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GROUP RESULTS

The Group's unaudited profit attributable to shareholders for the six months ended 30 June 2003 amounted to HK\$119.8 million, a decrease of 57% as compared with the profit of HK\$278.4 million for the corresponding period last year. Earnings per share were 6.2 HK cents (2002: 16.0 HK cents).

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of 1.5 HK cents per share (2002: 3.5 HK cents) in respect of the six months ended 30 June 2003, payable on 17 October 2003 to shareholders on record as at 10 October 2003.

The Register of Members will be closed from 8 October to 10 October 2003, both dates inclusive. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrar not later than 4:00 p.m. on 7 October 2003.

BUSINESS REVIEW

Shipping

The Group's shipping division has continued to maintain its market leadership on the Hong Kong-Macau route for four consecutive decades. However, the outbreak of Severe Acute Respiratory Syndrome ("SARS") in late March 2003 adversely affected the passenger traffic in Hong Kong and other areas in the People's Republic of China ("PRC"). During the second quarter of 2003, total passengers carried by the shipping division decreased by approximately 35% as compared to the corresponding period last year. The division resulted in an operating loss of HK\$28.3 million (2002: HK\$96.6 million operating profit) for the six months ended 30 June 2003.

In view of the significant impact from SARS, the division took prompt remedies including rationalization of sailing schedules and vessel deployment in order to improve its load factor and contain operating costs. In late May 2003, once the World Health Organization lifted its travel advisories to Hong Kong and the Guangdong province, the division together with the support of the Macau SAR Government immediately launched a series of promotional programs for its Hong Kong-Macau route. The programs successfully enhanced the rebound of passenger traffic of the Hong Kong-Macau route with load factors improving gradually back to the pre-SARS level.

To capitalize on the rapidly growing passenger traffic in the Pearl River Delta ("PRD"), the shipping division will strategically expand its existing routes to cover new passenger ferry services between the Hong Kong International Airport ("HKIA") in Chek Lap Kok and several PRD destinations, including Macau and Shenzhen by late September 2003, to be shortly followed by Guangzhou. The new routes will enable the shipping division to capture a wider and more international traveler base. To enhance efficiency of this air-sea transit service, transit passengers at the cross-boundary passenger ferry terminal in HKIA will be conveniently relieved from Hong Kong customs and immigration formalities. This multi-modal transit arrangement will be a milestone in the Group's innovative efforts in establishing an international shipping network in the PRD.

Hospitality

The division recorded an operating loss of HK\$3 million for the six months ended 30 June 2003, as compared to an operating profit of HK\$4.1 million in the same period last year. In addition to the adverse impact from SARS, the operating loss of the Group's hospitality division was mainly attributable to the closure of the Greater China Club's clubhouse facilities upon expiry of its clubhouse tenancy agreement in March 2003. The Greater China Club continued to serve its members under the new clubhouse service arrangement with the Macau Jockey Club.

Due to the SARS outbreak, the total number of visitors to Macau decreased approximately 26% in the second quarter of 2003 compared with the same period last year. However, with SARS under control and with the introduction of tourism promotional campaign and support from the Macau SAR Government, an encouraging rebound in visitors to Macau has been recorded since mid-June 2003. To contain the impact from SARS, the management of the Group's associates in the hospitality sector, including Mandarin Oriental Macau, Westin Resort Macau and Macau Golf & Country Club, implemented stringent cost control measures and were pleased to report satisfactory profits despite the difficult environment during the period.

For the six months ended 30 June 2003, Mandarin Oriental Macau's average room rate and occupancy rate decreased by approximately 2.7% and 7.5%, respectively, compared with the corresponding period last year. Westin Resort Macau also recorded an approximately 11.7% decrease in average room rate but, with the introduction of pro-active marketing incentives, the hotel was able to achieve an approximately 1% increase in occupancy rate over the same period last year. The refurbishment program at Westin Resort Macau was fully completed in July 2003 to enhance comfort and enjoyment for hotel guests. Average room rate and occupancy rate of both hotels continued to improve significantly after June 2003.

Under the Group's professional management, Macau Tower Convention & Entertainment Centre ("Macau Tower") has grown into a prominent tourist landmark and a prime venue for major events, conventions and banquets in Macau and has attracted more than 1.5 million visitors since its opening at the end of 2001.

Property

The property division of the Group performed satisfactorily with an operating profit of HK\$110.2 million during the period. The occupation permit for Liberté was obtained from the Building Department in August 2003. Residential units under Phase I and Phase II are scheduled for handover to homebuyers in the last quarter of 2003 and early 2004, respectively. The division will continue its efforts in marketing and selling the remaining units of Liberté and The Belcher's. Over 80% of the total saleable units for both projects were sold at the end of the period.

In order to strategically deploy the Group's resources and focus its business development in the PRD, the Group disposed of its entire 15% minority interest in a non-core property development, the City Center of Shanghai in PRC, for HK\$342 million with a profit of HK\$29.7 million.

In addition, the superstructure works of Phase II of the Group's Nova Taipa Gardens development in Macau will commence in the fourth quarter of 2003. In response to the growing demand for quality residential properties in Macau, Phase II of the development will comprise 13 luxurious residential towers with approximately 9,000-square-metre deluxe clubhouse facilities and landscaped gardens. Phase II is scheduled for completion in phases by 2008 with some of the blocks to be completed by mid-2005. Over 90% of Phase I's total saleable units were sold at the end of the period.

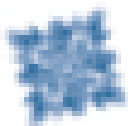
The Group's property management division continued to expand and provide comprehensive services to a wide range of residential and commercial properties, including The Belcher's, The Westwood, Nova Taipa Gardens Phase I and Macau Tower. With the expected addition of Liberté in the fourth quarter of 2003, the property portfolio under the Group's management will cover more than 10 million square feet in Hong Kong and Macau.

Living Matters Company Limited, a wholly-owned subsidiary of the Group, which provides lifestyle concept services under the brand name of "Living Matters" was appointed the designer for on-site show flats of Liberté and facilitated the sale of remaining units.

PROSPECTS

In view of the rapid economic development in the PRD together with the recent relaxation of travel applications for Hong Kong and Macau by individual tourists from the PRC, it is expected that PRD tourism growth will continue to benefit the future development of the Group's existing core businesses. Since the opening up of gaming industry in 2002, there has been tremendous visitor growth in Macau which has also resulted in a significant increase in visitors' spending. According to Statistics and Census Service of Macau SAR Government, Macau's gross domestic product grew 9.5% year-on-year in 2002 and 15.9% in the first quarter of 2003, respectively. The Group is confident that the Macau economy will continue to expand in the coming years as a popular gaming, entertaining, resort and convention destination for leisure and business travelers.

With the cash inflow generated from property sales, gearing ratio of the Group decreased to 5.8% at the end of the period (December 2002: 14.7%). In view of the Group's sound financial position together with its expertise in the travel-related sector, the Group is well-poised to capture the robust tourism growth in the PRD and explore investment opportunities in the region, particularly in Macau, so as to complement the Group's core businesses. The Board will continue to focus on its shipping and hospitality businesses and expand its strategic network in the PRD.



FINANCIAL REVIEW

Liquidity, financial resources and capital structure

The bank balances and deposits were HK\$817 million at 30 June 2003, representing a slight decrease of HK\$82 million from last year end date.

At 30 June 2003, total loan facilities and other financing available to the Group amounted to HK\$6,042 million, of which HK\$4,613 million remained undrawn. The facilities outstanding at the period end comprised HK\$1,127 million in bank loans, HK\$297 million in convertible guaranteed bonds and HK\$5 million in other loans. It is the Group's policy to secure adequate funding to match with cash flows required for working capital and investing activities. The maturity profile of the Group's borrowings as at 30 June 2003 is set out below:

Maturity profile

Within 1 year	1-2 years	2-5 years	Total
8%	31%	61%	100%

Based on a net borrowings of HK\$612 million at the period end, the Group's gearing ratio was 5.8% (at 31 December 2002: 14.7%, as restated). The Group will continue with its financial strategy of maintaining a prudent gearing ratio and consider steps to reduce its finance costs.

Pledge of assets

At the period end, certain assets of the Group with an aggregate carrying value of HK\$595 million (at 31 December 2002: HK\$622 million) were pledged with banks for loan facilities.

Contingent liabilities

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

Financial risk

The Group adopts a conservative policy in financial risk management with little exposure to foreign exchange and interest rate risks. It is the Group's policy not to engage in any speculative trading activity. The funds raised by the Group are on a floating rate basis except for the convertible guaranteed bonds, which accounted for 22% of our Group's long-term borrowings. About 42% of the Group's outstanding borrowings is denominated in US dollars. The Group's principal operations are primarily conducted and recorded in Hong Kong dollars so that the exposure to foreign exchange fluctuations is minimal.

Human resources

The Group, including subsidiaries but excluding associates and jointly controlled entities, employed approximately 2,000 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 staff. Staff are encouraged to attend training classes that are related to the Group's businesses.



CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

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For the six months ended 30 June

	Note	(Unaudited) 2003 (HK\$'000)	(Unaudited and restated) 2002 (HK\$'000)
Turnover	2	2,579,173	3,523,823
Other revenues		38,533	31,431
Other income		11,943	10,129
		2,629,649	3,565,383
Cost of properties sold		(1,777,730)	(2,432,060)
Other operating costs		(797,287)	(733,158)
Operating profit	2, 3	54,632	400,165
Finance costs	4	(26,193)	(47,707)
Net investment gain	5	29,671	77,828
Share of results of associates		14,229	4,662
Share of results of jointly controlled entities		(1,959)	(11,962)
Profit before taxation		70,380	422,986
Taxation	6	(18,517)	(20,969)
Profit after taxation		51,863	402,017
Minority interests		67,901	(123,619)
Profit attributable to shareholders		119,764	278,398
Interim dividend	7	29,137	67,985
Earnings per share (HK cents)	8		
- basic		6.2	16.0
- diluted		6.1	15.6

CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) At 30 June 2003 (HK\$'000)	(Audited and restated) At 31 December 2002 (HK\$'000)
	Note		
Non-current assets			
Fixed assets	9	4,232,977	4,296,655
Associates		579,912	938,975
Joint ventures		170,024	73,014
Investments		876,434	994,859
Goodwill		11,073	—
Mortgage loans receivable		1,610,119	1,555,743
		7,480,539	7,859,246
Current assets			
Properties under development		1,686,941	2,093,629
Inventories		2,282,453	3,432,569
Sale proceeds of properties held by stakeholders		614,396	780,846
Trade & other debtors, deposits and prepayments	10	396,502	290,069
Taxation recoverable		1,119	1,585
Time deposits		671,538	809,510
Cash and bank balances		145,496	89,534
		5,798,445	7,497,742
Current liabilities			
Current portion of long-term borrowings		109,932	323,271
Trade & other creditors, deposits and accrued charges	10	1,164,815	1,731,909
Provision for employee benefits		27,731	28,700
Taxation payable		50,012	91,583
		1,352,490	2,175,463
Net current assets		4,445,955	5,322,279
Total assets less current liabilities		11,926,494	13,181,525

		(Unaudited) At 30 June 2003 (HK\$'000)	(Audited and restated) At 31 December 2002 (HK\$'000)
	Note		
Non-current liabilities			
Long-term borrowings		1,319,256	2,176,692
Provision for premium on redemption of convertible guaranteed bonds		76,243	69,239
Deferred tax		53,950	43,420
		1,449,449	2,289,351
Minority interests and loans		4,198,920	4,640,252
Net assets		6,278,125	6,251,922
Shareholders' equity			
Share capital	11	485,608	485,608
Reserves		5,763,380	5,698,329
Proposed dividends		29,137	67,985
		6,278,125	6,251,922

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June

	(Unaudited) 2003 (HK\$'000)	(Unaudited) 2002 (HK\$'000)
Net cash from operating activities	1,132,168	3,228,266
Net cash from/(used in) investing activities	308,733	(1,019,987)
Net cash used in financing activities	(1,543,108)	(1,429,835)
Net (decrease)/increase in cash and cash equivalents	(102,207)	778,444
Cash and cash equivalents at 1 January	897,844	587,354
Cash and cash equivalents at 30 June	795,637	1,365,798
Analysis of balances of cash and cash equivalents		
Time deposits	671,538	1,290,533
Cash and bank balances	145,496	75,265
	817,034	1,365,798
Time deposits with a maturity over 3 months	(21,397)	—
	795,637	1,365,798

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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For the six months ended 30 June 2003 (unaudited)

	Share capital (HK\$'000)	Share premium account (HK\$'000)	Capital redemption reserve account (HK\$'000)	Capital reserve account (HK\$'000)	Investment property revaluation reserve account (HK\$'000)	Exchange reserve account (HK\$'000)	Profit and loss account (HK\$'000)	Proposed dividends (HK\$'000)	Total (HK\$'000)
At 1 January 2003									
- as originally stated	485,608	3,795,658	5,019	113,650	—	1,940	1,802,636	67,985	6,272,496
- effect of adopting SSAP 12 (revised)	—	—	—	—	—	—	(20,574)	—	(20,574)
- as restated	485,608	3,795,658	5,019	113,650	—	1,940	1,782,062	67,985	6,251,922
Released upon realisation of assets	—	—	—	(25,576)	—	—	—	—	(25,576)
Transfer (to)/from	—	—	—	21	—	—	(21)	—	—
Profit for the period	—	—	—	—	—	—	119,764	—	119,764
2002 final dividend	—	—	—	—	—	—	—	(67,985)	(67,985)
2003 interim dividend	—	—	—	—	—	—	(29,137)	29,137	—
At 30 June 2003	485,608	3,795,658	5,019	88,095	—	1,940	1,872,668	29,137	6,278,125

For the six months ended 30 June 2002 (unaudited)

	Share capital (HK\$'000)	Share premium account (HK\$'000)	Capital redemption reserve account (HK\$'000)	Capital reserve account (HK\$'000)	Investment property revaluation reserve account (HK\$'000)	Exchange reserve account (HK\$'000)	Profit and loss account (HK\$'000)	Proposed dividends (HK\$'000)	Total (HK\$'000)
At 1 January 2002									
- as originally stated	388,486	3,510,565	5,019	130,302	8,758	4,389	1,567,695	46,618	5,661,832
- effect of adopting SSAP 12 (revised)	—	—	—	—	(3,834)	—	(16,046)	—	(19,880)
- as restated	388,486	3,510,565	5,019	130,302	4,924	4,389	1,551,649	46,618	5,641,952
Shares issued under the rights issue	97,122	—	—	—	—	—	—	—	97,122
Premium on shares issued under the rights issue	—	291,365	—	—	—	—	—	—	291,365
Expenses on issue of shares	—	(6,271)	—	—	—	—	—	—	(6,271)
Released upon realisation of assets	—	—	—	(23,588)	—	—	—	—	(23,588)
Profit for the period	—	—	—	—	—	—	278,398	—	278,398
2001 final dividend for the rights shares	—	—	—	—	—	—	(11,655)	11,655	—
2001 final dividend	—	—	—	—	—	—	—	(58,273)	(58,273)
2002 interim dividend	—	—	—	—	—	—	(67,985)	67,985	—
At 30 June 2002	485,608	3,795,659	5,019	106,714	4,924	4,389	1,750,407	67,985	6,220,705

**NOTE 1 BASIS OF PREPARATION AND
ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared in compliance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2002, except for the adoption of SSAP 12 (revised) “Income taxes” which is effective for accounting periods commencing on or after 1 January 2003.

SSAP 12 (revised) requires full provision of deferred tax liabilities and full recognition of deferred tax assets for all temporary differences. Temporary differences are the differences between the carrying amounts of assets and liabilities in the balance sheet and their tax bases. In prior years, deferred taxation was provided for all material timing differences between the accounting and tax treatment of profit or loss, which were expected with reasonable probability to crystallise in the foreseeable future. The Group adopted this new accounting policy retrospectively, with the opening balance of retained profits and the comparative information adjusted for the amounts relating to the prior periods as disclosed in the Consolidated Statement of Changes in Equity. In addition, interests in associates and minority interests were decreased by HK\$23,013,000 and HK\$19,482,000 (at 31 December 2002: HK\$21,523,000 and HK\$25,509,000) respectively.

NOTE 2 SEGMENT INFORMATION

An analysis of the Group's turnover and operating profit by business and geographical segments is outlined below:

For the six months ended 30 June

	Turnover		Operating profit	
	2003	2002	2003	2002
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
By business segment:				
Shipping	578,314	698,585	(28,256)	96,647
Property	1,941,115	2,769,033	110,231	305,438
Hospitality	42,753	37,654	(3,009)	4,048
Investments and others	16,991	18,551	15,967	16,962
	2,579,173	3,523,823	94,933	423,095
Unallocated net expenses			(40,301)	(22,930)
			54,632	400,165
By geographical segment:				
Hong Kong	2,253,939	3,152,790	35,777	322,467
Macau	288,529	335,400	14,997	74,169
Others	36,705	35,633	3,858	3,529
	2,579,173	3,523,823	54,632	400,165

NOTE 3 OPERATING PROFIT

For the six months ended 30 June

	2003 (HK\$'000)	2002 (HK\$'000)
After crediting:		
Interest income	11,512	15,831
Less: Amount capitalised in properties under development	(4,526)	(2,635)
	6,986	13,196
Rental income from investment properties	53,454	40,996
Less: Outgoings	(1,721)	(107)
	51,733	40,889
Dividends from unlisted investments	16,991	24,949
After charging:		
Cost of inventories	1,913,603	2,561,026
Staff costs	253,267	250,910
Amortisation and depreciation	73,769	75,845

NOTE 4 FINANCE COSTS

For the six months ended 30 June

	2003 (HK\$'000)	2002 (HK\$'000)
Total finance costs incurred	45,235	113,793
Less: Amount capitalised in properties under development	(19,042)	(66,086)
Total finance costs expensed during the period	26,193	47,707

NOTE 5 NET INVESTMENT GAIN

Net investment gain comprises profit on disposal of a subsidiary of HK\$29,671,000 (2002: profit on disposal of an associate of HK\$177,828,000 and impairment loss on investment of HK\$100,000,000).

NOTE 6 TAXATION

For the six months ended 30 June

	2003 (HK\$'000)	(Restated) 2002 (HK\$'000)
Company and subsidiaries		
Hong Kong profits tax	4,035	11,845
Overseas tax	(135)	1,264
Deferred tax	10,530	7,040
Associates		
Hong Kong profits tax	349	53
Overseas tax	84	213
Deferred tax	1,490	554
Joint ventures		
Hong Kong profits tax	2,164	—
	18,517	20,969

Hong Kong profits tax is provided for at the rate of 17.5% (2002: 16%) on the estimated assessable profits for the period. Overseas taxation is calculated at the rates applicable in their respective jurisdictions.

NOTE 7 INTERIM DIVIDEND

For the six months ended 30 June

	2003 (HK\$'000)	2002 (HK\$'000)
Interim dividend of 1.5 HK cents on 1,942,433,910 shares (2002: 3.5 HK cents on 1,942,433,910 shares)	29,137	67,985

NOTE 8 EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to shareholders of HK\$119,764,000 (2002: HK\$278,398,000, as restated) and the weighted average number of 1,942,433,910 shares (2002: 1,742,326,635 shares) in issue during the period. The calculation of diluted earnings per share is based on profit attributable to shareholders of HK\$119,764,000 (2002: HK\$304,216,000, as restated) and the weighted average number of 1,952,728,475 shares (2002: 1,949,941,113 shares) in issue after adjusting for the effects of all dilutive potential ordinary shares.

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

For the six months ended 30 June

	Profit attributable to shareholders		Weighted average number of shares	
	2003 (HK\$'000)	(Restated) 2002 (HK\$'000)	2003	2002
Profit/number of shares for the purpose of basic earnings per share	119,764	278,398	1,942,433,910	1,742,326,635
Effect of dilutive potential ordinary shares:				
Share options	—	—	10,294,565	2,785,844
Convertible guaranteed bonds	—	25,818	—	204,828,634
Profit/number of shares for the purpose of diluted earnings per share	119,764	304,216	1,952,728,475	1,949,941,113

NOTE 9 FIXED ASSETS

During the period, additions to fixed assets mainly comprised properties of HK\$26,193,000 (2002: properties of HK\$147,492,000 and site development rights of HK\$500,000,000), and net book value of fixed assets disposed of amounted to HK\$15,287,000 (2002: HK\$81,000).

NOTE 10 TRADE DEBTORS AND CREDITORS - AGEING ANALYSIS

The Group maintains defined credit policies on its trade debtors, dependent on market requirements and businesses which they operate. The ageing analysis of trade debtors is as follows:

	30 June 2003 (HK\$'000)	31 December 2002 (HK\$'000)
0 - 30 days	108,459	56,573
31 - 60 days	16,308	18,359
61 - 90 days	3,440	788
over 90 days	37,117	47,028
	165,324	122,748

The ageing analysis of trade creditors is as follows:

	30 June 2003 (HK\$'000)	31 December 2002 (HK\$'000)
0 - 30 days	87,638	173,853
31 - 60 days	10,295	3,956
61 - 90 days	2,112	735
over 90 days	21,166	37,885
	121,211	216,429

NOTE 11 SHARE CAPITAL

	Number of shares			
	30 June 2003	31 December 2002	30 June 2003 (HK\$'000)	31 December 2002 (HK\$'000)
Authorised				
Ordinary shares of HK\$0.25 each				
At beginning of the period	4,000,000,000	2,000,000,000	1,000,000	500,000
Increase in authorised share capital	—	2,000,000,000	—	500,000
At end of the period	4,000,000,000	4,000,000,000	1,000,000	1,000,000
Issued and fully paid				
Ordinary shares of HK\$0.25 each				
At beginning of the period	1,942,433,910	1,553,947,128	485,608	388,486
Shares issued under the rights issue	—	388,486,782	—	97,122
At end of the period	1,942,433,910	1,942,433,910	485,608	485,608

NOTE 12 CONVERTIBLE GUARANTEED BONDS

In July 1999, a subsidiary issued US\$70 million convertible guaranteed bonds which carry interest at 4.25% per annum payable annually in arrear. The bonds are guaranteed by the Company and listed on the Luxembourg Stock Exchange. Unless previously purchased and cancelled, redeemed or converted, the bonds will be redeemed on 27 July 2004 at 132.5% of their principal amount plus accrued interest.

During the period, the subsidiary repurchased the convertible guaranteed bonds with an aggregate principal amount of US\$1.5 million (2002: US\$30.25 million) for a consideration of HK\$14,274,000 (2002: HK\$271,329,000) and these bonds were then cancelled. The surplus arising from the repurchase and the subsequent cancellation of the bonds has been accounted for in the profit and loss account.

NOTE 13 PLEDGE OF ASSETS

At 30 June 2003, certain assets of the Group with aggregate carrying value of HK\$594,801,000 (at 31 December 2002: HK\$622,257,000) were pledged to secure bank loan facilities.

NOTE 14 COMMITMENTS

(a) Capital commitments

	30 June 2003 (HK\$'000)	31 December 2002 (HK\$'000)
Contracted but not provided for		
Capital expenditure	36,033	13,188
Capital contribution to a jointly control entity	12,009	—
	48,042	13,188
Authorised but not contracted for		
Capital expenditure	11,809	24,511

- (b) At 30 June 2003, the Group had commitments under various contracts, entered into in the normal course of business, to complete property development projects to a total value of approximately HK\$505,841,000 (at 31 December 2002: HK\$687,122,000) out of which approximately HK\$475,890,000 (at 31 December 2002: HK\$657,171,000) was related to the jointly controlled assets.

NOTE 15 CONTINGENCIES

There have been no material changes in contingent liabilities of the Group since 31 December 2002.

NOTE 16 SIGNIFICANT RELATED PARTY TRANSACTIONS

For the six months ended 30 June

	2003 (HK\$'000)	2002 (HK\$'000)
Significant transactions with the Sociedade de Turismo e Diversões de Macau, S.A.R.L. ("STDM") Group		
Dividend received from STDM	16,845	18,331
Ship tickets sold to the STDM Group	177,698	171,118
Discount and commission paid to the STDM Group for sale of ship tickets	14,820	26,571
Management and incentive fees received from STDM for management of hotel and Macau Tower Convention & Entertainment Centre ("MTCEC")	12,262	11,796
Fuel purchased from the STDM Group in Macau for shipping operations	38,168	36,430
Income collected by the STDM Group for sale of ship tickets and related services in Macau	113,041	141,124
Amount reimbursed to the STDM Group for expenses incurred in respect of TurboJET operations in Macau	60,835	73,012
Amount reimbursed by STDM for expenses and resources shared by MTCEC	12,845	93,520
Gross operating revenue of MTCEC collected for STDM	10,185	32,512
Charter hire income received from the STDM Group	20,176	52,924

NOTE 16 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

For the six months ended 30 June

	2003 (HK\$'000)	2002 (HK\$'000)
Disposal of City Center of Shanghai to certain parties including a company in which Dr. Stanley Ho had beneficial interest	342,000	—
Significant transactions with China Travel Services (Hong Kong) Ltd. ("CTSHK")		
Commission paid to CTSHK for sale of ship tickets	10,077	12,431
Net income collected by CTSHK for sale of ship tickets and related services	44,756	68,882
Amount reimbursed by Shun Tak Shipping Co., Ltd., STDN and its associates for expenses and resources shared by them	21,410	28,742
Interest expenses paid to minority shareholders of a subsidiary	13,231	33,166
Sales commission paid to a minority shareholder of a subsidiary	5,458	8,123
Insurance premium paid to an associate	20,403	13,427
Construction cost paid to a joint venture	179,550	198,127



As at 30 June 2003, the interests or short positions of the directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (“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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

a) Interests of the directors in shares and underlying shares of the Company

Name of Director	Ordinary Shares of HK\$0.25 each			Approximate Percentage of Interest
	Personal Interests	Family Interests	Corporate Interests	
Stanley Ho	240,517,502	6,144,725	36,285,523	14.57%
Sir Roger Lobo	—	—	—	—
Robert Kwan	—	—	—	—
Cheng Yu Tung	—	—	—	—
Mok Ho Yuen Wing, Louise	323,627	—	—	0.02%
Pansy Ho i)	25,587,604	—	97,820,707	6.35%
Daisy Ho ii)	24,801,811	—	97,820,707	6.31%
Ambrose So	10,406,250	—	—	0.54%
Patrick Huen	62,500	—	—	0.01%
Andrew Tse	2,325,000	—	—	0.12%
Anthony Chan	10,031,250	—	—	0.52%
Maisy Ho iii)	3,130,435	—	23,066,918	1.35%

Notes:

- i) *The personal interest of Ms. Pansy Ho represents the interest in 12,555,806 shares and interest in 13,031,798 underlying shares in respect of the share options granted by the Company, the details of which are stated in section (d) “Share options”.*
- ii) *The personal interest of Ms. Daisy Ho represents the interest in 11,562,252 shares and interest in 13,239,559 underlying shares in respect of the share options granted by the Company, the details of which are stated in section (d) “Share options”.*
- iii) *The personal interest of Ms. Maisy Ho represents the interest in 3,130,435 underlying shares in respect of the share options granted by the Company, the details of which are stated in section (d) “Share options”.*

All the interests disclosed above represent long position in the shares of the Company.

b) Interests of the directors in shares and underlying shares of subsidiaries of the Company

Name of Director	Name of Subsidiaries	Personal Interests	Corporate Interests	Approximate Percentage of Interest
Stanley Ho	Shun Tak Cultural Centre Limited	—	4 ordinary shares	40.00%
	Stabilo Limited	560 ordinary shares	—	11.20%
Ambrose So	Stabilo Limited	72 ordinary shares	—	1.44%
Patrick Huen	Stabilo Limited	68 ordinary shares	—	1.36%
Andrew Tse	Stabilo Limited	68 ordinary shares	—	1.36%
Anthony Chan	Stabilo Limited	32 ordinary shares	—	0.64%

Note: Certain nominee shares in subsidiaries were held by Ms. Pansy Ho, Ms. Daisy Ho, Dr. Ambrose So, Mr. Andrew Tse and Mr. Patrick Huen in trust for the Company or its subsidiaries.

c) Interests of directors in an associate

Dr. Stanley Ho owns 1 ordinary share (representing 10% interest) in South Light Limited as his personal interest.

Save as disclosed in sections (a) to (c) above, none of the directors and chief executives had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations as at 30 June 2003.

d) Share options

As at 30 June 2003, details of share options granted to directors or employees under the old share option scheme (as hereinafter defined) of the Company were as follows:

Grantee	Date of Grant	Exercise/ Vesting Period	Exercise Price per Share	Number of Share Options	
				As at 1 January 2003	As at 30 June 2003
Pansy Ho	24 March 1995	24 March 1995 to 23 March 2005	HK\$3.35	2,597,015	2,597,015
	3 January 2000	3 January 2000 to 2 January 2010	HK\$1.15	10,434,783	10,434,783
Daisy Ho	24 March 1995	24 March 1995 to 23 March 2005	HK\$3.35	2,804,776	2,804,776
	3 January 2000	3 January 2000 to 2 January 2010	HK\$1.15	10,434,783	10,434,783
Maisy Ho	3 January 2000	3 January 2000 to 2 January 2010	HK\$1.15	3,130,435	3,130,435
Aggregate total of employees	3 January 2000	3 January 2000 to 2 January 2005	HK\$1.15	1,669,564	1,669,564

Notes:

- i) *The share option scheme of the Company adopted on 18 May 1993 (the old share option scheme) was terminated on 31 May 2002 and a new share option scheme was adopted on 31 May 2002. During the six months ended 30 June 2003, no options to subscribe for ordinary shares in the Company were granted or exercised, and 31,204,819 share options of Dr. Stanley Ho lapsed.*
- ii) *Options granted to directors and employees over the Company's shares are recognised in the balance sheet at the time when the options are exercised. Share capital is credited at par for each share issued upon the exercise of options, with share premium credited at the excess of net proceeds received over total share capital credited.*
- iii) *Save as described above, as at 30 June 2003, none of the directors or their spouse or children under 18 years of age were granted or exercised any right to subscribe for any equity or debt securities of the Company or any of its associated corporations.*

e) Substantial shareholders

As at 30 June 2003, the register of interests in shares or short positions kept under Section 336 of the SFO showed that, other than the interests of directors as set out above, the following shareholder was interested in 5% or more of the issued share capital of the Company:

Name of Shareholder	Ordinary Shares of HK\$0.25 each	Approximate Percentage of Interest
Shun Tak Shipping Company, Limited and its subsidiaries	598,030,322	30.79%

Notes:

- i) *Dr. Stanley Ho, Dr. Cheng Yu Tung and Mrs. Mok Ho Yuen Wing, Louise have beneficial interests in Shun Tak Shipping Company, Limited.*
- ii) *All the interests disclosed above represent long position in the shares of the Company.*
- iii) *Save as disclosed above, no other person had any interests or short positions in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 30 June 2003.*



PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period, the Group repurchased and cancelled certain of its convertible guaranteed bonds. Details of these are set out in note 12 to the condensed financial statements.

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities during the six months ended 30 June 2003.

REVIEW BY AUDIT COMMITTEE

The unaudited interim financial statements for the six months ended 30 June 2003 have been reviewed by the Audit Committee of the Company. At the request of the directors, the Group's external auditors have carried out a review of the unaudited interim financial statements in accordance with the Statement of Auditing Standard 700 issued by the Hong Kong Society of Accountants.

CODE OF BEST PRACTICE

None of the directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the interim report, in compliance with Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

By order of the Board

Stanley Ho

Group Executive Chairman

Hong Kong, 18 September 2003

