

The logo consists of a red stylized bridge-like structure above the text "SHUN TAK" in a bold, gold-colored serif font.

SHUN TAK

Shun Tak Holdings Limited  
信德集團有限公司

Stock Code 股份代號: 242



2010  
INTERIM REPORT  
中期業績報告



## Horses

Horses are majestic animals with adventurous souls. They gallop freely across fields and valleys; bold, liberal and zealous.

An upright standing stallion can be recognized as the leader of its herd, possessing unparalleled strengths that impress even the strongest of rivals.

Cover design depicts the solid foundation and exceptional business acumen of the Group, capitalizing upon opportunities with impeccable foresight and versatility in its expansion strategies, exhibiting the charisma of a leader in every way.

## 駿馬

駿馬愛往外闖，奔向廣闊的天地，是奮發自強的象徵。躍起的駿馬，乃馬群之首，實力卓越超凡。

封面設計喻意信德集團擁有雄健的根基、敏銳的市場和投資觸覺，時刻自強不息，以靈活精煉的策略，開拓創新商機，處處顯現出皇者之風。

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## **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 2010 of the Company and its subsidiaries (the "Group").

The unaudited profit attributable to owners of the Company for the period amounted to HK\$266 million, as compared with a profit of HK\$1,690 million for the same period last year. Basic earnings per share were HK 13.1 cents (2009: HK 75.0 cents).

The unaudited profit attributable to owners of the Company for the period would be HK\$61 million, an increase of approximately 97% compared with the same period last year of HK\$31 million, after excluding the effect of attributable revaluation surplus (net of deferred tax) of HK\$205 million (2009: HK\$890 million) arising on investment properties held by the Group and a jointly controlled entity, holding 51% interest in One Central, recognition of a gain of HK\$89 million representing 51% share of an one-off net termination fee in 2009 for Tower 4 of One Central Residences, and recognition of net gain of HK\$680 million in 2009 on disposal of a subsidiary, holding 50% interest in the former Mandarin Oriental Hotel in Macau.

## **INTERIM DIVIDEND**

The Board has resolved not to declare an interim dividend (2009: HK 3.8 cents per share) in respect of the six months ended 30 June 2010.

## **BUSINESS REVIEW**

### **Property**

The Group's property division registered an operating profit of HK\$150 million during the period (1H2009: HK\$139 million), representing a steady 8% year-on-year growth, with the gain mainly attributable to the sales of Nova City Phase 3 in a reenergized property market.

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 2010, 98% of the 7 luxurious residential towers have been sold, of which 91% have been handed over to purchasers. 98% of all typical units within Tower 4, which were cancelled by its original en bloc purchaser, were re-launched in December 2009 at relatively higher prices. The handover of these units is expected to be completed in the second half of 2010. Opened in December 2009, the approximately 400,000 square feet One Central Shopping Mall houses a lavish selection of flagship designer stores, and is directly connected with MGM MACAU and the new Mandarin Oriental, Macau. The latter celebrated its opening on 29 June 2010 featuring 213 guest rooms, a signature spa and an infinity pool. Managed by the same hotel group, 56 luxurious residences and 36 apartments are set for public sales launch in the later half of 2010, offering the only hotel managed serviced apartments with transferable strata titles in Macau.

Nova City is one of the largest and most integrated residential communities in Macau. Consisting of five phases, the first three phases were completed with 97% of units in the 13 residential towers successfully sold as of 30 June, 2010. Phase 4, comprising of three residential towers and over 680,000 square feet, offers a range of layouts with most enjoying an open view of the Central Garden currently under construction by the Macau SAR Government. Phase 5, comprising over 2.3 million square feet residential units in eight towers, sits above a large-scale lifestyle shopping centre that provides all-rounded convenience to the community. Foundation works will commence in the 4<sup>th</sup> quarter of 2010 for Phase 4 and 2<sup>nd</sup> quarter of 2011 for Phase 5 respectively. The concerned draft land contract with lease modification was accepted by the Group in June 2010.

The Group holds a 79% interest in a columbarium project in Taipa, designed to offer approximately 50,000 niches to the undersupplied Macau, Hong Kong and Zhuhai markets. A showroom in Hung Hom will commence service in the 4<sup>th</sup> quarter of 2010. Construction and fit-out works are progressing well with completion scheduled for the 2<sup>nd</sup> quarter of 2011. Upscale and contemporary, the columbarium which possesses legal title, offers one-stop solutions to purchasers seeking a tranquil setting and reliable management.

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.

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The Group holds a 100% interest in the Cotai project earmarked for an ultra-deluxe hotel. The Group has entered into a management agreement with the Jumeirah Group, a renowned luxurious hotel management company and a member of Dubai Holding, to operate the proposed property. The plan is currently under review by the Macau SAR Government.

In Hong Kong, the Chatham Garden Redevelopment Project in Central Kowloon adjacent to the Tsim Sha Tsui district will offer approximately 370,000 square feet of residential and retail space. Foundation works were completed in 2009 with scheduled completion slated for the 4<sup>th</sup> quarter of 2012. Pre-sale is expected to commence within the next 6 months. The Group holds a 51% interest in the project.

In June 2010, the Group announced to acquire a site located in Chung Hum 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 2010, 8 of the 10 duplex units have been sold.

The Westwood, a 5-storey shopping centre appended with the Belcher's, is the largest retail facility in the Western Mid-Levels. With a strengthened tenant mix, occupancy of the approximately 220,000 square feet mall has consistently stood above 90%. Passenger traffic is expected to further improve with the completion of the MTR West Island Line in 2014.

Liberté Place, located at the podium level of Liberté in West Kowloon, benefits from the high foot traffic from residences connected by the footbridge linking to neighboring Banyan Garden. Over 90% occupancy rate is consistently maintained. A further surge in traffic is expected when access to the Lai Chi Kok MTR Station is completed in late 2010.

In Guangzhou, the Shun Tak Business Centre comprising of 32 stories 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 14.9 million square feet across Hong Kong, Macau and China. 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, and has won a myriad of accolades including the Award for Environmental Excellence from the Environmental Protection Department, Certificate of Quality Water from the Water Department, and “Outstanding Managed Property” in Kowloon West Security Services Awards 2009.

### **Transportation**

With a revival in global tourism, passenger volume on TurboJET’s flagship Hong Kong-Macau route grew by 1% year-on-year over the first half of 2010. Nonetheless, rallying fuel prices and aggressive pricing from competitors continued to curb pace of recovery. The transportation division registered an operating loss of HK\$22 million as compared with a loss of HK\$14 million experienced over the same period last year. In light of the challenging operating environment, the division will continue to monitor costs, manage capital expenditures and optimize fleet utilization.



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In order to continue the Group's commitment in forging a multi-modal transportation network within the Pearl River Delta ("PRD"), the division continues to form alliances with mainland operators as part of its route development strategy. A new route connecting Nansha and Macau was launched in June 2010 in association with Panyu Nansha Port Passenger Transport Company Limited, following cooperative models in the successful operation of the Shekou-Macau route and the Nansha-Hong Kong International Airport route.

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 ("HKIA").

Innovation and continuous service improvements are integral values to TurboJET. In February, TurboJET unveiled its brand new Premier Lounge at the Macau Maritime Ferry Terminal to provide pre-boarding luxury and convenience to Premier Grand Class passengers. In May, a time-saving eCheck-in service is launched, allowing passengers to check in online and print boarding passes for the HKIA-Macau or HKIA-Nansha route. The luggage processing system at the Macau Terminal has also been upgraded to reduce luggage reclaim time by half.

Recognized as the leading passenger ferry operator in the region, TurboJET received various honorable awards in 2010, including the "Medal of Merit in Tourism" from the Macau SAR Government, the "2009 Hong Kong Awards for Industries: Productivity and Quality Award" conferred by the Hong Kong Productivity Council, the "Hong Kong Top Service Brand Award" from the Hong Kong Brand Development Council and the Chinese Manufacturers Association of Hong Kong, and the "Hong Kong Awards for Environmental Excellence 'Class of Good' Wastewi\$e Label" from the Environmental Campaign Committee.

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 117 vehicles in service. HK\$39 million in revenue was recorded over the first half of 2010, generating high profit return for the transportation division.

### **Hospitality**

As the global economy gradually recovers, tourism performances of Hong Kong and Macau have outpaced their regional peers in the upturn. Benefiting from increased visitor arrivals, occupancy rate made encouraging improvements. The hospitality division registered an operating profit of HK\$5 million over the first six months of 2010 as compared with a loss of HK\$34 million from the same period last year.

With the disposal of interest in the former Mandarin Oriental Hotel in Macau, the brand new Mandarin Oriental, Macau at One Central made its debut in June 2010 exactly one year later. The 213-room hotel offers all the signature luxuries synonymous with the brand, and is directly connected to One Central flagship shopping mall and MGM MACAU. With its established customer base and convenient location, the hotel is set for a promising launch. The Group holds a 51% interest in the joint venture.

Another of the Group's investment, the Westin Hotel, experienced a revival in occupancy rate. However, with the introduction of new hotels in Cotai and their aggressive pricing strategy, the hotel suffered a drop in average room rate. The Macau Golf & Country Club adjacent to the Westin Hotel reported an increase in earnings of approximately 8%.

In Hong Kong, the 658-room SkyCity Marriott Hotel which enjoys direct access to AsiaWorld-Expo and close proximity to the newly opened SkyPier, achieved significant improvements in occupancy and room rates over the period. Buoyed by a recovery in tour group business, the operation generated positive return over the period.

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Macau Tower Convention & Entertainment Centre (“Macau Tower”) managed by the Group is a major MICE venue and tourist destination in Macau. With banquet business receded from the dual occasion of the 60<sup>th</sup> Anniversary of the People’s Republic of China and the 10<sup>th</sup> Anniversary of the Macau SAR in 2009, total Banquet and MICE receipts contracted by 19% year-on-year to MOP 22 million (1H2009: MOP 27 million). The world’s highest Bungy Jump, the Skyjump and Skywalk X operated by AJ Hackett Macau Tower Limited continue to be widely popular, especially amongst Japanese and Indian visitors. The operation recorded MOP 14 million in revenue over the period (1H2009: MOP 11 million). Macau Tower will continue to strengthen its positioning as an urban centre for family and recurrent visitors by introducing home and lifestyle brands into its tenancy mix.

In China, the Group has been in full gear preparation for the pre-opening management and exciting debut of the Canton Tower. The iconic architecture will house a mix of leisure retail brands, international dining options including two revolving restaurants, top class MICE and adventure facilities. Following the successful marketing and positioning of Macau Tower, the Group is set to create the next world class tourism destination in Guangzhou.

After obtaining a full MICE license in China last year, Shun Tak Hospitality Services Division (“STHS”) has been actively expanding its service scope into mainland corporate and MICE business. Leveraging upon opportunities derived from international mega events in 2010, STHS has been appointed as the operator of the Guangdong Pavilion in the Shanghai World Expo, and the designated service provider for corporations including COFCO Limited and China Mobile Group Guangdong Company Limited. Other projects include the Macau Pavilion promotion campaign, the Shenzhen Food Fair, Macao Branded Products Fair and Macao International Trade and Investment Fair.

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 RMB40 million in revenue over the first half of 2010, and expects to experience a surge in business between May and October, with the Shanghai World Expo inducing demand growth from group tours and banquet functions.

### **Investment**

The investment division recorded a loss of HK\$1 million (1H2009: profit of HK\$26 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 61% effective shareholding in Sociedade de Jogos de Macau S.A. ("SJM"), one of 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 2009 fiscal year.

Macau Matters Company Limited, the Group's retail arm managing brands such as Toys "R" Us and "Kidz n Joy" in Macau, has established strong footing in the Macau young consumer segment. In July 2010, Toys "R" Us will expand to a new store doubling its size and product offerings, while a new business named "CentralDeli" with full deli, dairy, fine gourmet and wine on its menu, will be launched in One Central Shopping Mall early August.

### **PROSPECTS AND RECENT DEVELOPMENTS**

Riding on the robust Hong Kong and Macau real estate markets, the Group is planning to launch “The Residences & Apartments at Mandarin Oriental, Macau”, as well as the Chatham Garden Redevelopment Project, within coming months. With interest rates maintained at record-low levels and abundant liquidity in the market, luxury properties are in earnest demand. The two projects are expected to generate positive market response and sales results for the Group in the short and medium terms.

Apart from residential properties, columbarium niches also envisage positive sales potential. Marketing of the columbarium in Taipa will commence with the opening of a Hong Kong showroom in the 4<sup>th</sup> quarter of 2010, while public launch is anticipated within the first half of 2011.

Shun Tak-China Travel Shipping Investments Limited (“STCTS”) recorded losses for the period and continues to be challenged by intensive competition on prices and a proliferation of new operation licenses. However, in considering the market value of STCTS’s assets and its future prospects, the management considers no provision for impairment is required. In order to stay ahead of competition, TurboJET strives to innovate its service and product offerings, exemplified by the new online check-in system for Airport routes. Other joint promotional campaigns, such as co-branded eTickets with packaged merchandise offers, will be launched over the summer months in order to increase mindshare, harness new sales channels and expand the young consumer sector.

The hospitality division made significant strides in 2010, establishing a much stronger strategic footing in the mainland hospitality scene. The division is in full throttle preparation for the opening of the Canton Tower, drawing from the experience and successful operation model from the management of Macau Tower. Moreover, with the mega Shanghai World Expo launched in May 2010, STHS was able to significantly expand its MICE business and build a solid client base within China.

During the period, hotels within the Group's portfolio have generally registered improved performances, and the new Mandarin Oriental, Macau was opened in June 2010 before the peak travel season to capture the demand surge.

On the back of strong regional economic recovery, the Group is set to benefit from various pipeline projects to be launched over the coming months, as well as diversify its pillar businesses into new markets upon the basis of a solid financial position.

## FINANCIAL REVIEW

### Liquidity, Financial Resources and Capital Structure

The Group's bank balances and deposits amounted to HK\$4,488 million at 30 June 2010, representing an increase of HK\$901 million as compared with the position as at 31 December 2009. It is the Group's policy to secure adequate funding to match with cash flows required for working capital and investing activities. Total bank loan facilities available to the Group as of 30 June 2010 amounted to HK\$7,837 million, of which HK\$2,102 million remained undrawn. The Group's bank borrowings outstanding at the period end amounted to HK\$5,735 million. The Group's borrowings also comprised the liability component of guaranteed convertible bonds of HK\$1,453 million. The maturity profile of the Group's borrowings as at 30 June 2010 is set out below:

#### Maturity Profile

Within 1 year	1-2 years	2-5 years	Total
36%	20%	44%	100%

Based on a net borrowings of HK\$2,688 million at the period end, the Group's gearing ratio (expressed as a ratio of net borrowings to equity attributable to owners of the Company) was 19.3% (at 31 December 2009: 21.4%). The Group will continue with its financial strategy of maintaining a healthy gearing ratio and consider steps to reduce its finance costs.

In May 2008, the Group agreed to acquire the land development right of Nam Van site in Macau at a consideration of HK\$3,145 million. The outstanding commitment of which at the period end amounted to about HK\$2,830 million.

### **Event after the Balance Sheet Date**

On 18 June 2010, Grace Wealth Development Limited (the "Purchaser" and an indirect wholly-owned subsidiary of the Company), together with the Company (as guarantor to the Purchaser), entered into a conditional sale and purchase agreement with Hanika Realty Company Limited (the "Vendor" and a connected person of the Company) to acquire a site located at Chung Hom Kok Road, Hong Kong, at the consideration of around HK\$624 million which was settled by HK\$28 million as initial cash deposit and the remaining balance of around HK\$596 million will be settled by the allotment and issuance of 148,566,084 new shares of the Company at an issue price of HK\$4.01 per share by the Company to the Vendor and/or its nominees upon completion.

Further details were described in the Company's circular dated 12 July 2010. The abovementioned acquisition was approved by the independent shareholders of the Company in the extraordinary general meeting held on 27 July 2010.

### **Charges on Assets**

At the period end, bank loans to the extent of approximately of HK\$750 million (at 31 December 2009: HK\$784 million) were secured with charges on certain assets of the Group amounting to an aggregate carrying value of HK\$1,191 million (at 31 December 2009: HK\$1,220 million).

### **Contingent Liabilities**

There were no material contingent liabilities of the Group at the period end.



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## **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 2,700 employees at the period end. The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on performance. Social activities are organised to foster team spirit amongst employees and they are encouraged to attend training classes that are related to the Group's businesses.

# Condensed Consolidated Income Statement

For the six months ended 30 June	Note	(Unaudited) 2010 (HK\$'000)	(Unaudited) 2009 (HK\$'000)
<b>Turnover</b>	3	<b>1,682,884</b>	1,659,410
Other revenues		<b>37,981</b>	34,503
		<b>1,720,865</b>	1,693,913
Other net income	4	<b>769</b>	676,509
Cost of inventories sold or consumed		<b>(728,635)</b>	(686,730)
Staff costs		<b>(348,201)</b>	(351,337)
Depreciation and amortisation		<b>(107,522)</b>	(106,547)
Other costs		<b>(438,233)</b>	(482,245)
Fair value changes on investment properties		<b>183,885</b>	92,932
<b>Operating profit</b>	3, 5	<b>282,928</b>	836,495
Finance costs	6	<b>(57,305)</b>	(36,408)
Share of results of associates		<b>4,057</b>	21,168
Share of results of jointly controlled entities		<b>101,068</b>	928,951
<b>Profit before taxation</b>		<b>330,748</b>	1,750,206
Taxation	7	<b>(45,855)</b>	(41,641)
<b>Profit for the period</b>		<b>284,893</b>	1,708,565
<b>Attributable to:</b>			
Owners of the Company		<b>266,053</b>	1,690,485
Non-controlling interests		<b>18,840</b>	18,080
<b>Profit for the period</b>		<b>284,893</b>	1,708,565
<b>Earnings per share (HK cents)</b>	9		
– basic		<b>13.1</b>	75.0
– diluted		<b>13.1</b>	74.9

Details of interim dividend to shareholders of the Company are set out in note 8.

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June	<b>(Unaudited) 2010 (HK\$'000)</b>	(Unaudited) 2009 (HK\$'000)
<b>Profit for the period</b>	<b>284,893</b>	1,708,565
<b>Other comprehensive income/(loss)</b>		
Available-for-sale investments:		
Changes in fair value	<b>(13,559)</b>	43,368
Cash flow hedges:		
Changes in fair value	<b>1,415</b>	16,748
Deferred tax	<b>(233)</b>	(2,763)
Reclassification adjustment for (gains)/losses included in profit or loss	<b>(2,359)</b>	50,164
Deferred tax	<b>389</b>	(8,277)
Properties:		
Write-back/(write-down) of inventories of properties	<b>87,284</b>	(107,478)
Deferred tax	<b>(10,474)</b>	12,897
Reclassification adjustment for gains included in profit or loss upon sales of properties	<b>(104,384)</b>	(94,295)
Deferred tax	<b>12,275</b>	10,998
Exchange differences on translation of financial statements of foreign operations	<b>5,253</b>	(113)
<b>Other comprehensive loss for the period, net of tax</b>	<b>(24,393)</b>	(78,751)
<b>Total comprehensive income for the period</b>	<b>260,500</b>	1,629,814
<b>Attributable to:</b>		
Owners of the Company	<b>239,961</b>	1,579,709
Non-controlling interests	<b>20,539</b>	50,105
<b>Total comprehensive income for the period</b>	<b>260,500</b>	1,629,814

# Condensed Consolidated Balance Sheet

	Note	(Unaudited) 30 June 2010 (HK\$'000)	(Restated) 31 December 2009 (HK\$'000)
<b>Non-current assets</b>			
Property, plant and equipment	10	<b>2,313,624</b>	2,491,527
Investment properties	11	<b>3,575,204</b>	3,385,392
Leasehold land		<b>9,024</b>	9,146
Associates		<b>187,064</b>	183,007
Jointly controlled entities		<b>1,811,489</b>	2,829,636
Intangible assets		<b>365,660</b>	365,796
Available-for-sale investments	12	<b>1,052,259</b>	1,065,804
Mortgage loans receivable		<b>12,440</b>	14,726
Deferred tax assets		<b>33,617</b>	30,561
Other non-current assets		<b>1,355,060</b>	1,332,519
		<b>10,715,441</b>	11,708,114
<b>Current assets</b>			
Properties for or under development		<b>9,224,735</b>	8,877,550
Inventories		<b>550,199</b>	1,002,094
Trade receivables, other receivables and deposits paid	13	<b>1,164,018</b>	1,171,658
Available-for-sale investments		<b>11,869</b>	15,514
Derivative financial instruments		<b>2,973</b>	3,918
Taxation recoverable		<b>2,526</b>	4,059
Bank deposits, cash and bank balances		<b>4,487,845</b>	3,587,409
		<b>15,444,165</b>	14,662,202

	Note	(Unaudited) 30 June 2010 (HK\$'000)	(Restated) 31 December 2009 (HK\$'000)
<b>Current liabilities</b>			
Trade and other payables	13	650,881	1,303,221
Deposits received on sale of properties		3,710	59,266
Bank borrowings		2,559,600	1,416,800
Provision for employee benefits		16,095	16,424
Taxation payable		167,892	112,398
		<b>3,398,178</b>	2,908,109
<b>Net current assets</b>		<b>12,045,987</b>	11,754,093
<b>Total assets less current liabilities</b>		<b>22,761,428</b>	23,462,207
<b>Non-current liabilities</b>			
Bank borrowings		3,175,600	3,752,200
Convertible bonds	14	1,452,554	1,441,888
Deferred tax liabilities		989,344	1,001,459
Loans from non-controlling shareholders		848,748	849,146
		<b>6,466,246</b>	7,044,693
<b>Net assets</b>		<b>16,295,182</b>	16,417,514
<b>Equity</b>			
Share capital	15	505,928	505,928
Reserves		13,456,984	13,211,573
Proposed dividends		—	378,434
<b>Equity attributable to owners of the Company</b>		<b>13,962,912</b>	14,095,935
Non-controlling interests		2,332,270	2,321,579
<b>Total equity</b>		<b>16,295,182</b>	16,417,514

Equity attributable to owners of the Company																
	Convertible							Non-controlling interests								
	Share capital (HK\$'000)	Share premium (HK\$'000)	Capital redemption reserve (HK\$'000)	Capital reserve (HK\$'000)	Equity reserve (HK\$'000)	Legal reserve (HK\$'000)	Special reserve (HK\$'000)	Investment revaluation reserve (HK\$'000)	Hedging reserve (HK\$'000)	Asset revaluation reserve (HK\$'000)	Exchange reserve (HK\$'000)	Retained profits (HK\$'000)	Proposed dividends (HK\$'000)	Total (HK\$'000)	Non-controlling interests (HK\$'000)	Total equity (HK\$'000)
<b>For the six months ended 30 June 2010 (unaudited)</b>																
At 1 January 2010	505,328	6,880,495	100,170	14	80,387	7,818	161,143	42,983	1,284	1,225,916	42,996	4,970,903	378,434	14,095,305	2,221,579	16,417,514
Employees share options	—	—	—	5,516	—	—	—	—	—	—	—	—	—	5,516	—	5,516
Dividend to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(8,914)	(8,914)
2009 final dividend paid	—	—	—	—	—	—	—	—	—	—	—	—	(678,434)	—	(678,434)	(678,434)
Total comprehensive income/(loss)	—	—	—	—	—	—	(13,559)	(338)	(338)	(15,289)	3,102	260,053	—	239,961	20,539	260,500
Transfer of reserve	—	—	—	—	—	50	—	—	—	—	—	(116)	—	(66)	66	—
Share of reserve of jointly controlled entity	—	—	—	—	—	124	—	—	—	—	—	(124)	—	—	—	—
At 30 June 2010	505,328	6,880,495	100,170	5,530	80,387	7,992	161,143	29,424	1,088	1,210,627	46,098	5,236,716	—	13,982,912	2,332,270	16,265,182

Equity attributable to owners of the Company

	Capital			Investment			Asset			Non-					
	Share premium	Share redemption reserve	Capital reserve	Legal reserve	Special reserve	Investment reserve	Hedging reserve	Foreign exchange reserve	Retained profits	Proposed dividends	Total	continging interests	Total equity		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 January 2009	680,225	6,802,141	34,254	5	11,882	(151,413)	(20,770)	(24,331)	1,444,192	30,089	3,137,820	23,940	11,816,224	2,213,332	14,029,556
Expenses of share options	7,809	88,405	-	-	-	-	-	-	-	-	-	-	96,035	-	96,035
Expenses on issue of shares	-	(66)	-	-	-	-	-	-	-	-	-	-	(66)	-	(66)
Repurchase of shares	(65,915)	-	65,916	-	-	-	-	-	-	-	(650,088)	-	(650,088)	-	(650,088)
Expenses on repurchase of shares	-	-	-	-	-	-	-	-	-	-	(8,175)	-	(8,175)	-	(8,175)
2008 final dividend for shares issued	-	-	-	-	-	-	-	-	-	-	(261)	-	(261)	-	(261)
Upon exercise of share options	-	-	-	-	-	-	-	-	-	-	(23,801)	-	(23,801)	-	(23,801)
2008 final dividend	-	-	-	-	-	-	-	-	-	-	(76,301)	-	(76,301)	-	(76,301)
2009 interim dividend	-	-	-	-	-	-	-	-	-	-	(684,495)	-	(684,495)	-	(684,495)
Total comprehensive income/(loss)	-	-	-	-	-	43,368	23,802	(777,978)	(68)	(68)	(684,495)	-	(1,539,709)	50,105	1,629,814
Transfer of reserve	-	-	-	-	(4,854)	-	-	-	-	-	4,854	-	-	-	-
Share of reserve of associate	-	-	-	8	-	-	-	-	-	-	-	8	-	-	8
At 30 June 2009	683,071	88,380	65,916	8	(4,854)	-	43,368	23,802	(777,978)	68	(1,028,334)	47,961	(1,056,042)	50,105	1,105,947
	595,838	6,880,501	100,170	13	7,008	(151,413)	22,998	(107,729)	1,283,314	38,021	4,138,754	76,301	12,873,086	2,284,437	15,157,523

For the six months ended 30 June 2009 (unaudited)

# Condensed Consolidated Cash Flow Statement

For the six months ended 30 June	<b>(Unaudited) 2010 (HK\$'000)</b>	(Unaudited) 2009 (HK\$'000)
<b>Net cash from operating activities</b>	<b>254,304</b>	970,307
<b>Net cash from/(used in) investing activities</b>	<b>475,384</b>	(439,931)
<b>Net cash from/(used in) financing activities</b>	<b>181,917</b>	(421,705)
<b>Net increase in cash and cash equivalents</b>	<b>911,605</b>	108,671
<b>Effect of foreign exchange rates changes</b>	<b>674</b>	(18)
<b>Cash and cash equivalents at 1 January</b>	<b>3,587,423</b>	2,736,650
<b>Cash and cash equivalents at 30 June</b>	<b>4,499,702</b>	2,845,303
<b>Analysis of cash and cash equivalents</b>		
Investment funds (classified as available-for-sale investments)	<b>14</b>	14
Money market funds (classified as available-for-sale investments)	<b>11,843</b>	—
Bank deposits, cash and bank balances	<b>4,487,845</b>	2,845,289
	<b>4,499,702</b>	2,845,303

During the period, dividend income of HK\$1,114.6 million from investment in a jointly controlled entity was received, out of which HK\$655.6 million was set off against amount due to that jointly controlled entity.



## **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 ("Listing Rules") on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies and methods of computation adopted are consistent with those followed in the preparation of the Group's audited financial statements set out in the annual report for the year ended 31 December 2009 except as noted in 2 below.

## **Note 2 Impact of Revised Hong Kong Financial Reporting Standards**

The Group has adopted the following revised Hong Kong Financial Reporting Standards ("HKFRSs") and amendments that are relevant to its operations and first effective for the Group's financial year beginning on 1 January 2010:

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
Improvements to HKFRSs 2009	

### **HKAS 27 (Revised) Consolidated and Separate Financial Statements**

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

## **Note 2 Impact of Revised Hong Kong Financial Reporting Standards** (Continued)

### **HKAS 27 (Revised) Consolidated and Separate Financial Statements**

(Continued)

The Group has applied the revised standard prospectively from 1 January 2010 and the revised standard does not have any financial impact on the Group's financial statements for the six months period ended 30 June 2010.

### **HKFRS 3 (Revised) Business Combinations**

HKFRS 3 (Revised) is effective prospectively to business combinations for which the acquisition date is on or after 1 January 2010. It introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognition, the reported results in the period that an acquisition occurs, and future reported results. While the adoption of the revised standard may result in changes in certain accounting policies, the revised standard does not have any financial impact on the Group's financial statements for the six months ended 30 June 2010.

### **Improvements to HKFRSs 2009**

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

## Note 2 Impact of Revised Hong Kong Financial Reporting Standards (Continued)

### Improvements to HKFRSs 2009 (Continued)

The Group has reassessed the classification of leases of land as at 1 January 2010. As a result of the reassessment, the Group has reclassified certain leasehold land in Hong Kong and Macau from under operating lease to finance lease.

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

	30 June 2010 (HK\$'000)	31 December 2009 (HK\$'000)	1 January 2009 (HK\$'000)
Increase in property, plant and equipment	540,799	547,586	561,161
Decrease in leasehold land	(1,225,839)	(1,241,526)	(1,272,028)
Increase in properties for or under development	685,040	693,940	710,867
	—	—	—

## Note 3 Segment Information

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

The Group has four reportable segments – property, transportation, hospitality and investment. The segmentations are based on the information about the operation of the Group that management reviews regularly to make decisions.

**Note 3 Segment Information** (Continued)

Principal activities 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

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

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.

The Group's measurement methods used to determine reported segment profit or loss remain unchanged from 2009.

### Note 3 Segment Information (Continued)

For the six months ended 30 June 2010	Property (HK\$'000)	Transportation (HK\$'000)	Hospitality (HK\$'000)	Investment (HK\$'000)	Eliminations (HK\$'000)	Consolidated (HK\$'000)
<b>Turnover and revenue</b>						
External turnover	673,363	729,116	267,945	12,460	–	1,682,884
Inter-segment turnover	1,199	100,480	14,657	–	(116,336)	–
Other revenues (external and excluding interest income)	2,765	12,982	1,063	327	–	17,137
	677,327	842,578	283,665	12,787	(116,336)	1,700,021
<b>Segment results</b>	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	92,849	6,465	2,411	(657)	–	101,068
Profit before taxation						330,748
Taxation						(45,855)
Profit for the period						284,893

**Note 3 Segment Information** (Continued)

For the six months ended 30 June 2009	Property (HK\$'000)	Transportation (HK\$'000)	Hospitality (HK\$'000)	Investment (HK\$'000)	Eliminations (HK\$'000)	Consolidated (HK\$'000)
<b>Turnover and revenue</b>						
External turnover	720,344	710,086	189,175	39,805	—	1,669,410
Inter-segment turnover	1,510	87,621	14,110	—	(103,241)	—
Other revenues (external and excluding interest income)	13,586	15,350	916	236	—	30,088
	735,440	813,057	204,201	40,041	(103,241)	1,689,498
<b>Segment results</b>	138,857	(14,083)	(34,457)	25,775	—	116,092
Fair value changes on investment properties	92,932	—	—	—	—	92,932
Gain on disposal of a subsidiary	—	—	679,609	—	—	679,609
Interest income	—	—	—	—	—	4,415
Unallocated net expense	—	—	—	—	—	(56,553)
Operating profit	—	—	—	—	—	836,495
Finance costs	—	—	—	—	—	(36,408)
Share of results of associates	(16)	—	19,922	1,262	—	21,168
Share of results of jointly controlled entities	921,267	6,003	1,681	—	—	928,951
Profit before taxation	—	—	—	—	—	1,750,206
Taxation	—	—	—	—	—	(41,641)
Profit for the period	—	—	—	—	—	1,708,565

**Note 4 Other Net Income**

For the six months ended 30 June	2010 (HK\$'000)	2009 (HK\$'000)
Net gain on disposal of a subsidiary	—	679,609
Net gain/(loss) on disposal of property, plant and equipment	145	(3,251)
Net loss on financial assets designated as at fair value through profit or loss	—	(495)
Net gain on derivative financial instruments	—	73
Others	624	573
	769	676,509

## Note 5 Operating Profit

For the six months ended 30 June	2010 (HK\$'000)	2009 (HK\$'000)
<b>After crediting:</b>		
Interest income	21,314	5,146
Rental income from investment properties	76,989	72,246
Dividend income from listed investments	5,127	2,312
Dividend income from unlisted investments	—	30,381
Write-back of inventories	5,995	—
<b>After charging:</b>		
Cost of inventories		
– properties	442,632	454,046
– fuel	250,142	202,831
– others	35,861	29,853
	728,635	686,730
Write-down of inventories	34	49,404
Share-based payment in respect of share options granted	5,516	—

## Note 6 Finance Costs

For the six months ended 30 June	2010 (HK\$'000)	2009 (HK\$'000)
Total finance costs incurred	60,852	42,889
Less: Amount capitalised in properties under development	(3,547)	(6,481)
Total finance costs expensed during the period	57,305	36,408

**Note 7 Taxation**

For the six months ended 30 June	<b>2010</b> <b>(HK\$'000)</b>	2009 (HK\$'000)
Hong Kong profits tax	<b>9,010</b>	15,383
Overseas tax	<b>50,762</b>	46,610
Deferred tax	<b>(13,917)</b>	(20,352)
	<b>45,855</b>	41,641

Hong Kong profits tax is provided for at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits for the period. Overseas tax 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**

For the six months ended 30 June	<b>2010</b> <b>(HK\$'000)</b>	2009 (HK\$'000)
Interim dividend: Nil (2009: HK 3.8 cents per share)	—	76,901



## Note 9 Earnings per Share

The calculation of basic earnings per share is based on profit attributable to owners of the Company of HK\$266,053,000 (2009: HK\$1,690,485,000) and the weighted average number of 2,023,710,803 shares (2009: 2,254,852,682 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\$266,053,000 (2009: HK\$1,690,485,000) and the weighted average number of 2,037,497,451 shares (2009: 2,257,534,790 shares) in issue after adjusting for the effects of all dilutive potential ordinary shares.

A reconciliation of profit attributable to owners of the Company and the weighted average number of shares used in calculating the basic earnings per share and the diluted earnings per share is as follows:

	Profit attributable to owners of the Company		Weighted average number of shares	
	2010 (HK\$'000)	2009 (HK\$'000)	2010	2009
For the six months ended 30 June				
Profit/number of shares for the purpose of basic earnings per share	266,053	1,690,485	2,023,710,803	2,254,852,682
Effect of dilutive potential ordinary shares – share options	–	–	13,786,648	2,682,108
Profit/number of shares for the purpose of diluted earnings per share	266,053	1,690,485	2,037,497,451	2,257,534,790

The effect of convertible bonds issued in October 2009 is antidilutive and has been excluded from the calculation of diluted earnings per share.

## Note 10 Property, Plant and Equipment

During the period, additions to property, plant and equipment mainly comprised furniture, fixtures and equipment of HK\$8,926,000 (2009: HK\$57,850,000) and net book value of property, plant and equipment disposed of amounted to HK\$109,000 (2009: HK\$3,457,000).

### **Note 11 Investment Properties**

A revaluation of all investment properties was performed at 30 June 2010 by reference to sales evidence as available on the market and where appropriate on the basis of capitalisation of net income. The revaluation was conducted by Savills Valuation and Professional Services Limited, an independent firm of professional valuers, which has among its staff members of the Hong Kong Institute of Surveyors.

### **Note 12 Available-for-sale Investments**

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

## Note 13 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:

	<b>30 June 2010 (HK\$'000)</b>	31 December 2009 (HK\$'000)
0 – 30 days	<b>61,558</b>	92,469
31 – 60 days	<b>26,146</b>	28,926
61 – 90 days	<b>5,600</b>	7,393
over 90 days	<b>16,475</b>	42,383
	<b>109,779</b>	171,171

The ageing analysis of trade creditors is as follows:

	<b>30 June 2010 (HK\$'000)</b>	31 December 2009 (HK\$'000)
0 – 30 days	<b>245,431</b>	292,035
31 – 60 days	<b>4,670</b>	10,400
61 – 90 days	<b>1,900</b>	1,679
over 90 days	<b>2,687</b>	2,549
	<b>254,688</b>	306,663

## Note 14 Convertible Bonds

During the six months ended 30 June 2010, there was no conversion of the convertible bonds into shares of the Company by the bondholders and no redemption of the convertible bonds. As a result of 2009 final dividend, the conversion price was adjusted in accordance with the terms and conditions of the convertible bonds from HK\$8.18 per share to HK\$7.89 per share with effect from 1 June 2010. Other details of the convertible bonds can be found in the annual financial statements for the year ended 31 December 2009.

## Note 15 Share Capital

	30 June 2010		31 December 2009	
	Number of shares	(HK\$'000)	Number of shares	(HK\$'000)
<b>Authorised</b>				
Ordinary shares of HK\$0.25 each				
At beginning and end of the period	<b>4,000,000,000</b>	<b>1,000,000</b>	4,000,000,000	1,000,000
<b>Issued and fully paid</b>				
Ordinary shares of HK\$0.25 each				
At beginning of the period	<b>2,023,710,803</b>	<b>505,928</b>	2,256,941,300	564,235
Exercise of share options	—	—	30,436,610	7,609
Repurchase of shares	—	—	(263,667,107)	(65,916)
At end of the period	<b>2,023,710,803</b>	<b>505,928</b>	2,023,710,803	505,928

In 2009, 263,667,107 issued ordinary shares of the Company of HK\$0.25 each were repurchased from STDM and its subsidiary at a repurchase price of HK\$2.20 (totalling HK\$580,068,000) each in an off-market manner pursuant to repurchase agreement dated 15 June 2009.

## Note 16 Charges on Assets

At 30 June 2010, bank loans to the extent of approximately HK\$750,200,000 (at 31 December 2009: HK\$784,000,000) were secured with charges on certain assets of the Group amounting to an aggregate carrying value of HK\$1,190,909,000 (at 31 December 2009: HK\$1,220,169,000).

## Note 17 Significant Related Party Transactions

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

For the six months ended 30 June	Note	2010 (HK\$'000)	2009 (HK\$'000)
<b>STDM Group</b>	(i)		
Dividend income from STDM		—	30,381
Ferry tickets sold (after discount) to STDM Group		69,633	87,181
Commission paid to STDM Group on ferry tickets sold by STDM Group		8,669	8,695
Fees received from STDM for management of hotels and Macau Tower Convention & Entertainment Centre		12,024	15,584
Fuel purchased from STDM Group for Macau shipping operations		138,089	111,913
Amount collected by STDM Group for sale of ferry tickets and related services in Macau		193,090	214,179
Amount collected by STDM Group for sale of Bungy Jumping and other outdoor adventure activities in Macau Tower		5,510	3,976
Amount reimbursed to STDM Group for expenses incurred in respect of shipping operations in Macau		65,393	65,741
Amount reimbursed by STDM Group for staff expenses and administrative resources shared		12,529	10,510
Revenue of duty free goods sold on board collected for STDM		4,260	6,949

**Note 17 Significant Related Party Transactions** (Continued)

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

For the six months ended 30 June	Note	2010 (HK\$'000)	2009 (HK\$'000)
<b>STDM Group</b> (Continued)			
Disposal of 100% equity interest in Skamby Limited and related shareholder's loan to STDM Group	(ii)	—	722,168
Off-market share repurchase of the Company's shares held by STDM Group	(iii)	—	580,068
<b>Associates</b>			
Insurance premium paid to an associate		17,531	20,480
<b>Jointly controlled entities</b>			
Ferry passengers handling fees received on behalf of a jointly controlled entity		19,784	17,744
<b>Key management personnel</b>			
Ferry tickets sold (after discount) to a jointly controlled entity of New World Development Company Limited ("NWD")	(iv)	22,104	17,297
Amount collected on behalf of a jointly controlled entity of NWD for sale of ferry tickets	(iv)	9,944	7,460
Ferry tickets sold (after discount) to MGM Grand Paradise Limited ("MGM")	(v)	20,905	15,951
Fees received from MGM for laundry, decoration, travel and other services rendered	(v)	6,341	5,381
<b>Directors' emoluments</b>			
Salaries and other short-term employee benefits		11,584	14,276
Post-employment benefits		458	499
Gratuity payments to former directors		—	6,986
Share-based payment		5,516	—
<b>Other related parties</b>			
Commission paid to China Travel Service (Hong Kong) Limited ("CTSHK") for sale of ferry tickets	(vi)	13,362	13,099
Net income collected by CTSHK for sale of ferry tickets and related services	(vi)	62,694	62,303

## Note 17 Significant Related Party Transactions (Continued)

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

	Note	30 June 2010 (HK\$'000)	31 December 2009 (HK\$'000)
<b>STDM Group</b>	(i)		
Net receivable from STDM Group	(vii)	983	42,756
<b>Jointly controlled entities</b>			
Amount due to a jointly controlled entity	(viii)	40	655,604
Amounts due by jointly controlled entities	(viii)	1,343,659	1,321,118
Construction costs payable to a jointly controlled entity		52,785	68,374
<b>Key management personnel</b>			
Non-controlling shareholder's loan from NWD to a subsidiary	(ix)	123,917	123,917
Non-controlling shareholder's loan from a company beneficially owned by Dr. Stanley Ho to a subsidiary	(x)	87,707	87,707
Refundable deposit paid by a subsidiary to Sai Wu Investimento Limitada ("Sai Wu")	(xi)	500,000	500,000
Deposit paid to Hanika Realty Company Limited ("HRL")	(xii)	28,425	—
<b>Other related parties</b>			
Non-controlling shareholder's loan from Dragages Investments Limited ("DI") to a subsidiary	(xiii)	126,750	123,750
Non-controlling shareholder's loan from Sun Hung Kai Properties Limited ("SHK") to a subsidiary	(ix)	359,359	359,359
Accounts receivable from CTSHK	(vi)	1,610	7,919

**Note 17 Significant Related Party Transactions** (Continued)

Notes:

- (i) Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung, Mrs. Louise Mok, Ms. Pansy Ho and Mr. David Shum, directors of the Company, have beneficial interests in STDM. Dr. Stanley Ho, Ms. Pansy Ho (as appointed representative of the Company), Ms. Daisy Ho (as appointed representative of Lanceford Company Limited) and Mr. David Shum (as appointed representative of Interdragon Limited) are directors of STDM.
- (ii) On 20 January 2009, Florinda Hotel Investment Limited ("FHIL"), a wholly-owned subsidiary of the Company, entered into a conditional agreement with Current Time Limited, a wholly-owned subsidiary of STDM for the disposal of FHIL's entire equity interest in and loan to a wholly-owned subsidiary, Skamby Limited, which holds 50% equity interest in Excelsior-Hoteles e Investimentos, Limitada. On 15 June 2009, the Group completed the disposal at a consideration of HK\$722,168,000 (subject to adjustment in accordance with the Post-Disposal Appreciation as described in the Company's circular dated 24 April 2009).
- (iii) On 21 January 2009, STDM and its subsidiary executed a deed of undertaking in favour of the Company, conditionally undertaking to enter into a repurchase agreement relating to an off-market share repurchase by the Company of its 263,667,107 shares in aggregate held by STDM and its subsidiary at a consideration of HK\$580,068,000, equivalent to HK\$2.20 per share. The repurchase agreement was executed on 15 June 2009.
- (iv) Dato' Dr. Cheng Yu Tung is chairman of NWD.
- (v) Ms. Pansy Ho has beneficial interest in MGM. Ms. Pansy Ho and Ms. Daisy Ho are directors of MGM.
- (vi) CTSHK is a subsidiary of China Travel International Investment Hong Kong Limited which is a non-controlling shareholder of a subsidiary.
- (vii) Net receivable from STDM Group comprises unsecured, non-interest bearing current account, trade and other receivables and payables.
- (viii) Amount due to a jointly controlled entity is unsecured, non-interest bearing and with no fixed term of repayment. Amounts due by jointly controlled entities are unsecured. Amount of HK\$1,295,797,000 (at 31 December 2009: HK\$1,275,000,000) is repayable by 5 December 2010, amount of HK\$30,553,000 (at 31 December 2009: HK\$30,562,000) is repayable upon notice of either party and amount of HK\$1,375,000 (at 31 December 2009: HK\$4,266,000) is repayable by one instalment (at 31 December 2009: 3 instalments) while the remaining balances have no fixed term of repayment. Amounts of HK\$1,295,797,000 (at 31 December 2009: HK\$1,275,000,000) and HK\$1,375,000 (at 31 December 2009: HK\$4,266,000) are interest bearing at HIBOR plus 3% (at 31 December 2009: HIBOR plus 3%) and base lending rates promulgated by the People's Bank of China in PRC per annum respectively. The remaining balances are non-interest bearing. The related interest income for the first half of 2010 amounted to HK\$21,031,000 (2009: HK\$22,036,000). At 30 June 2010, interest receivable of HK\$20,797,000 (at 31 December 2009: HK\$44,000) remained unsettled.



## **Note 17 Significant Related Party Transactions** (Continued)

Notes: (Continued)

- (ix) The subsidiary, Ranex Investments Limited (“Ranex”), carries on the business of property investment and development. Ranex is owned as to 51% by the Group, 29% by SHK, 10% by NWD and 10% by an unrelated third party. The non-controlling shareholders’ loans to Ranex from NWD and SHK are unsecured, non-interest bearing and with no fixed term of repayment.
- (x) The subsidiary, Shun Tak Cultural Centre Limited, holds 100% interest in Shun Tak Business Centre in Guangzhou and is owned as to 60% by the Group and 40% by a company beneficially owned by Dr. Stanley Ho. The non-controlling shareholder’s loan is unsecured, non-interest bearing and with no fixed term of repayment.
- (xi) The subsidiary, Shun Tak Nam Van Investment Limited (“Shun Tak Nam Van”), entered into a conditional sale and purchase agreement with Sai Wu, a company beneficially owned as to 60% by Dr. Stanley Ho and 40% by other independent third parties, to acquire the interest in the land development right in respect of the property sites adjoining the Macau Tower in Nam Van, Macau. The refundable deposit was paid by Shun Tak Nam Van to Sai Wu in order to further extend the completion date of the acquisition without changing the consideration or other terms of the acquisition. On 26 May 2009, the completion date of the acquisition was further extended from 30 June 2009 to on or before 31 December 2010.
- (xii) On 18 June 2010, Grace Wealth Development Limited (the “Purchaser” and an indirect wholly-owned subsidiary of the Company), together with the Company (as guarantor to the Purchaser), entered into a conditional sale and purchase agreement with HRL at a consideration of HK\$624,175,000 for the acquisition of a site at Chung Hom Kok Road, Hong Kong. An initial cash deposit of HK\$28,425,000 was paid while the remaining balance of the consideration shall be satisfied by the allotment and issuance of 148,566,084 new shares of the Company. Dr. Stanley Ho, Ms. Pansy Ho, Ms. Daisy Ho, and Ms. Maisy Ho are directors of and have beneficial interests in HRL (Further details were described in the Company’s circular dated 12 July 2010).
- (xiii) The subsidiary, Union Sky Holdings Limited, holds The SkyCity Marriott Hotel at the Hong Kong International Airport and is owned as to 70% by the Group and 30% by DI. The non-controlling shareholder’s loan is unsecured, non-interest bearing and with no fixed term of repayment.

**Note 18 Commitments****(a) Capital commitments**

	<b>30 June 2010 (HK\$'000)</b>	31 December 2009 (HK\$'000)
Contracted but not provided for	<b>13,035</b>	55,229
Authorised but not contracted for	<b>1,251</b>	637
	<b>14,286</b>	55,866

In addition to the above, the Group had commitments at the balance sheet date regarding the payment of HK\$3,080 million (at 31 December 2009: HK\$3,080 million) in cash and the issue of 148,883,374 (at 31 December 2009: 148,883,374) ordinary shares of the Company for the acquisitions of the interests in the land development rights in respect of the property sites adjoining the Macau Tower in Nam Van, Macau.

**(b) Property development commitments**

The Group had outstanding commitments of HK\$268 million (at 31 December 2009: HK\$87 million) under various contracts for property development projects. At 31 December 2009, HK\$33 million of which represents the Group's share of such commitments of a jointly controlled entity.

## **Note 19 Contingencies**

There have been no material changes in contingent liabilities of the Group since 31 December 2009.

## **Note 20 Event after the Balance Sheet Date**

On 18 June 2010, Grace Wealth Development Limited (the "Purchaser" and an indirect wholly-owned subsidiary of the Company), together with the Company (as guarantor to the Purchaser), entered into a conditional sale and purchase agreement with Hanika Realty Company Limited (the "Vendor" and a connected person of the Company) to acquire a site located at Chung Hom Kok Road, Hong Kong, at the consideration of around HK\$624 million which was settled by HK\$28 million as initial cash deposit and the remaining balance of around HK\$596 million will be settled by the allotment and issuance of 148,566,084 new shares of the Company at an issue price of HK\$4.01 per share by the Company to the Vendor and/or its nominees upon completion.

Further details were described in the Company's circular dated 12 July 2010. The abovementioned acquisition was approved by the independent shareholders of the Company in the extraordinary general meeting held on 27 July 2010.

## (1) DISCLOSURE OF DIRECTORS' INTERESTS

As at 30 June 2010, the interests or short positions of the directors and chief executive of the Company and their respective associates in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

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

Name of director	Nature of interests	Number of shares held		Approximate percentage of total issued shares	
		Personal interests	Corporate interests	Note	Note (i)
Dr. Stanley Ho	Interests in issued shares	250,936,160	39,021,590	(iv)	14.33%
	Interests in unissued shares	—	148,883,374	(v)	7.36%
	Interests in underlying shares	1,587,300	(ii)	—	0.08%
Sir Roger Lobo	—	—	—	—	—
Mr. Norman Ho	—	—	—	—	—
Mr. Charles Ho	—	—	—	—	—
Dato' Dr. Cheng Yu Tung	—	—	—	—	—
Mrs. Louise Mok	Interests in issued shares	342,627	—	—	0.02%
Mr. Michael Ng	Interests in underlying shares	5,380,228	(iii)	—	0.27%
Ms. Pansy Ho	Interests in issued shares	47,087,604	191,931,661	(vi)	11.81%
	Interests in unissued shares	—	148,883,374	(v)	7.36%
	Interests in underlying shares	10,157,740	(ii)	—	0.50%
Ms. Daisy Ho	Interests in issued shares	45,647,811	97,820,707	(vii)	7.09%
	Interests in unissued shares	—	148,883,374	(v)	7.36%
	Interests in underlying shares	12,157,740	(ii)	—	0.60%
Ms. Maisy Ho	Interests in issued shares	11,680,435	23,066,918	(viii)	1.72%
	Interests in underlying shares	20,157,740	(ii)	—	1.00%
Mr. David Shum	Interests in underlying shares	5,000,000	(ii)	—	0.25%

Notes:

- (i) As at 30 June 2010, the total number of issued shares of the Company was 2,023,710,803.
- (ii) These represented the interests in underlying shares in respect of share options granted by the Company, details of which are disclosed in sub-paragraph (2) headed "Share Options" below.
- (iii) These interests in underlying shares comprised (a) 5,000,000 underlying shares in respect of share options granted by the Company, details of which are disclosed in sub-paragraph (2) headed "Share Options" below; and (b) 380,228 shares issuable to Mr. Michael Ng upon conversion of the convertible bonds for an aggregate nominal amount of HK\$3,000,000 held by him as at 30 June 2010 and based on the adjusted conversion price of HK\$7.89 per share, details of which are disclosed in sub-paragraph (1)(d) headed "Interests of the Directors in Debentures of Subsidiaries of the Company" below.
- (iv) These 39,021,590 shares, of which Dr. Stanley Ho was deemed to be interested by virtue of the SFO, comprised 11,446,536 shares held by Sharikat Investments Limited ("SIL"), 24,838,987 shares held by Dareset Limited ("DL") and 2,736,067 shares held by Lanceford Company Limited ("LCL"). SIL, DL and LCL are all wholly owned by Dr. Stanley Ho.
- (v) These 148,883,374 unissued shares, of which Dr. Stanley Ho, Ms. Pansy Ho and Ms. Daisy Ho were deemed to be interested by virtue of the SFO, were the same parcel of shares, and represented shares to be issued to Alpha Davis Investments Limited ("ADIL") upon completion of the acquisition as described in the Company's circular dated 17 December 2004. ADIL is owned as to 47% by Innowell Investments Limited ("IIL") and 53% by Megaprospere Investments Limited ("MIL"). IIL is wholly owned by Dr. Stanley Ho. MIL is owned as to 51% by Ms. Pansy Ho and 39% by Ms. Daisy Ho.
- (vi) These 191,931,661 shares, of which Ms. Pansy Ho was deemed to be interested by virtue of the SFO, comprised 97,820,707 shares held by Beeston Profits Limited ("BPL") and 94,110,954 shares held by Classic Time Developments Limited ("CTDL"). Both BPL and CTDL are wholly owned by Ms. Pansy Ho.
- (vii) These 97,820,707 shares, of which Ms. Daisy Ho was deemed to be interested by virtue of the SFO, were held by St. Lukes Investments Limited, which is wholly owned by Ms. Daisy Ho.
- (viii) These 23,066,918 shares, of which Ms. Maisey Ho was deemed to be interested by virtue of the SFO, were held by LionKing Offshore Limited, which is wholly owned by Ms. Maisey Ho.

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

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

Note:

- (i) As at 30 June 2010, there was a total of 10 ordinary shares of Shun Tak Cultural Centre Limited in issue.

**(c) Interests of the Directors in Shares and Underlying Shares of Other Associated Corporations of the Company**

Name of director	Name of associated corporation	Corporate interests	Approximate percentage of total issued shares Note (i)
Ms. Pansy Ho	Shun Tak & CITS Coach (Macao) Limited	750 shares	15%

Note:

- (i) As at 30 June 2010, there was a total of 5,000 shares of Shun Tak & CITS Coach (Macao) Limited in issue.

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

Name of director	Name of subsidiary	Personal interests	Approximate percentage of aggregate nominal amount of convertible bonds in issue Note (i)
Mr. Michael Ng	Joyous King Group Limited	HK\$3,000,000 Note (ii)	0.19%

*Notes:*

- (i) *As at 30 June 2010, 3.3% guaranteed convertible bonds due 2014 for an aggregate nominal amount of HK\$1,550,000,000 were issued by Joyous King Group Limited, a wholly-owned subsidiary of the Company.*
- (ii) *These convertible bonds for an aggregate nominal amount of HK\$3,000,000 held by Mr. Michael Ng as at 30 June 2010 would be convertible into 380,228 shares of the Company, representing approximately 0.02% of the issued share capital of the Company as at 30 June 2010, at the adjusted conversion price of HK\$7.89 per share during the period from 22 October 2010 to 15 October 2014 subject to the terms and conditions of such convertible bonds. These interests duplicate Mr. Michael Ng's interests in underlying shares of the Company disclosed in sub-paragraph (1)(a) headed "Interests of the Directors in Shares and Underlying Shares of the Company" above.*

All the interests disclosed in sub-paragraphs (1)(a) to (1)(d) above represented long position interests in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

Save as disclosed in sub-paragraphs (1)(a) to (1)(d) above, none of the directors or chief executive of the Company or any of their respective associates had or were deemed to have any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, as at 30 June 2010.

## (2) SHARE OPTIONS

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

Grantee	Note	Date of grant	Exercise period	Exercise price per share (HK\$)	Number of share options	
					As at 1 January 2010	As at 30 June 2010
Dr. Stanley Ho	(i)	25 May 2004	25 May 2004 to 24 May 2014	3.15	1,587,300	1,587,300
Ms. Pansy Ho	(i)	25 May 2004	25 May 2004 to 24 May 2014	3.15	10,157,740	10,157,740
Ms. Daisy Ho	(i)	25 May 2004	25 May 2004 to 24 May 2014	3.15	12,157,740	12,157,740
Ms. Maisy Ho	(i)	25 May 2004	25 May 2004 to 24 May 2014	3.15	20,157,740	20,157,740
Mr. David Shum	(i)	22 September 2004	22 September 2004 to 21 September 2014	4.20	5,000,000	5,000,000
Mr. Michael Ng	(ii),(iii)	1 February 2010	1 February 2010 to 31 January 2015	4.68	—	5,000,000



Notes:

- (i) These outstanding share options are exercisable during a period of 10 years commencing from their respective dates of grant. These share options were all vested on their respective dates of grant.
- (ii) These share options are subject to vesting with 2,500,000 share options already vested on 1 April 2010 and the remaining 2,500,000 share options to be vested on 1 April 2011, provided that if Mr. Michael Ng's appointment with the Company is terminated (other than termination with cause) before 1 April 2011, the remaining share options to be vested on 1 April 2011 will be calculated pro rata to his number of completed months in services in the year ending 31 March 2011. The closing price of the shares of the Company on 29 January 2010, the trading day immediately before 1 February 2010 (i.e. the grant date of these share options), was HK\$4.52 per share.
- (iii) The weighted average fair value of the 5,000,000 share options granted on 1 February 2010 is HK\$1.64 per unit with total fair value of approximately HK\$8.2 million. The valuation was based on the Hull-White Trinomial Model with the following data and assumptions:

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

The result of the valuation can be materially affected by changes in these assumptions, and therefore a share option's actual value may differ from the estimated fair value of the share option due to the model and assumptions adopted.

- (iv) Save for the share options granted to Mr. Michael Ng as set out in the table above, no other share options were granted under the Share Option Scheme and no share options granted thereunder were exercised, cancelled or lapsed during the period.

Save as disclosed above, as at 30 June 2010, none of the directors of the Company or their spouse or children under 18 years of age were granted any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations under the Share Option Scheme.

### (3) SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 30 June 2010, according to the register of interests or short positions in shares required to be kept by the Company under Section 336 of the SFO, other than the interests of the directors and chief executive of the Company, the following shareholders were interested in 5% or more of the issued share capital of the Company:

Name of shareholder	Note	Nature of interests	Capacity	Number of shares / underlying shares held	Approximate percentage of total issued shares Note (i)
Shun Tak Shipping Company, Limited ("STS") and its subsidiaries	(ii)	Interests in issued shares	Beneficial owner	308,057,215	15.22%
Alpha Davis Investments Limited ("ADIL")	(iii)	Interests in unissued shares	Beneficial owner	148,883,374	7.36%
Innowell Investments Limited ("IIL")	(iii)	Interests in unissued shares	Interests of controlled corporation	148,883,374	7.36%
Megaproser Investments Limited ("MIL")	(iii)	Interests in unissued shares	Interests of controlled corporation	148,883,374	7.36%
Hanika Realty Company Limited ("Hanika")	(iv)	Interests in unissued shares	Beneficial owner	148,566,084	7.34%
Ranillo Investments Limited ("Ranillo")	(iv)	Interests in unissued shares	Interests of controlled corporation	148,566,084	7.34%

Notes:

- (i) *As at 30 June 2010, the total number of issued shares of the Company was 2,023,710,803.*
- (ii) *Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung, Ms. Pansy Ho and Ms. Daisy Ho have beneficial interests in and are directors of STS. Mrs. Louise Mok and Mr. David Shum have beneficial interests in STS.*
- (iii) *ADIL is entitled to the interests in 148,883,374 unissued shares of the Company which will be issued upon completion of the acquisition as described in the Company's circular dated 17 December 2004. ADIL is owned as to 47% by IIL and 53% by MIL. IIL is wholly owned by Dr. Stanley Ho. MIL is owned as to 51% by Ms. Pansy Ho, 39% by Ms. Daisy Ho and 10% by Ms. Maisy Ho. Accordingly, the interests of IIL and MIL in the Company duplicate the interests of ADIL in the Company as described above. Dr. Stanley Ho is a director of ADIL and IIL. Ms. Pansy Ho and Ms. Daisy Ho are directors of ADIL, IIL and MIL.*
- (iv) *Hanika is entitled to the interests in 148,566,084 unissued shares of the Company which will be issued to Hanika and/or its nominees upon completion of the acquisition as described in the Company's circular dated 12 July 2010. Hanika is owned as to 14.2% by Dr. Stanley Ho and 71.5% by Ranillo. Ranillo is owned as to 20% by each of Ms. Pansy Ho, Ms. Daisy Ho and Ms. Maisy Ho. Accordingly, the interests of Ranillo in the Company duplicate the interests of Hanika in the Company as described above. Dr. Stanley Ho, Ms. Pansy Ho, Ms. Daisy Ho and Ms. Maisy Ho are directors of Hanika. Ms. Pansy Ho and Ms. Daisy Ho are directors of Ranillo.*
- (v) *All the interests disclosed above represented long position interests in the shares of the Company.*

Save as disclosed above, no other person (other than the directors and chief executive of the Company) had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO as at 30 June 2010.

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

During the six months ended 30 June 2010, 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 directors of the Company, the Company has applied the principles and complied 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 2010. The first part of code provision E.1.2 of the Code states that the Chairman of the Board should attend annual general meeting. In the absence of the Group Executive Chairman during the Company's annual general meeting held on 10 June 2010, the managing director 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 2009 annual report of the Company.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

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 the directors of the Company 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 2010.

## **DISCLOSURE OF CHANGES IN DIRECTORS' INFORMATION**

Changes in the biographical details and information of the directors of the Company since 21 April 2010, the date on which the 2009 annual report of the Company was issued, that are required to be disclosed pursuant to Rule 13.51(2) and Rule 13.51B(1) of the Listing Rules, are set out below:

1. Dr. Stanley Ho was awarded the Grand Bauhinia Medal by the Hong Kong Special Administrative Region Government on 1 July 2010. Dr. Stanley Ho ceased to act as a trustee of Macau Foundation with effect from 11 July 2010.
2. Mr. Michael Ng was re-designated from an executive director to a non-executive director of the Company and ceased to act as a member of the executive committee of the Board, both with effect from 1 July 2010.

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## REVIEW BY AUDIT COMMITTEE

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2010 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

**Pansy Ho**

*Managing Director*

Hong Kong, 31 August 2010

*As at the date of this report, 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.*

**SHUN TAK HOLDINGS LIMITED**

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

[www.shuntakgroup.com](http://www.shuntakgroup.com)

**信德集團有限公司**

香港中環干諾道中二百號  
信德中心西座三十九頂樓