**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**

# 2011 Interim Results Announcement

## GROUP RESULTS

The board of directors (the "Board") of Shun Tak Holdings Limited (the "Company") announces the unaudited consolidated interim results for the six months ended 30 June 2011 of the Company and its subsidiaries (the "Group").

The unaudited profit attributable to owners of the Company for the period amounted to HK$222 million, as compared with a restated profit of HK$272 million for the same period last year. Basic earnings per share were HK10.2 cents (restated 2010: HK13.4 cents).

The unaudited profit attributable to owners of the Company for the period would be HK$35 million (2010: HK$61 million), after excluding the effect of attributable revaluation surplus (net of deferred tax) of HK$187 million (restated 2010: HK$211 million) arising on investment properties held by the Group and a jointly controlled entity (holding 51% interest in One Central).

## INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend (2010: nil) in respect of the six months ended 30 June 2011.

## CONDENSED CONSOLIDATED INCOME STATEMENT
**For the six months ended 30 June**

| | *Note* | **(Unaudited) 2011 *(HK$'000)*** | (Unaudited and restated) 2010 *(HK$'000)* |
|---|---|---|---|
| **Turnover** | *3* | **1,159,968** | 1,586,071 |
| Other revenues | | **56,172** | 37,981 |
| | | **1,216,140** | 1,624,052 |
| Other net income | *4* | **4,482** | 769 |
| Cost of inventories sold or consumed | | **(366,428)** | (728,635) |
| Staff costs | | **(357,936)** | (348,201) |
| Depreciation and amortisation | | **(91,835)** | (107,522) |
| Other costs | | **(435,052)** | (341,420) |
| Fair value changes on investment properties | | **232,529** | 183,885 |
| **Operating profit** | *3, 5* | **201,900** | 282,928 |
| Finance costs | *6* | **(62,518)** | (57,305) |
| Share of results of associates | | **4,758** | 4,057 |
| Share of results of jointly controlled entities | | **135,219** | 101,068 |
| **Profit before taxation** | | **279,359** | 330,748 |
| Taxation | *7* | **(29,020)** | (37,935) |
| **Profit for the period** | | **250,339** | 292,813 |
| | | | |
| **Attributable to:** | | | |
| Owners of the Company | | **222,186** | 271,952 |
| Non-controlling interests | | **28,153** | 20,861 |
| **Profit for the period** | | **250,339** | 292,813 |
| | | | |
| **Earnings per share (HK cents)** | *9* | | |
| — basic | | **10.2** | 13.4 |
| — diluted | | **10.2** | 13.3 |

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**For the six months ended 30 June**

| | (Unaudited) 2011 (HK$'000) | (Unaudited and restated) 2010 (HK$'000) |
|---|---|---|
| **Profit for the period** | **250,339** | 292,813 |
| **Other comprehensive income / (loss)** | | |
| Available-for-sale investments: | | |
| Changes in fair value | **(16,238)** | (13,559) |
| Reclassification adjustment for impairment losses included in profit or loss | **6,515** | — |
| Cash flow hedges: | | |
| Changes in fair value | **23,794** | 1,415 |
| Deferred tax | **(3,926)** | (233) |
| Reclassification adjustment for gains included in profit or loss | **(29,222)** | (2,359) |
| Deferred tax | **4,822** | 389 |
| Properties: | | |
| Write-back of inventories of properties | **—** | 87,284 |
| Deferred tax | **—** | (10,474) |
| Reclassification adjustment for gains included in profit or loss upon sales of properties | **(847)** | (104,384) |
| Deferred tax | **99** | 12,275 |
| Exchange differences on translation of financial statements of foreign operations | **8,359** | 5,253 |
| **Other comprehensive loss for the period, net of tax** | **(6,644)** | (24,393) |
| **Total comprehensive income for the period** | **243,695** | 268,420 |
| **Attributable to:** | | |
| Owners of the Company | **214,702** | 245,860 |
| Non-controlling interests | **28,993** | 22,560 |
| **Total comprehensive income for the period** | **243,695** | 268,420 |

## CONDENSED CONSOLIDATED BALANCE SHEET

| | Note | **(Unaudited) 30 June 2011** *(HK$'000)* | (Restated) 31 December 2010 *(HK$'000)* |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **2,123,967** | 2,209,544 |
| Investment properties | | **3,794,344** | 3,808,023 |
| Leasehold land | | **8,781** | 8,902 |
| Associates | | **182,240** | 177,483 |
| Jointly controlled entities | | **2,381,645** | 2,258,366 |
| Intangible assets | | **365,688** | 365,857 |
| Available-for-sale investments | | **1,071,741** | 1,086,150 |
| Mortgage loans receivable | | **7,909** | 10,833 |
| Deferred tax assets | | **31,354** | 31,072 |
| Other non-current assets | | **1,067,160** | 1,355,423 |
| | | **11,034,829** | 11,311,653 |
| **Current assets** | | | |
| Properties for or under development | | **10,455,463** | 10,131,573 |
| Inventories | | **208,668** | 209,173 |
| Trade receivables, other receivables and deposits paid | *10* | **1,235,776** | 1,190,761 |
| Available-for-sale investments | | **11,914** | 11,894 |
| Derivative financial instruments | | **33,146** | 38,574 |
| Taxation recoverable | | **5,642** | 6,690 |
| Bank deposits, cash and bank balances | | **5,055,743** | 4,264,015 |
| | | **17,006,352** | 15,852,680 |
| **Current liabilities** | | | |
| Trade and other payables | *10* | **546,627** | 570,927 |
| Sales deposits received | | **102,691** | 913 |
| Bank borrowings | | **1,861,000** | 3,497,600 |
| Provision for employee benefits | | **15,550** | 15,575 |
| Taxation payable | | **133,531** | 99,247 |
| | | **2,659,399** | 4,184,262 |
| **Net current assets** | | **14,346,953** | 11,668,418 |
| **Total assets less current liabilities** | | **25,381,782** | 22,980,071 |

| | Note | (Unaudited) 30 June 2011 (HK$'000) | (Restated) 31 December 2010 (HK$'000) |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Bank borrowings | | **4,069,600** | 2,055,600 |
| Convertible bonds | | **1,475,330** | 1,464,102 |
| Deferred tax liabilities | | **913,891** | 924,316 |
| Loans from non-controlling shareholders | | **1,110,499** | 846,828 |
| | | **7,569,320** | 5,290,846 |
| **Net assets** | | **17,812,462** | 17,689,225 |
| **Equity** | | | |
| Share capital | | **543,069** | 543,069 |
| Reserves | | **14,840,013** | 14,615,432 |
| Proposed dividends | | **—** | 130,337 |
| **Equity attributable to owners of the Company** | | **15,383,082** | 15,288,838 |
| Non-controlling interests | | **2,429,380** | 2,400,387 |
| **Total equity** | | **17,812,462** | 17,689,225 |

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

**Note 1 Basis of Preparation and Accounting Policies**

These unaudited condensed consolidated interim financial statements are prepared in accordance with the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies used in the preparation of the interim financial information are consistent with those described in the 2010 annual financial statements except as noted in 2 below.

The preparation of financial information in conformity with Hong Kong Financial Reporting Standards ("HKFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Those areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group's consolidated financial statements are detailed in the 2010 annual financial statements.

**Note 2 Changes in accounting policies**

The Group has adopted the following relevant revised Hong Kong Accounting Standards ("HKASs") and amendments effective from 1 January 2011:

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

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

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

As of 30 June 2011, the Group had investment properties amounting to HK$3,794 million (at 31 December 2010: HK$3,808 million and at 31 December 2009: HK$3,385 million), representing their fair values in accordance with the Group's accounting policy. The investment properties held by the Group are situated in Hong Kong, Macau and Mainland China.

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

**Effect on Condensed Consolidated Balance Sheet**

| | **30 June 2011 *(HK$'000)*** | 31 December 2010 *(HK$'000)* | 1 January 2010 *(HK$'000)* |
|---|---|---|---|
| Decrease in deferred tax liabilities | 97,773 | 76,476 | 57,811 |
| Increase in non-controlling interests | 21,269 | 15,286 | 10,516 |
| Increase in retained earnings | 76,504 | 61,190 | 47,295 |

**Effect on Condensed Consolidated Income Statement**

| | **For the six months ended 30 June** | |
|---|---|---|
| | **2011 *(HK$'000)*** | 2010 *(HK$'000)* |
| Decrease in income tax expense | 21,297 | 7,920 |
| Increase in profit attributable to owners of the Company | 15,314 | 5,899 |
| Increase in profit attributable to non-controlling interests | 5,983 | 2,021 |
| Increase in basic earnings per share | HK 0.7 cents | HK 0.3 cents |
| Increase in diluted earnings per share | HK 0.7 cents | HK 0.2 cents |

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

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

**Improvements to HKFRSs 2010**

The improvements to HKFRSs 2010 comprise a number of amendments to HKFRSs, primarily with a view to remove inconsistencies and clarifying wordings. Of these, amendment to HKAS 34, "Interim Financial Reporting", emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurements (if significant), and the need to update relevant information from the most recent annual report.

**Note 3 Segment Information**

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 |
| Investment | - investment holding and others |

Management evaluates performance of the reportable segments on the basis of operating profit or loss before fair value changes on investment properties, non-recurring gains and losses, interest income and unallocated corporate net expenses. Inter-segment transactions have been entered into on terms agreed by the parties concerned. The Group's measurement methods used to determine reported segment profit or loss remain unchanged from 2010.

Sales among segments are carried out on terms equivalent to those that prevail in arm's length transactions. The revenues from external parties reported to management are measured in a manner consistent with that in this condensed consolidated interim income statement.

| | Property | Transportation | Hospitality | Investment | Eliminations | Consolidated |
|---|---|---|---|---|---|---|
| | *(HK$'000)* | *(HK$'000)* | *(HK$'000)* | *(HK$'000)* | *(HK$'000)* | *(HK$'000)* |
| **For the six months ended 30 June 2011** | | | | | | |
| **Turnover and revenue** | | | | | | |
| External turnover | **142,875** | **704,399** | **295,424** | **17,270** | **—** | **1,159,968** |
| Inter-segment turnover | **1,658** | **73,545** | **14,968** | **—** | **(90,171)** | **—** |
| Other revenues (external and excluding interest income) | **4,755** | **16,147** | **1,146** | **1,004** | **—** | **23,052** |
| | **149,288** | **794,091** | **311,538** | **18,274** | **(90,171)** | **1,183,020** |
| **Segment results** | **42,599** | **(58,515)** | **14,653** | **(5,798)** | **—** | **(7,061)** |
| Fair value changes on investment properties | **232,529** | **—** | **—** | **—** | **—** | **232,529** |
| Interest income | | | | | | **33,120** |
| Unallocated net expense | | | | | | **(56,688)** |
| Operating profit | | | | | | **201,900** |
| Finance costs | | | | | | **(62,518)** |
| Share of results of associates | **(4)** | **—** | **3,314** | **1,448** | **—** | **4,758** |
| Share of results of jointly controlled entities | **147,865** | **5,558** | **(15,986)** | **(2,218)** | **—** | **135,219** |
| Profit before taxation | | | | | | **279,359** |
| Taxation | | | | | | **(29,020)** |
| Profit for the period | | | | | | **250,339** |

| | Property (HK$'000) | Transportation (HK$'000) | Hospitality (HK$'000) | Investment (HK$'000) | Eliminations (HK$'000) | Consolidated (HK$'000) |
|---|---|---|---|---|---|---|
| For the six months ended 30 June 2010 (restated) | | | | | | |
| **Turnover and revenue** | | | | | | |
| External turnover | 673,363 | 654,701 | 245,547 | 12,460 | — | 1,586,071 |
| Inter-segment turnover | 1,199 | 78,082 | 14,657 | — | (93,938) | — |
| Other revenues (external and excluding interest income) | 2,765 | 12,982 | 1,063 | 327 | — | 17,137 |
| | 677,327 | 745,765 | 261,267 | 12,787 | (93,938) | 1,603,208 |
| **Segment results** | 149,620 | (21,952) | 4,722 | (857) | — | 131,533 |
| Fair value changes on investment properties | 183,885 | — | — | — | — | 183,885 |
| Interest income | | | | | | 20,844 |
| Unallocated net expense | | | | | | (53,334) |
| Operating profit | | | | | | 282,928 |
| Finance costs | | | | | | (57,305) |
| Share of results of associates | (6) | — | 2,744 | 1,319 | — | 4,057 |
| Share of results of jointly controlled entities | 112,987 | 6,465 | (17,727) | (657) | — | 101,068 |
| Profit before taxation | | | | | | 330,748 |
| Taxation | | | | | | (37,935) |
| Profit for the period | | | | | | 292,813 |

## Note 4 Other Net Income

For the six months ended 30 June

| | **2011** **(HK$'000)** | 2010 (HK$'000) |
|---|---|---|
| Net gain on disposal of investment properties | **4,500** | — |
| Net (loss) / gain on disposal of property, plant and equipment | **(550)** | 145 |
| Others | **532** | 624 |
| | **4,482** | 769 |

**Note 5 Operating Profit**

For the six months ended 30 June

| | **2011** | 2010 |
|---|---|---|
| | ***(HK$'000)*** | *(HK$'000)* |
| **After crediting:** | | |
| Interest income | **33,478** | 21,314 |
| Rental income from investment properties | **82,263** | 76,989 |
| Dividend income from listed investments | **6,407** | 5,127 |
| Dividend income from unlisted investments | **1,088** | — |
| Write-back of inventories | **—** | 5,995 |
| **After charging:** | | |
| Cost of inventories | | |
| — properties | **3,561** | 442,632 |
| — fuel | **324,187** | 250,142 |
| — others | **38,680** | 35,861 |
| | **366,428** | 728,635 |
| Impairment losses on available-for-sale investments | **6,515** | — |
| Share-based payments | **9,879** | 5,516 |

**Note 6 Finance Costs**

For the six months ended 30 June

| | **2011** | 2010 |
|---|---|---|
| | ***(HK$'000)*** | *(HK$'000)* |
| Total finance costs incurred | **67,865** | 60,852 |
| Less: Amount capitalised in properties under development | **(5,347)** | (3,547) |
| Total finance costs expensed during the period | **62,518** | 57,305 |

**Note 7 Taxation**

For the six months ended 30 June

| | 2011 (HK$'000) | (Restated) 2010 (HK$'000) |
|---|---|---|
| Hong Kong profits tax | **6,796** | 9,010 |
| Overseas tax | **33,194** | 50,762 |
| Deferred tax | **(10,970)** | (21,837) |
| | **29,020** | 37,935 |

Hong Kong profits tax is provided for at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits for the period. 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 Interim Dividend**

The Board has resolved not to declare an interim dividend (2010: nil) in respect of the six months ended 30 June 2011.

**Note 9 Earnings per Share**

The calculation of basic earnings per share is based on profit attributable to owners of the Company of HK$222,186,000 (2010, as restated: HK$271,952,000) and the weighted average number of 2,172,276,887 shares (2010: 2,023,710,803 shares) in issue during the period. The calculation of diluted earnings per share is based on profit attributable to owners of the Company of HK$222,186,000 (2010, as restated: HK$271,952,000) and the weighted average number of 2,187,748,558 shares (2010: 2,037,497,451 shares) in issue after adjusting for the effects of all dilutive potential ordinary shares.

**Note 10 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 Group offers general credit terms ranging from 0 to 60 days to its customers, except for sale 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:

| | **30 June 2011** ***(HK$'000)*** | 31 December 2010 *(HK$'000)* |
|---|---|---|
| 0 — 30 days | **67,732** | 104,423 |
| 31 — 60 days | **23,842** | 23,820 |
| 61 — 90 days | **12,398** | 4,720 |
| over 90 days | **25,216** | 7,530 |
| | **129,188** | 140,493 |

The ageing analysis of trade creditors is as follows:

| | **30 June 2011** ***(HK$'000)*** | 31 December 2010 *(HK$'000)* |
|---|---|---|
| 0 — 30 days | **205,671** | 226,021 |
| 31 — 60 days | **6,695** | 25,498 |
| 61 — 90 days | **1,815** | 3,233 |
| over 90 days | **873** | 2,031 |
| | **215,054** | 256,783 |

**Note 11 Comparative**

Certain comparative figures have been restated as a result of the adoption of the amendment or revision relating to HKAS 12, "Income Taxes" and HKAS 24, "Related Party Disclosures" to conform with the current period's presentation. Revenue of HK$96,813,000 and the corresponding discount of HK$96,813,000 in connection with the revenue from passenger transportation services previously shown separately in the condensed consolidated income statement have been netted off.

## BUSINESS REVIEW

### Property

Over the first half of 2011, the Group's property division registered an operating profit of HK$43 million (1H 2010: HK$150 million) as well as share of profits from jointly controlled entities of HK$148 million. The latter is primarily from the One Central project, amounting to HK$147 million (1H 2010: HK$113 million).

One Central is one of the most prominent architectures in Macau's skyline created by the Group and Hongkong Land Holdings Limited. As of 30 June 2011, 99% of its 7 luxurious residential towers were sold, of which 99% have been handed over to purchasers. Directly connected with MGM Macau and Mandarin Oriental, Macau, the approximately 400,000-square-foot One Central Shopping Mall generated promising leasing revenue for the Group. The 213-room Mandarin Oriental, Macau performed commendably over its first year of operation, while The Residences and Apartments at Mandarin Oriental, Macau sitting immediately above the hotel that features 92 units with transferable strata titles, were 89% sold as of 30 June 2011.

Nova City is one of the largest and most integrated residential communities in Macau. Phases 1 to 3 were successfully marketed and completely sold out. Phase 4 comprises 3 upmarket residential towers, offering 680,000 square feet in total gross floor area. Most units can enjoy an open view of the Central Garden. Foundation works have commenced. Slated for public launch in the 4th quarter of 2011, the development is expected to complete in 2014.

Phase 5, comprising over 2.3 million square feet of residential units in 8 towers, sits above a large-scale lifestyle shopping centre that provides all-rounded conveniences to the community. The concerned land contract with lease modification was gazetted in September 2010.

Taipa Hills Memorial Garden is a columbarium project in which the Group holds a 79% interest. It provides over 40,000 niches to the undersupplied Macau, Hong Kong and Zhuhai markets. The first 22 halls consisting of approximately 8,500 niches located on the ground floor and first floor have been pre-launched in April 2011, coinciding with the opening of a showroom located in Hung Hom. As of 30 June 2011, 22.6% of pre-launched niches were sold, reflecting solid interests in columbarium with clear legal title and reliable management. Occupation permit for the first phase was issued in July 2011. The first phase is scheduled to be opened in the 4th quarter of 2011.

Harbour Mile, a 4.3 million square feet premium lakefront project, is largely comprised of luxurious residential units. Commercial elements such as retail facilities, serviced apartments and hotels may be introduced to complement the master planning according to market demand. The project is currently under review by the Macau SAR Government as part of the overall master plan for the Nam Van lakefront area development.

The Group holds 100% interest in a Cotai project earmarked for an ultra-deluxe Jumeirah hotel. The plan is currently under review by the Macau SAR Government.

In Hong Kong, Chatham Garden Redevelopment Project, a preeminent development in Central Kowloon offering approximately 370,000 square feet of residential and retail space, is set for launch in the 4th quarter of 2011. It boasts unobstructed harbour view as well as an exceptionally convenient location at the junction of major transportation networks. The Group holds a 51% interest in the project.

In September 2010, the Group acquired a site in Chung Hom Kok. Site formation and demolition works are in progress. The site will be redeveloped into luxury residential houses with total marketable gross floor area of approximately 33,000 square feet.

Radcliffe is an upscale residential development in Pok Fu Lam featuring exclusive 3,620 square feet duplex units. As of 30 June 2011, only 1 duplex unit remains available for market tendering.

The Westwood, a 5-storey shopping centre appended with The Belcher's, is the largest retail facility in the Western Mid-Levels spanning 220,000 square feet. As of June 2011, occupancy is maintained above 90% with various anchor tenants. Accessibility is expected to improve in 2014 with the completion of the MTR West Island Line.

Liberté Place, located at the podium level of Liberté in West Kowloon, benefits from local patrons from Liberté, Banyan Garden and The Pacifica, interlinked by a footbridge connecting the three developments. Occupancy rate consistently stands close to 100%. A further surge in traffic is expected after connection to the Lai Chi Kok MTR Station opens in July 2011.

In Guangzhou, the Shun Tak Business Centre comprising 32 storeys of office units above a 6-storey shopping centre, recorded satisfactory performance in leasing. The Group holds a 60% interest in the property.

**Property Services**

Shun Tak Property Management Limited ("STPML"), the Group's wholly owned subsidiary engaging in property management, has expanded its portfolio size to 16.3 million square feet across Hong Kong and Macau. Beyond traditional property management, it operates complementing businesses including property cleaning under Shun Tak Macau Services Limited, and laundry services under Clean Living (Macau) Limited. STPML is the recipient of the Caring Company Award for 5 consecutive years, Award for Environmental Excellence from the Environmental Campaign Committee, Certificate of Quality Water from the Water Department and a myriad of other accolades.

**Transportation**

Macau's tourism expanded remarkably over the first half of 2011 which led to a favourable 9% recovery in passenger volume for TurboJET as compared with the same period last year. Nonetheless, high-standing fuel price continued to impose significant pressure on its operation, inducing an operating loss of HK$59 million. The Macau SAR Government approved a fare increment to take effect on 1 July 2011, granting a 10%-13% increase for Economy class tickets and 24% increase in higher classes. As a result, the division expects to see improvements in its bottom line over the second half of the year.

In order to continue the Group's commitment in forging a multimodal transportation network within the Pearl River Delta ("PRD"), the division continues to explore alliance opportunities with mainland operators in order to develop new service routes. TurboJET currently operates Nansha-Macau and Nansha-Hong Kong International Airport services in association with Panyu Nansha Port Passenger Transport Company Limited, and Shekou-Macau route in association with Shenzhen Xunlong Shipping Co., Ltd.

The Group's joint venture, Hong Kong International Airport Ferry Terminal Services Limited, continues to be the appointed manager of ferry operations within the permanent SkyPier, which commenced operation in December 2009. The SkyPier connects transit passengers to 8 different PRD ports from the Hong Kong International Airport.

With the introduction of Premier Jetfoil, TurboJET successfully established its brand differentiation by offering deluxe sea travel products and services. Following a consolidation of class types and scheduled upgrades in the fleet, TurboJET expanded its luxury features, including the addition of a Grand Premier Waiting Lounge and increased sailing frequency of vessels equipped with Grand Premier class.

On land, Shun Tak & CITS Coach (Macao) Limited, which operates coach rental services within Macau locally as well as cross-border PRC routes, has a fleet of 130 vehicles in service. HK$43 million in revenue was recorded over the first half of 2011, generating high profit return for the transportation division.

**Hospitality**

Macau experienced another period of spectacular economic growth over the first 6 months of 2011, with a relaxation in the Individual Visit Scheme for non-Guangdong residents underpinning tourism expansion. Capitalizing upon the opportunity, hospitality division registered an operating profit of HK$15 million in the period, representing a 210% year-on-year improvement.

Mandarin Oriental, Macau at One Central made its debut in June 2010. The 213-room hotel offers all the signature luxuries synonymous with the brand at an unrivalled location appending with One Central flagship shopping mall and MGM Macau. Over its first year of operation, it maintained an average occupancy rate of 59%. The Group holds a 51% interest in the joint venture.

Another of the Group's investment, the Westin Resort, Macau, attained satisfactory improvements in terms of occupancy and room rate, while the adjacent Macau Golf & Country Club reported an increase in earnings of approximately 14%.

In Hong Kong, the 658-room SkyCity Marriott Hotel which enjoys direct access to AsiaWorld-Expo, reported outstanding performance bolstered by strong tour group and airline crew business. Occupancy has been maintained at approximately 80% while room rates improved by 34% compared with same period last year.

Macau Tower Convention & Entertainment Centre ("Macau Tower"), a landmark tourist attraction and MICE venue in Macau, registered promising visitor numbers amounting to 309 thousand over the period. Banquet and MICE revenue increased by 8% year-on-year, while other sectors also achieved 18% growth.

In China, the Group manages the new iconic Canton Tower in Guangzhou. It has been receiving a daily average of 6,000 visitors over the first half of 2011. Following the launch of observation and MICE facilities, various dining outlets, 2 revolving restaurants, a bubble tram ride on 112th floor, the "Hair-raiser" free drop and a 4D cinema are scheduled to commence business before the end of year.

Shun Tak Hospitality Services Division ("STHS") established commendable reputation amongst corporate clients from its experience in handling the Shanghai World Expo 2010 and Asian Games 2010. This year, China Mobile Group Guangdong Company Limited appointed STHS to provide hospitality support to its Employee Appreciation Program involving 1,500 staff. It also organized supplier celebration and customer appreciation activities for GE Medical Service, provided staff training and reward service for Toshiba Medical Service, as well as concierge and event services for leading luxury brands. In February 2011, STHS was commissioned to make tour arrangements for the APEC's ABAC event, a national-level event attended by high-ranking officials, economists and corporate leaders.

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 RMB37 million in revenue over the first half of 2011.

**Investment**

The investment division recorded a loss of HK$6 million (1H2010: loss of HK$1 million) over the period, with the decline mainly due to the lack of dividend income from Sociedade de Turismo e Diversões de Macau, S.A. ("STDM"). The Group owns an effective interest in STDM of approximately 11.5%, with the latter holding an approximate 55.3% effective shareholding in Sociedade de Jogos de Macau S.A. ("SJM"), one of the six gaming concessionaires 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. STDM declared not to distribute dividends for their 2010 fiscal year.

Macau Matters Company Limited is the Group's retail arm, operating Toys "R" Us Macau and Central Deli in One Central. With the introduction of expanded product range and improved purchasing power amongst locals, Toys "R" Us registered a record MOP 9 million in revenue in the first half of 2011.

## PROSPECTS AND RECENT DEVELOPMENTS

The property division is in full gear preparation of a series of property launches in the second half of 2011, including subsequent phases of Taipa Hills Memorial Garden, Nova City Phase 4 in Macau, as well as Chatham Garden Redevelopment Project in Hong Kong. Performance of the division is expected to strengthen in the latter half of the year with the booking of revenue from The Residences and Apartments at Mandarin Oriental, Macau.

Taipa Hills Memorial Garden is a columbarium development in Taipa Macau that features legitimate land use, contemporary design and concierge service. Public sale of its first phase of approximately 8,500 niches is met with promising response from Macau, Hong Kong as well as neighboring cities. 22.6% of the niches have been sold as of 30 June 2011. The second phase, comprising an additional 7,500 niches, is scheduled for launch within the 4th quarter of the year.

With the launch of Nova City Phase 4 and Chatham Garden Redevelopment Project in the second half of the year, solid interest is expected to be generated from the market due to their prime locations and rare supply. Pre-sale activities for the two developments are expected to commence before the end of year.

Shipping division achieved encouraging top line results in terms of both passenger volume and load factor. Nonetheless, high fuel cost remains the primary culprit of a sluggish rebound. In light of the increasingly challenging environment, a fare increment has been approved by the authorities effective 1 July 2011. Economy class fares rose by 10%-13% while Super class and Premier Grand class increased by approximately 24%. The fare hike is not expected to curb market demand as the last fare adjustment dates back to 2004.

In August, Shun Tak-China Travel Shipping Investments Limited entered into a Sales & Purchase Agreement with New World First Holdings Limited to acquire 7 catamarans and operation concessions granted by the Macau SAR Government. Consideration of the transaction was HK$350 million (subject to adjustment). Upon completion of the acquisition, the Group will be able to strengthen its operation capacity and capitalize upon opportunities as Macau transforms into a truly global destination, as well as expand its network to capture increased travel demand resulting from economic integration across the Pearl River Delta region.

The hospitality division benefited from the thriving tourism environment in Macau, with its hotel investments, MICE business and Hong Kong retail travel operations all experiencing impressive growth. In China, Canton Tower was crowned the "New Eight Attractions of Guangzhou", and has been attracting an average of 6,000 visitors daily since its launch. With the series of outlets opening in coming months, Canton Tower is poised to set new records in visitor volume and heighten its stature in the world scene.

The Group is excitedly looking forward to a pipeline of new projects and to capitalize upon opportunities arising under the strong economy. With its solid financial position and established network, significant strides are expected in the months ahead.

## FINANCIAL REVIEW

### Liquidity, Financial Resources and Capital Structure

The Group's bank balances and deposits amounted to HK$5,056 million at 30 June 2011, representing an increase of HK$792 million as compared with the position as at 31 December 2010. It is the Group's policy to secure adequate funding to satisfy cash flows required for working capital and investing activities. Total bank loan facilities available to the Group as of 30 June 2011 amounted to HK$11,585 million, of which HK$5,654 million remained undrawn. The Group's bank borrowings outstanding at the interim period end amounted to HK$5,931 million. The Group's borrowings also comprised the liability component of guaranteed convertible bonds of HK$1,475 million.

Based on a net borrowings of HK$2,350 million at the interim period end, the Group's gearing ratio (expressed as a ratio of net borrowings to equity attributable to owners of the Company) was 15.3% (at 31 December 2010, as restated: 18.0%). The Group will continue with its financial strategy of maintaining a healthy gearing ratio and consider steps to reduce its finance costs.

The maturity profile of the Group's borrowings as at 30 June 2011 is set out below:

**Maturity Profile**

| Within 1 year | 1-2 years | 2-5 years | Total |
|---|---|---|---|
| 25% | 46% | 29% | 100% |

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 period end amounted to about HK$2,830 million.

**Events after the Balance Sheet Date**

On 11 August 2011, Shun Tak-China Travel Shipping Investments Limited ("Purchaser"), an indirect non-wholly owned subsidiary of the Company, entered into a conditional agreement with New World First Holdings Limited ("Vendor") to acquire the entire issued share capital of New World First Ferry Services (Macau) Limited ("NWFF") and New Ferry - Transporte Maritimo de Passgeiros (Macau), Limitada ("NFTMP") and the shareholder's loans advanced to NWFF (the "Acquisition"), for a consideration of HK$350 million (subject to adjustment).

NWFF and NFTMP are wholly owned subsidiaries of the Vendor. The Vendor is an associate (within the meaning of the Listing Rules) of New World Development Company Limited, and is therefore a connected person of the Company under the Listing Rules.

NWFF and NFTMP and their respective subsidiaries (collectively the "Target Group"), the subject of the Acquisition, currently operate passenger ferry business between Hong Kong and Macau (Outer Port Terminal) (the "Ferry Business"). The major assets of the Target Group as at completion of the Acquisition will be (i) the seven high-speed passenger ferries currently operating the Ferry Business, (ii) the license granted by the Macau Government for operating the Ferry Business and (iii) other operating assets, net of liabilities as agreed between the Purchaser and the Vendor to be retained by the Target Group upon completion of the Acquisition. Completion of the above conditional agreement is subject to fulfilment of certain conditions, details of which were set out in the announcement of the Company on 11 August 2011.

**Charges on Assets**

At the period end, bank loans to the extent of approximately of HK$1,471 million (at 31 December 2010: HK$712 million) were secured with charges on certain assets of the Group amounting to an aggregate carrying value of HK$7,526 million (at 31 December 2010: HK$1,179 million). Bank loan to the extent of HK$1,335 million (at 31 December 2010: HK$556 million) was also secured by pledge of shares in certain subsidiaries.

**Contingent Liabilities**

There were no material contingent liabilities of the Group at the period 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 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 period end. Approximately 97% 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 2,630 employees at the period end. The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed on a performance related basis. 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.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board of the Company, the Company has applied the principles and compiled with the code provisions in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2011, except for deviation from the first part of code provision E.1.2 of the Code, which states that the Chairman of the Board should attend annual general meeting. In the absence of the Group Executive Chairman during the Company's annual general meeting held on 15 June 2011, the Managing Director of the Company (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. Save as aforesaid, the corporate governance practices adopted by the Company during the period were generally in line with those disclosed in the report on corporate governance practices set out in the 2010 annual report of the Company.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (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 six months ended 30 June 2011.

## REVIEW BY AUDIT COMMITTEE

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2011 of the Company have been reviewed by the audit committee of the Company. At the request of the directors of the Company, the Company's external auditor, H. C. Watt & Company Limited, has carried out a review of the said unaudited condensed consolidated interim financial statements in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

By order of the Board
**SHUN TAK HOLDINGS LIMITED**
**Pansy Ho**
*Managing Director*

Hong Kong, 29 August 2011

*As at the date of this announcement, the executive directors of the Company are Dr. Stanley Ho, Ms. Pansy Ho, Ms. Daisy Ho, Ms. Maisy Ho and Mr. David Shum; the non-executive directors are Dato' Dr. Cheng Yu Tung, Mrs. Louise Mok and Mr. Michael Ng; and the independent non-executive directors are Sir Roger Lobo, Mr. Norman Ho and Mr. Charles Ho.*