment turnover	77,144	1,739	30,264	—	(109,147)	—
Other revenues	<u>27,098</u>	<u>2,177</u>	<u>807</u>	<u>21,596</u>	<u>—</u>	<u>51,678</u>
	<u>1,742,345</u>	<u>500,571</u>	<u>288,966</u>	<u>117,961</u>	<u>(109,147)</u>	<u>2,540,696</u>
Segment results						
Segment results	187,990	145,928	28,239	90,322	—	452,479
Fair value changes on investment properties	—	134,483	—	—	—	134,483
Unallocated income						3,623
Unallocated expense						(83,301)
Interest income						<u>100,533</u>
Operating profit						607,817
Finance costs						(33,725)
Share of results of associates	354	12,205	57,415	1,631	—	71,605
Share of results of jointly controlled entities	<u>4,186</u>	<u>(475)</u>	<u>(5,149)</u>	<u>—</u>	<u>—</u>	<u>(1,438)</u>
Profit before taxation						644,259
Taxation						<u>(63,266)</u>
Profit after taxation						<u>580,993</u>
Assets						
Segment assets	2,222,997	5,023,592	559,078	1,163,562	(21,455)	8,947,774
Associates	3,154	(258)	192,228	1,831	—	196,955
Jointly controlled entities	18,796	16,290	(20,533)	—	—	14,553
Unallocated assets						<u>2,696,509</u>
Total assets						<u>11,855,791</u>
Liabilities						
Segment liabilities	291,760	550,587	28,732	796	(21,455)	850,420
Unallocated liabilities						<u>2,042,245</u>
Total liabilities						<u>2,892,665</u>
Other information						
Capital expenditure	113,856	19,873	11,726	640		
Depreciation	112,832	2,831	2,830	241		
Amortisation of leasehold land	2,976	172	10,417	—		
Impairment losses on receivables	<u>—</u>	<u>12</u>	<u>3,606</u>	<u>—</u>		

Geographical segments

	Hong Kong (HK\$'000)	Macau (HK\$'000)	Others (HK\$'000)	Consolidated (HK\$'000)
2006				
Turnover and revenue	<u>1,312,638</u>	<u>1,118,150</u>	<u>187,507</u>	<u>2,618,295</u>
Segment assets	<u>8,891,719</u>	<u>4,049,286</u>	<u>599,528</u>	<u>13,540,533</u>
Capital expenditure	<u>155,958</u>	<u>15,566</u>	<u>1,680</u>	
2005				
Turnover and revenue	<u>1,481,336</u>	<u>897,574</u>	<u>161,786</u>	<u>2,540,696</u>
Segment assets	<u>9,261,575</u>	<u>2,057,224</u>	<u>536,992</u>	<u>11,855,791</u>
Capital expenditure	<u>118,338</u>	<u>26,374</u>	<u>2,060</u>	

Note 4 Operating Profit

	2006 (HK\$'000)	2005 (HK\$'000)
After crediting:		
Interest income	166,810	117,004
Rental income from investment properties	138,551	126,418
Less: Direct operating expenses arising from investment properties	<u>(17,087)</u>	<u>(15,010)</u>
	121,464	111,408
Dividend income from investments	113,107	96,067
Profit on sale of listed investments	12,296	1,692
After charging:		
Cost of inventories		
— properties	29,019	223,974
— others	<u>641,264</u>	<u>516,298</u>
	670,283	740,272

Note 5 Finance Costs

	2006 (HK\$'000)	2005 (HK\$'000)
Interest on bank loans and overdraft wholly repayable within 5 years	53,412	33,725
Interest on bank loans not wholly repayable within 5 years	132	—
Interest on loans from minority shareholders	1,266	260
Less: Amount capitalised in properties under development	<u>(6,944)</u>	<u>(260)</u>
	<u>47,866</u>	<u>33,725</u>

Note 6 Taxation

	2006 (HK\$'000)	2005 (HK\$'000)
Company and subsidiaries		
Hong Kong profits tax	32,839	35,800
Overseas tax	3,866	4,589
Deferred tax	<u>20,126</u>	<u>22,877</u>
	<u>56,831</u>	<u>63,266</u>

Hong Kong profits tax is provided for at the rate of 17.5% (2005: 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 7 Earnings per Share

The calculation of basic earnings per share is based on profit attributable to equity holders of the Company of HK\$663,916,000 (2005: HK\$364,390,000) and the weighted average number of 2,144,226,359 shares (2005: 2,082,792,925 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\$663,916,000 (2005: HK\$364,390,000) and the weighted average number of 2,232,941,133 shares (2005: 2,164,035,541 shares) in issue after adjusting for the effects of all dilutive potential ordinary shares.

Note 8 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:

	2006 (HK\$'000)	2005 (HK\$'000)
0 — 30 days	124,773	91,422
31 — 60 days	33,950	32,133
61 — 90 days	8,352	4,312
over 90 days	<u>15,636</u>	<u>16,639</u>
	<u>182,711</u>	<u>144,506</u>

The ageing analysis of trade creditors is as follows:

	2006 <i>(HK\$'000)</i>	2005 <i>(HK\$'000)</i>
0 — 30 days	191,385	150,071
31 — 60 days	2,057	3,649
61 — 90 days	942	452
over 90 days	<u>10,115</u>	<u>8,731</u>
	<u>204,499</u>	<u>162,903</u>

Note 9 Comparatives

Both income and expenses related to seconded staff and related costs in the sum of HK\$15,044,000 shown separately as income and expenses in 2005 have been netted off in order to conform with the current year's presentation.

BUSINESS REVIEW

Transportation

Reflecting the growing popularity of Macau's new and expanding attractions, Shun Tak-China Travel Shipping Investments Limited ("STCTS") operating under the trade name of "TurboJET" recorded a 13% increase in total passenger volume in 2006 to over 12.5 million passengers. The passenger volume on the well-traveled Hong Kong-Macau route reached 11 million passengers in 2006, representing an increase of 13% over 2005 and a record-high achievement since TurboJET's establishment in 1999. Despite the high fuel prices, the transportation division recorded a 26% year-on-year growth in operating profit to approximately HK\$237 million (2005: HK\$188 million).

Travelers continued to respond enthusiastically to the TurboJET Sea Express service between Hong Kong International Airport and key Pearl River Delta ("PRD") destinations, including airports in Macau and Shenzhen. The service enables passengers to transit conveniently without Hong Kong customs and immigration formalities. The service has achieved continuing growth and passenger volume in 2006 increased by 28% as compared to 2005.

STCTS is one of the largest high-speed ferry operators in Asia and has been the market leader on the popular Hong Kong-Macau route for over four decades. It currently owns and operates a fleet of 32 vessels and is the only operator offering 24-hour ferry services between Hong Kong and Macau.

Property

The Group recognized a profit of HK\$328 million from the completion of Nova City Phase I in 2006, representing the Group's 25% share of profit from the development as included in the Group's share of results of associates. In addition to this contribution, the Group recorded an operating profit of HK\$84 million from its property division in 2006, as compared to HK\$146 million in 2005, since completed development projects were mostly sold in previous years and new projects are currently under development.

One Central is the Group's joint-venture residential, retail and hotel development with Hongkong Land Holdings Limited on a prime Macau NAPE waterfront site. In November 2006, the Group concluded two private en bloc sales of the first available residential units at One Central Residences to two institutional investors, followed by the successful public launch. The launch of One Central Residences received an overwhelming response with more than 95% of the total number of residential units sold by end of 2006. The development is scheduled for completion in 2009.

Nova City is one of the largest luxurious property developments in Macau. Its deluxe clubhouse and landscaped gardens for Nova City Phase I, II and III, spanning 210,000 square feet, are among the largest in Macau's residential developments. Almost all residential units of Nova City Phase I were sold by the end of 2006, while hand-over of units to individual purchasers commenced in September 2006. Completion of the superstructure works of the four residential towers of Nova City Phase II is scheduled for mid-2007 and the four residential towers of Nova City Phase III for 2008. Pre-sale activities of Nova City Phase II and III were launched in May and December 2006 respectively. Public response to both pre-sale activities was strong with more units launched during the first quarter of 2007. As at 31 March 2007, more than 90% and 60% of the total number of units of Phase II and III had been sold, respectively. The successful pre-sales are expected to provide continuous contributions to the Group in the future upon completion of the units sold.

In Hong Kong, the superstructure works for Radcliffe (formerly 120 Pokfulam Road), a luxurious residential development featuring 10 exclusive duplex apartments of over 3,000 square feet each, commenced in September 2005 with completion scheduled for second quarter of 2007. After acquiring all 140 units of Chatham Gardens in Kowloon, the Group completed demolition works of the project in September 2006. Design of the residential towers and commercial podium is in progress. Construction works are expected to commence in late 2007 with completion scheduled for 2010.

Shun Tak Property Management Limited ("STPML"), the Group's property management division, provides comprehensive quality services for a diversified range of multi-functional residential, commercial and industrial properties. The division's management portfolio extends to approximately 12 million square feet in Hong Kong and Macau, including over 9 million square feet of residential properties. STPML is the first Hong Kong company being awarded an ISO9001 certificate in Macau.

Hospitality

With the impending completion and opening of new entertainment attractions, convention facilities and hotels in Macau, the continuous increase in visitor growth is expected to be a long-term trend, to the benefit of the Group's hospitality division. The division reported an operating profit of approximately HK\$27 million (2005: HK\$28 million) for the year ended 31 December 2006.

The Group's acclaimed 50%-owned Mandarin Oriental Macau ("Mandarin") and 34.9%-owned Westin Resort Macau ("Westin") held prominent positions in the luxurious hotel market of Macau and recorded satisfactory business growth in 2006. Mandarin registered an outstanding year mainly attributable to its success in obtaining large-scale business and

major event bookings. In addition, Mandarin and Westin increased their average room rate by 12% and 5% respectively over 2005. During the year, Westin won “The Best Service Hotel” and “The Most Luxurious Hotel” awards in the “MasterCard The Best of Macau 2006” campaign. Westin was also voted the “Best Business Hotel in Macau” by readers of Business Traveller China magazine for the second consecutive year.

Macau Tower Convention & Entertainment Center (“Macau Tower”), managed by the Group, is a uniquely popular tourist attraction and preferred site for banqueting, business conventions, conferences and exhibitions in Macau. Over 4.5 million people have visited Macau Tower since its opening in 2001. Following the enthusiastic response to its SkyJump, a 233-meter controlled-descent decelerator facility, Macau Tower launched an exciting new Bungy Jump adventure activity in December 2006. Both SkyJump and Bungy Jump are listed in the Guinness World Records as the world’s highest adventure facilities in their respective arenas. Macau Tower was awarded the Best Theme Attraction in Asia Pacific in both 2005 and 2006 by TTG Asia, the leading travel trade publication in Asia Pacific. In February 2007, Macau Tower was also awarded the Tourism Medal of Merit by the Macau SAR Government for its outstanding contribution to Macau tourism.

Investments

The Group owns a consolidated interest of approximately 15.8% in Sociedade de Turismo e Diversões de Macau, S.A. (“STDM”). STDM owns an 80% interest in Sociedade de Jogos de Macau, S.A., one of the gaming concessionaires which were granted a concession to operate casinos in Macau by the Macau SAR Government in 2002. In 2006, the Group recognized HK\$108.5 million in ordinary dividends declared by STDM for the year 2005, an increase of 16.3% over 2005.

RECENT DEVELOPMENTS AND PROSPECTS

The Group continued to expand its international multi-modal transportation network in the PRD region, and to pursue promising property development projects and investments in the region.

In a major initiative that extended its transportation network to air travel, the Group announced a joint venture with China National Aviation Company Limited to hold a 49% interest in a new Macau-based airline, Macau Asia Express Limited (“MAX”). MAX plans to commence operations in 2007 to destinations in mainland China and other parts of Asia and to offer individual travelers value-for-money flights and travel packages.

In November 2006, Hong Kong International Airport Ferry Terminal Services Limited, in which STCTS owns a 40% interest, entered into an agreement with The Airport Authority Hong Kong to provide management services at SkyPier, the Hong Kong International Airport’s new permanent cross-boundary ferry terminal scheduled for completion in 2008. The terminal is one of the key features of the SkyCity development, the major business and leisure development of the Hong Kong International Airport at Lantau Island.

The Group’s joint-venture Hong Kong SkyCity Marriott Hotel project is also located in SkyCity. This new five-star waterfront hotel will be developed in two phases for a total of

up to 1,000 rooms with 658 rooms in the first phase. The Group holds a 70% interest in the project. Dragages Hong Kong Limited, our joint venture partner, is the main construction contractor of the hotel. Foundation works commenced in November 2006 and completion of the first phase of the hotel project is scheduled in second half of 2008. The hotel will be managed by Marriott Hotels International B.V.

Harbour Mile, the Group's flagship mixed-use development on the Nam Van site which is centrally situated on the waterfront adjacent to Macau Tower, is currently under planning. The Harbour Mile project is designed to encompass residential towers, serviced apartments, a shopping mall, a hotel and a casino. The Group is in discussion with the Macau SAR Government to finalise the development plan.

In June 2006, the property management division formed a joint-venture partnership with ISS Hong Kong Services Limited, a subsidiary of Europe-based ISS Group, the world's largest facility services provider. The new operation is now providing a comprehensive range of cleaning services to commercial and residential developments in Macau.

In July 2006, the Group's retail arm, Macau Matters Company Limited ("MMCL"), was set up to pursue the consumer-related opportunities resulting from the increasing affluence of Macau residents and the rapid growth in Macau visitor arrivals. During the year, MMCL opened two major retail outlets in Macau Tower, Toys "R" Us — Macau and the first Warner Brothers Studio Store in Macau, offering quality retail merchandise with cartoon and movie themes.

The Group obtained a seven-year, HK\$5 billion syndicated loan for financing its One Central and Harbour Mile development projects in March 2006. The loan issue was over-subscribed with more than 20 major international and local financial institutions participating in it. The syndicated loan is one of the largest syndicated loans for funding Macau comprehensive property development projects and is the largest corporate loan in the history of the Group. As at 31 December 2006, the Group had a net cash surplus of approximately HK\$2.6 billion.

Given Macau's rapid economic growth and the promising potential of the Group's activities and investments there, the Group established a Macau corporate office in October 2006. The office serves as the Group's headquarters to support the management, marketing and sales activities of its businesses and developments in Macau.

The Group is committed to pursuing premium investment opportunities, with long-term growth potential that are synergistic with its core businesses, and strengthen its position as a leading conglomerate in the PRD region.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

The Group's bank balances and deposits amounted to HK\$3,505 million at 31 December 2006, representing a decrease of HK\$359 million from last year end date.

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 2006, total loan facilities available to the Group amounted to HK\$8,825 million, of which HK\$7,898 million remained undrawn. The loan facilities outstanding at the year end amounted to HK\$927 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
10%	84%	<1%	6%	100%

Based on a net cash surplus of HK\$2,578 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 nil (2005: nil). The Group will continue to maintain a prudent gearing ratio and consider to reduce its finance costs.

During the year, 15,078,870 new shares were issued upon exercise of share options and 694,000 shares were repurchased and cancelled. In June 2006, 94,110,954 shares were issued as purchase consideration for the acquisition of Built City Investments Limited, a company holding 51% interest in a joint venture project with Hongkong Land Holdings Limited to develop One Central in Macau. At 31 December 2006, the Group had commitment of approximately HK\$2,260 million to finance this development project.

Capital expenditure commitments of the Group amounted to HK\$859 million, a major portion of which was related to the Hong Kong SkyCity Marriott Hotel project at the Hong Kong International Airport.

Pledge of Assets

At the year end, certain assets of the Group with an aggregate carrying value of HK\$545 million (2005: HK\$465 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. The Group's principal operations are primarily conducted and recorded in Hong Kong dollars so that the exposure to foreign exchange fluctuations is minimal. 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. It is the Group's policy not to engage in any speculative trading activity.

Human Resources

The Group, including subsidiaries but excluding associates and jointly controlled entities, employed approximately 2,400 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 will be closed from Monday, 11 June 2007 to Thursday, 14 June 2007, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, 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 Friday, 8 June 2007.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2006, the Company repurchased a total of 694,000 shares on the Stock Exchange of Hong Kong Limited ("Stock Exchange") and details of which are as follows:

Date of Repurchases	Number of Shares Repurchased	Price per Share	
		Highest HK\$	Lowest HK\$
3 October 2006	<u>694,000</u>	9.00	8.92
Total	<u>694,000</u>		

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance. As corporate governance requirements change from time to time, the Board periodically reviews its corporate governance practices to meet the rising expectations of shareholders and to comply with increasingly stringent regulatory requirements. In the opinion of the Directors, the Company applied the principles and complied with the relevant code provisions in the Code on Corporate Governance Practices, as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2006.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions By Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. Based on specific enquiry of the Directors of the Company, the Directors complied with the required standard, as set out in the Model Code during the year ended 31 December 2006.

REVIEW OF FINANCIAL STATEMENTS

The Group's audited consolidated financial statements for the year ended 31 December 2006 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 2006 have been agreed by the Group's auditors, H. C. Watt & Company Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. 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.

PUBLICATION OF FURTHER INFORMATION

All the information required by Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course.

ANNUAL GENERAL MEETING

The 2007 Annual General Meeting of the Company will be held on Thursday, 14 June 2007. Notice of Annual General Meeting will be published in newspapers and dispatched to shareholders of the Company in due course.

By order of the Board
Stanley Ho
Group Executive Chairman

Hong Kong, 16 April 2007

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 and Mr. David Shum.

The non-executive Directors are Dató Dr. Cheng Yu Tung and Mrs. Louise Mok and the independent non-executive Directors are Sir Roger Lobo, Mr. Norman Ho, Mr. Charles Ho and Mr. Yeh V-Nee.