



SHUN TAK HOLDINGS LIMITED 信德集團有限公司



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GROUP RESULTS

The Group's unaudited profit attributable to shareholders for the six months ended 30 June 2004 amounted to HK\$227.0 million, an increase of 90% as compared with the profit of HK\$119.8 million for the corresponding period last year. Earnings per share were 11.5 HK cents (2003: 6.2 HK cents).

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of 4.5 HK cents per share (2003: 1.5 HK cents) in respect of the six months ended 30 June 2004, payable on 15 October 2004 to shareholders on record as at 8 October 2004.

The Register of Members will be closed from 6 October to 8 October 2004, 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 5 October 2004.

BUSINESS REVIEW

Shipping

The growing traveler confidence in the region since mid-2003 and China's liberalization of travel restrictions on individual travelers to Hong Kong and Macau have favorably impacted the Group's shipping operations during the first half of the year. The shipping division continues to maintain its market leadership on the Hong Kong-Macau route as it has done for the past 40 years.

During the period, the Group's shipping division reported a significant rebound in operating profit to HK\$95.7 million, in contrast with a loss of HK\$28.3 million in the SARS-affected first half of 2003. Total passenger traffic on the shipping division's Hong Kong-Macau route and Hong Kong/Macau-Shenzhen route recorded a year-on-year increase of approximately 21% and 37%, respectively, in the six months period ended 30 June 2004.

Last September, the shipping division launched the “TurboJET Sea Express” which links the Hong Kong International Airport in Chek Lap Kok with Shenzhen and Macau, two popular destinations in the Pearl River Delta region. Travelers responded positively to the new ferry service with passenger volume recording a satisfactory growth since its launch. This is an encouraging indication of passenger demand for the new inter-modal transportation model which enables the shipping division to capture a wider and more diversified international traveler base. The Group’s active involvement in the multi-modal transit arrangements reflects its commitment to build an international shipping network in the Pearl River Delta region.

In June 2004, the Macau SAR Government started a “Macau Expresslink” service which allows passengers to travel as transit passengers between the ferry terminal in Macau and the Macau International Airport without the need for customs and immigration formalities. This arrangement enables the Group to extend its international shipping network to the increasingly popular Macau International Airport.

To increase the passenger catchment area for Shenzhen routes, the shipping division introduced in May 2004 shuttle bus services for its passengers at Fu Yong Ferry Terminal to and from the Shenzhen Airport and Shenzhen City. It is intended that the service will be extended to Dongguan and Huizhou in the second half of 2004.

During the first half of 2004, fuel prices rose over 20% as compared with the corresponding period in 2003. In view of the escalating fuel costs, the shipping division is committed to maintaining prudent cost-control measures, including the most effective fleet deployment and sailing schedules, and increased the fares on its Hong Kong-Macau route in February 2004.

Hospitality

With the containment of SARS and the easing of travel restrictions on individuals from China, an increasing number of visitors are traveling to Macau, one of the region’s most popular entertainment, gaming, resort and convention destinations.

The Group's hospitality division reported improved results in the six months ended 30 June 2004 due to a significant rebound in Macau tourism since mid-2003 and partly due to closure of the Greater China Club's clubhouse facilities in 2003. For the six months ended 30 June 2004, the total number of visitors to Macau increased by 52.6% to 7.7 million, as compared with the same period last year. Visitors from China to Macau increased significantly by 96.3% to 4.5 million for the six months ended 30 June 2004, as compared with the same period last year.

As a result of active marketing campaigns in capturing the surge in tourist arrivals to Macau, the performance of the Mandarin Oriental Macau and Westin Resort Macau improved significantly during the first half of 2004 as compared with the same period last year. Mandarin recorded an increase in average room rate and occupancy rate of approximately 3.0% and 24.2%, respectively, for the six months ended 30 June 2004. Westin recorded an increase in average room rate and occupancy rate of approximately 9.5% and 10.4%, respectively, for the same period. The Macau Golf & Country Club, Macau's premier golf club adjacent to The Westin, also recorded satisfactory performance during the period.

Under the Group's professional management, Macau Tower Convention & Entertainment Centre has become a prominent tourist landmark and a prime venue for major public events, conventions and banquets in Macau. Macau Tower has recently been elected as the most favored tourist spot by visitors in Macau in a public survey in July 2004 as part of the "Macau Welcomes You" campaign organized by Macau SAR Government.

Property

The Group's property division performed satisfactorily with an operating profit of HK\$344.5 million during the period. Handover of the Liberté quality residential units to individual purchasers commenced in October 2003. Approximately 95% of the saleable units of The Belcher's and almost all the saleable units of Liberté had been sold as at 30 June 2004.

In Macau, the superstructure works of Phase II of Nova Taipa Gardens, one of Macau's largest property developments, commenced in July 2004. In response to growing demand for quality residential properties in Macau, Phase II will comprise 13 luxurious residential towers with deluxe clubhouse and landscaped gardens of over 210,000 square feet. Phase II is scheduled for completion in stages with 5 residential towers to be completed by 2006 and pre-sale is expected in 2005. The remaining phases are under planning.

In Guangzhou, the Shun Tak Business Centre comprises a 32-storey office tower and a 6-storey shopping arcade and multi-functional office accommodation. With growing interest in the property, the profit contribution generated from the property continued to increase during the period.

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

PROSPECTS

In addition to the remarkable tourism growth in Macau in recent years, Macau's gross domestic product recorded a year-on-year growth of approximately 15.6% for the year ended 31 December 2003 and approximately 36% during the six months ended 30 June 2004, according to the Statistics and Census Service of Macau SAR Government. In view of the rapid economic development in the Pearl River Delta region, as well as the positive impact of the Closer Economic Partnership Arrangement between the PRC and Hong Kong and Macau together with the continuous relaxation of travel policy on individual travelers in China, the Board is optimistic about the future of regional tourism growth and the benefits for the long-term future development of the Group's core businesses. The Group will continue to review and restructure its operations in order to strategically redeploy its resources in the core businesses and has taken a conservative approach to make a provision for a non-core technology-related investment.

With significant cash flow generated from its property sales during the period together with the conversion of all its convertible guaranteed bonds in July 2004, the Group's financial position has been further enhanced. Given its solid financial position and an established travel and hospitality network, the Group is well-poised to explore premium investment opportunities focusing on its core businesses, particularly in Macau.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

The Group maintained strong financial position with bank balances and deposits amounted to HK\$3,158 million at 30 June 2004, representing a substantial increase of HK\$1,544 million from last year end date.

At 30 June 2004, total loan facilities and other financing available to the Group amounted to HK\$5,384 million, of which HK\$4,143 million remained undrawn. The facilities outstanding at the period end comprised HK\$1,104 million in bank loans, HK\$132 million in convertible guaranteed bonds and HK\$5 million in other loan. 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 2004 is set out below:

Maturity Profile

Within 1 year	1-2 years	2-5 years	Total
17%	46%	37%	100%

Based on a net cash surplus of HK\$1,917 million at the period end, the Group's gearing ratio (expressed as a ratio of net borrowings to shareholders' funds) was nil (at 31 December 2003: nil). The Group will continue with its financial strategy of maintaining a prudent gearing ratio and consider steps to reduce its finance costs.

During the period, 70,775,850 and 3,130,435 new shares were issued upon conversion of the convertible guaranteed bonds and exercise of share options respectively. In July 2004, all remaining portion of the convertible guaranteed bonds were converted into 56,614,690 new shares of the Company.

Pledge of Assets

At the period end, certain assets of the Group with an aggregate carrying value of HK\$540 million (at 31 December 2003: HK\$567 million) were pledged with banks for loan facilities.

Contingent Liabilities

There was 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 11% of the Group's total borrowings at the period end. The Group's principal operations are primarily conducted and recorded in Hong Kong dollars so that the exposure to foreign exchange fluctuations is minimal.

Human Resources

The Group, including subsidiaries but excluding associates and jointly controlled entities, employed approximately 2,100 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

For the six months ended 30 June

	Note	(Unaudited) 2004 (HK\$'000)	(Unaudited) 2003 (HK\$'000)
Turnover	2	2,241,040	2,579,173
Other revenues		37,374	38,533
Other income	3	58,370	11,943
		2,336,784	2,629,649
Cost of properties sold		(1,102,262)	(1,777,730)
Other operating costs		(820,695)	(797,287)
Operating profit	2, 4	413,827	54,632
Finance costs	5	(13,858)	(26,193)
Investment (loss)/gain	6	(25,574)	29,671
Share of results of associates		20,327	14,229
Share of results of jointly controlled entities		270	(1,959)
Profit before taxation		394,992	70,380
Taxation	7	(38,871)	(18,517)
Profit after taxation		356,121	51,863
Minority interests		(129,094)	67,901
Profit attributable to shareholders		227,027	119,764
Interim dividend	8	90,735	29,137
Earnings per share (HK cents)	9		
- basic		11.5	6.2
- diluted		11.2	6.1

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	(Unaudited) At 30 June 2004 (HK\$'000)	(Audited) At 31 December 2003 (HK\$'000)
Non-current assets			
Fixed assets	10	4,221,422	4,289,395
Associates		585,513	589,245
Joint ventures		57,839	54,001
Investments		902,329	873,986
Goodwill		9,691	38,903
Mortgage loans receivable		1,203,365	1,626,210
Deferred tax assets		3,020	6,510
		6,983,179	7,478,250
Current assets			
Properties under development		907,875	905,996
Inventories		758,633	1,866,691
Sale proceeds of properties held by stakeholders		—	663,710
Trade & other debtors, deposits and prepayments	11	317,793	368,585
Taxation recoverable		8,972	9,403
Time deposits		2,753,242	1,500,684
Cash and bank balances		404,632	113,488
		5,151,147	5,428,557
Current liabilities			
Current portion of long-term borrowings		208,548	365,670
Trade & other creditors, deposits and accrued charges	11	658,056	775,484
Provision for employee benefits		24,128	24,521
Provision for premium on redemption of convertible guaranteed bonds		42,526	86,019
Taxation payable		39,015	44,022
		972,273	1,295,716
Net current assets		4,178,874	4,132,841
Total assets less current liabilities		11,162,053	11,611,091

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	(Unaudited) At 30 June 2004 (HK\$'000)	(Audited) At 31 December 2003 (HK\$'000)
Non-current liabilities			
Long-term borrowings		1,032,510	1,163,900
Deferred tax liabilities		66,747	60,625
		1,099,257	1,224,525
Minority interests and loans		3,313,355	3,958,265
Net assets			
		6,749,441	6,428,301
Shareholders' equity			
Share capital	12	504,085	485,608
Reserves		6,154,621	5,874,708
Proposed dividends		90,735	67,985
		6,749,441	6,428,301

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June

	(Unaudited) 2004 (HK\$'000)	(Unaudited) 2003 (HK\$'000)
Net cash from operating activities	2,079,312	1,132,168
Net cash (used in)/from investing activities	(18,596)	308,733
Net cash used in financing activities	(975,470)	(1,543,108)
Net increase/(decrease) in cash and cash equivalents	1,085,246	(102,207)
Cash and cash equivalents at 1 January	1,578,172	897,844
Cash and cash equivalents at 30 June	2,663,418	795,637
Analysis of balances of cash and cash equivalents		
Time deposits	2,753,242	671,538
Cash and bank balances	404,632	145,496
	3,157,874	817,034
Time deposits with a maturity over three months	(494,206)	(21,397)
Time deposits pledged to a bank	(250)	—
	2,663,418	795,637

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2004 (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 2004	485,608	3,795,658	5,019	47,823	13,150	975	2,012,083	67,985	6,428,301
Conversion of convertible guaranteed bonds	17,694	147,214	—	—	—	—	—	—	164,908
Exercise of share options	783	2,817	—	—	—	—	—	—	3,600
Expenses on issue of shares	—	(156)	—	—	—	—	—	—	(156)
Released upon disposal of a subsidiary	—	—	—	(3,680)	—	—	—	—	(3,680)
Exchange translation difference	—	—	—	—	—	(7)	—	—	(7)
Profit for the period	—	—	—	—	—	—	227,027	—	227,027
2003 final dividend for shares issued upon conversion of convertible guaranteed bonds	—	—	—	—	—	—	(2,567)	2,567	—
2003 final dividend	—	—	—	—	—	—	—	(70,552)	(70,552)
2004 interim dividend	—	—	—	—	—	—	(90,735)	90,735	—
At 30 June 2004	504,085	3,945,533	5,019	44,143	13,150	968	2,145,808	90,735	6,749,441

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	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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Note 1 Basis of preparation and accounting policies

The condensed consolidated financial statements have been prepared in compliance with Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2003.

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	
	2004 (HK\$'000)	2003 (HK\$'000)	2004 (HK\$'000)	2003 (HK\$'000)
By business segment:				
Shipping	739,338	578,314	95,665	(28,256)
Property	1,436,352	1,941,115	344,492	110,231
Hospitality	64,976	42,753	7,357	(3,009)
Investment and others	374	16,991	6,784	15,967
	2,241,040	2,579,173	454,298	94,933
Unallocated net expenses			(40,471)	(40,301)
			413,827	54,632
By geographical segment:				
Hong Kong	1,855,636	2,253,939	338,636	35,777
Macau	328,634	288,529	68,410	14,997
Others	56,770	36,705	6,781	3,858
	2,241,040	2,579,173	413,827	54,632

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Note 3 Other income

Other income includes HK\$49,013,000 being interest and redemption premium on convertible guaranteed bonds written back following their conversion as set out in note 13 to the condensed financial statements.

Note 4 Operating profit

For the six months ended 30 June

	2004 (HK\$'000)	2003 (HK\$'000)
After crediting:		
Interest income	7,139	11,512
Less: Amount capitalised in properties under development	—	(4,526)
	7,139	6,986
Rental income from investment properties	57,479	53,454
Less: Outgoings	(1,376)	(1,721)
	56,103	51,733
Dividends from unlisted investments	146	16,991
After charging:		
Cost of inventories		
- properties	1,102,262	1,777,730
- others	164,579	135,873
	1,266,841	1,913,603
Staff costs	274,758	253,267
Depreciation	71,886	73,769
Amortisation of goodwill	3,639	328

Note 5 Finance costs

For the six months ended 30 June

	2004 (HK\$'000)	2003 (HK\$'000)
Total finance costs incurred	14,867	45,235
Less: Amount capitalised in properties under development	(1,009)	(19,042)
Total finance costs expensed during the period	13,858	26,193

Note 6 Investment (loss)/gain

Investment loss of HK\$25,574,000 in 2004 represents impairment loss on goodwill of subsidiaries. Investment gain of HK\$29,671,000 in 2003 represents profit on disposal of a subsidiary.

Note 7 Taxation

For the six months ended 30 June

	2004 (HK\$'000)	2003 (HK\$'000)
Company and subsidiaries		
Hong Kong profits tax	16,130	4,035
Overseas tax	8,640	(135)
Deferred tax	9,612	10,530
Associates		
Hong Kong profits tax	329	349
Overseas tax	136	84
Deferred tax	2,731	1,490
Joint ventures		
Hong Kong profits tax	1,293	2,164
	38,871	18,517

Hong Kong profits tax is provided for at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits for the period. Overseas taxation is calculated at the rates applicable in their respective jurisdictions.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Note 7 Taxation *(Continued)*

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

	2004 (HK\$'000)	2003 (HK\$'000)
Interim dividend of 4.5 HK cents on 2,016,340,195 shares (2003: 1.5 HK cents on 1,942,433,910 shares)	90,735	29,137

Note 9 Earnings per share

The calculation of basic earnings per share is based on profit attributable to shareholders of HK\$227,027,000 (2003: HK\$119,764,000) and the weighted average number of 1,982,465,522 shares (2003: 1,942,433,910 shares) in issue during the period. The calculation of diluted earnings per share is based on profit attributable to shareholders of HK\$234,134,000 (2003: HK\$119,764,000) and the weighted average number of 2,088,257,842 shares (2003: 1,952,728,475 shares) in issue after adjusting for the effects of all dilutive potential ordinary shares.

Note 9 Earnings per share (Continued)

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	
	2004 (HK\$'000)	2003 (HK\$'000)	2004	2003
Profit/number of shares for the purpose of basic earnings per share	227,027	119,764	1,982,465,522	1,942,433,910
Effect of dilutive potential ordinary shares:				
Share options	—	—	17,676,584	10,294,565
Convertible guaranteed bonds	7,107	—	88,115,736	—
Profit/number of shares for the purpose of diluted earnings per share	234,134	119,764	2,088,257,842	1,952,728,475

Note 10 Fixed assets

During the period, additions to fixed assets mainly comprised investment property, furniture, fixtures and equipment of HK\$5,861,000 (2003: properties of HK\$26,193,000) and net book value of fixed assets disposed of amounted to HK\$1,947,000 (2003: HK\$15,287,000).

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Note 11 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. Subject to negotiation, credit is only available for major customers with well-established trading records. The ageing analysis of trade debtors is as follows:

	30 June 2004 (HK\$'000)	31 December 2003 (HK\$'000)
0 - 30 days	84,723	81,165
31 - 60 days	25,491	25,541
61 - 90 days	4,703	5,208
over 90 days	11,423	45,083
	126,340	156,997

The ageing analysis of trade creditors is as follows:

	30 June 2004 (HK\$'000)	31 December 2003 (HK\$'000)
0 - 30 days	291,335	445,771
31 - 60 days	1,467	9,795
61 - 90 days	241	4,974
over 90 days	929	1,800
	293,972	462,340

Note 12 Share capital

	30 June 2004		31 December 2003	
	Number of shares	(HK\$'000)	Number of shares	(HK\$'000)
Authorised				
Ordinary shares of HK\$0.25 each				
At beginning and end of the period	4,000,000,000	1,000,000	4,000,000,000	1,000,000
Issued and fully paid				
Ordinary shares of HK\$0.25 each				
At beginning of the period	1,942,433,910	485,608	1,942,433,910	485,608
Conversion of convertible guaranteed bonds	70,775,850	17,694	—	—
Exercise of share options	3,130,435	783	—	—
At end of the period	2,016,340,195	504,085	1,942,433,910	485,608

Note 13 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 were guaranteed by the Company and listed on the Luxembourg Stock Exchange. Unless previously purchased and cancelled, redeemed or converted, the bonds would be redeemed on 27 July 2004 at 132.5% of their principal amount plus accrued interest.

During the period, the convertible guaranteed bonds with an aggregate principal amount of US\$21.3 million were converted into 70,775,850 ordinary shares of the Company at HK\$0.25 each.

Subsequent to the balance sheet date, in July 2004, all remaining portion of the convertible guaranteed bonds with an aggregate principal amount of US\$17 million were converted into 56,614,690 ordinary shares of the Company at HK\$0.25 each.

Note 14 Pledge of assets

At 30 June 2004, certain assets of the Group with an aggregate carrying value of HK\$539,889,000 (at 31 December 2003: HK\$567,345,000) were pledged to secure bank loan facilities.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Note 15 Capital commitments

	30 June 2004 (HK\$'000)	31 December 2003 (HK\$'000)
Contracted but not provided for		
Capital expenditure	30,745	30,457
Capital contribution to a jointly controlled entity	6,368	9,650
	37,113	40,107
Authorised but not contracted for		
Capital expenditure	1,589	11,568

In addition to the above, the Group's share of capital commitments of a jointly controlled entity itself are as follows:

	30 June 2004 (HK\$'000)	31 December 2003 (HK\$'000)
Contracted but not provided for	1,089	1,468
Authorised but not contracted for	734	825
	1,823	2,293

Note 16 Contingencies

There have been no material changes in contingent liabilities of the Group since 31 December 2003.

Note 17 Significant related party transactions

For the six months ended 30 June

	2004 (HK\$'000)	2003 (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
Ship tickets sold to the STDM Group	243,070	177,698
Discount and commission paid to the STDM Group for sale of ship tickets	18,986	14,820
Management and incentive fees received from STDM for management of hotels and Macau Tower Convention & Entertainment Centre (MTCEC)	18,666	12,262
Fuel purchased from the STDM Group in Macau for shipping operations	55,762	38,168
Income collected by the STDM Group for sale of ship tickets and related services in Macau	136,838	113,041
Amount reimbursed to the STDM Group for expenses incurred in respect of TurboJET operations in Macau	66,234	60,835
Costs and expenses incurred by the Group for management of MTCEC	7,907	12,845
Gross operating revenue of MTCEC collected for STDM	2,453	10,185
Charter hire income received from the STDM Group	—	20,176
Temporary advances from STDM	86,915	21,913
Significant transactions with China Travel Services (Hong Kong) Limited (CTSHK)		
Commission paid to CTSHK for sale of ship tickets	13,159	10,077
Net income collected by CTSHK for sale of ship tickets and related services	62,934	44,756
Amount reimbursed by Shun Tak Shipping Company, Limited, STDM and its associates for expenses and resources shared by them	18,268	21,410
Interest expenses paid to minority shareholders of a subsidiary	1,370	13,231
Sales commission paid to a minority shareholder of a subsidiary	5,287	5,458
Insurance premium paid to an associate	16,692	20,403
Construction cost paid to a joint venture	24,160	179,550
Ship passengers handling fees received on behalf of a joint venture	6,907	—

Note 18 Significant subsequent event

Except for the conversion of convertible guaranteed bonds as set out in note 13 to the condensed financial statements, there was no other significant subsequent event.

DISCLOSURE OF INTERESTS

As at 30 June 2004, 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	Note	Ordinary Shares of HK\$0.25 each		Approximate Percentage of Interests
		Personal Interests	Corporate Interests	
Stanley Ho	(i)	248,249,527	36,285,523	14.11%
Sir Roger Lobo		—	—	—
Robert Kwan		—	—	—
Cheng Yu Tung		—	—	—
Mok Ho Yuen Wing, Louise		323,627	—	0.02%
Pansy Ho	(ii)	45,745,344	97,820,707	7.12%
Daisy Ho	(iii)	44,959,551	97,820,707	7.08%
Ambrose So	(iv)	30,563,990	—	1.52%
Patrick Huen	(v)	10,141,370	—	0.50%
Andrew Tse	(vi)	12,403,870	—	0.62%
Anthony Chan	(vii)	20,110,120	—	1.00%
Maisy Ho	(viii)	23,288,175	23,066,918	2.30%
David Shum		—	—	—

Notes:

- (i) The personal interest of Dr. Stanley Ho represents the interest in 246,662,227 shares and interest in 1,587,300 underlying shares in respect of the share options granted by the Company, the details of which are stated in section (d) "Share options". The corporate interest of Dr. Stanley Ho represents the interest in 11,446,536 shares of the Company held by Sharikat Investments Limited (SIL) and 24,838,987 shares of the Company held by Dareset Limited (DL). SIL and DL are wholly-owned by Dr. Stanley Ho.

- (ii) The personal interest of Ms. Pansy Ho represents the interest in 12,555,806 shares and interest in 33,189,538 underlying shares in respect of the share options granted by the Company, the details of which are stated in section (d) "Share options". The corporate interest of Ms. Pansy Ho represents the interest in 97,820,707 shares of the Company held by Beeston Profits Limited (BPL). BPL is wholly-owned by Ms. Pansy Ho.
- (iii) The personal interest of Ms. Daisy Ho represents the interest in 11,562,252 shares and interest in 33,397,299 underlying shares in respect of the share options granted by the Company, the details of which are stated in section (d) "Share options". The corporate interest of Ms. Daisy Ho represents the interest in 97,820,707 shares of the Company held by St. Lukes Investments Limited (LIL). LIL is wholly-owned by Ms. Daisy Ho.
- (iv) The personal interest of Dr. Ambrose So represents the interest in 10,406,250 shares and interest in 20,157,740 underlying shares in respect of the share options granted by the Company, the details of which are stated in section (d) "Share options".
- (v) The personal interest of Mr. Patrick Huen represents the interest in 62,500 shares and interest in 10,078,870 underlying shares in respect of the share options granted by the Company, the details of which are stated in section (d) "Share options".
- (vi) The personal interest of Mr. Andrew Tse represents the interest in 2,325,000 shares and interest in 10,078,870 underlying shares in respect of the share options granted by the Company, the details of which are stated in section (d) "Share options".
- (vii) The personal interest of Mr. Anthony Chan represents the interest in 10,031,250 shares and interest in 10,078,870 underlying shares in respect of the share options granted by the Company, the details of which are stated in section (d) "Share options".
- (viii) The personal interest of Ms. Maisey Ho represents the interest in 3,130,435 shares and interest in 20,157,740 underlying shares in respect of the share options granted by the Company, the details of which are stated in section (d) "Share options". The corporate interest of Ms. Maisey Ho represents the interest in 23,066,918 shares of the Company held by LionKing Offshore Limited (LOL). LOL is wholly-owned by Ms. Maisey Ho.

DISCLOSURE OF INTERESTS

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

Name of Director	Name of Subsidiary	Corporate Interest	Approximate Percentage of Interest
Stanley Ho	Shun Tak Cultural Centre Limited	4 ordinary shares	40.00%

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

c) Interests of the directors in shares and underlying shares of associates

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

All the interests disclosed in sections (a) to (c) above represent long position in the shares or underlying shares of the Company or associated corporation.

Save as disclosed above, none of the directors 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 2004.

d) Share options

As at 30 June 2004, details of share options granted to directors or employees under the share option schemes of the Company are as follows:

Grantee	Date of Grant	Exercise/ Vesting Period	Exercise Price per Share	Number of Share Options	
				As at 1 January 2004	As at 30 June 2004
Stanley Ho	25 May 2004	25 May 2004 to 24 May 2014	HK\$3.15	—	1,587,300
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
	25 May 2004	25 May 2004 to 24 May 2014	HK\$3.15	—	20,157,740
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
	25 May 2004	25 May 2004 to 24 May 2014	HK\$3.15	—	20,157,740
Ambrose So	25 May 2004	25 May 2004 to 24 May 2014	HK\$3.15	—	20,157,740
Patrick Huen	25 May 2004	25 May 2004 to 24 May 2014	HK\$3.15	—	10,078,870
Andrew Tse	25 May 2004	25 May 2004 to 24 May 2014	HK\$3.15	—	10,078,870
Anthony Chan	25 May 2004	25 May 2004 to 24 May 2014	HK\$3.15	—	10,078,870
Maisy Ho	3 January 2000	3 January 2000 to 2 January 2010	HK\$1.15	3,130,435	—
	25 May 2004	25 May 2004 to 24 May 2014	HK\$3.15	—	20,157,740
Aggregate total of employees	3 January 2000	3 January 2000 to 2 January 2005	HK\$1.15	1,669,564	1,669,564

DISCLOSURE OF INTERESTS

Notes:

- (i) The share option scheme of the Company adopted on 18 May 1993 (the 1993 share option scheme) was terminated on 31 May 2002 and a new share option scheme was adopted on 31 May 2002 (the 2002 share option scheme).
- (ii) During the six months ended 30 June 2004, 112,454,870 options to subscribe for ordinary shares in the Company were granted under the 2002 share option scheme. The closing price of the shares of the Company immediately before 25 May 2004 on which the share options were granted was HK\$3.15.
- (iii) 3,130,435 share options of Ms. Maisy Ho issued under the 1993 share option scheme were exercised during the six months ended 30 June 2004. The closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$2.60.
- (iv) No share option was cancelled or lapsed during the six months ended 30 June 2004.
- (v) The directors consider that it is not appropriate to disclose the value of options granted during the six months ended 30 June 2004, since any valuation of the options would be subject to a number of assumptions that would be subjective and uncertain. The directors believe that the valuation of options based upon speculative assumptions would not be meaningful and would be misleading to shareholders.
- (vi) 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 share options, with share premium credited at the excess of net proceeds received over total share capital credited.
- (vii) Save as described above, as at 30 June 2004, none of the directors or their spouse or children under 18 years of age were granted or exercised any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations.

e) Substantial shareholders

As at 30 June 2004, 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 shareholders were 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 Interests
Shun Tak Shipping Company, Limited (STS) and its subsidiaries	308,057,215	15.28%
Sociedade de Turismo e Diversões de Macau, S.A.R.L. (STDM) and its subsidiary	263,667,107	13.08%

Notes:

- (i) Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung, Mrs. Mok Ho Yuen Wing, Louise, Ms. Pansy Ho and Ms. Daisy Ho have beneficial interests in STS.
- (ii) Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung, Mrs. Mok Ho Yuen Wing, Louise and Ms. Pansy Ho have beneficial interests in STDM.
- (iii) All the interests disclosed above represent long position in the shares of the Company.
- (iv) Save as disclosed above, no other person (other than the directors of the Company) 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 2004.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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 2004.

REVIEW BY AUDIT COMMITTEE

The unaudited interim financial statements for the six months ended 30 June 2004 have been reviewed by the Audit Committee of the Company. At the request of the directors, the Company'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 Institute of Certified Public 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, 14 September 2004

As at the date of this report, the Executive Directors of the Company are Dr. Stanley Ho, Ms. Pansy Ho, Ms. Daisy Ho, Dr. Ambrose So, Mr. Patrick Huen, Mr. Andrew Tse, Mr. Anthony Chan, Ms. Maisy Ho and Mr. David Shum. The Non-Executive Directors are Dato' Dr. Cheng Yu Tung and Mrs. Mok Ho Yuen Wing, Louise and the Independent Non-Executive Directors are Sir Roger Lobo, Mr. Robert Kwan and Mr. Norman Ho.

SHUN TAK HOLDINGS LIMITED

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Hong Kong

信德集團有限公司

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