



Shun Tak Holdings Limited
信德集團有限公司



Interim Report 2005 中期業績報告

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GROUP RESULTS

The Group's unaudited profit attributable to equity holders of the Company for the six months ended 30 June 2005 amounted to HK\$210.7 million, a decrease of 2.3% as compared with the profit of HK\$215.6 million, as restated for the corresponding period last year. Basic earnings per share were 10.1 HK cents (2004: 10.9 HK cents, as restated).

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of 2.5 HK cents per share (2004: 4.5 HK cents) in respect of the six months ended 30 June 2005, payable on 14 October 2005 to shareholders on record as at 7 October 2005.

BUSINESS REVIEW

Transportation

During the first half of the year, the Group's transportation division achieved an operating profit of HK\$92 million (2004: HK\$96 million). The total passenger volume of the division grew by 8% to over 5 million as compared to the same period in 2004. This favourable contribution from increased passenger volume was offset, however, by the continuing significant increase in fuel price which has risen nearly 50% as compared to the first half of 2004.

On the division's popular Hong Kong-Macau route, passenger volume increased by 6% over the comparable period last year to more than 4.6 million people. The division continues to maintain its market leadership on this route.

The transportation division's TurboJET Sea Express Service, which links the Hong Kong International Airport with Shenzhen and Macau, has been popular among travelers since its opening in September 2003. The service recorded an encouraging 115% increase in passenger volume as compared to the first half of 2004.

With the increasing flow of passengers traveling directly between the People's Republic of China (PRC) and Macau, the division also recorded satisfactory growth in its Macau-Shenzhen route. The division anticipates that passenger traffic on this route will continue to increase as the economic ties between Macau and Shenzhen deepen.

The transportation division will continue its effort to mitigate the effect of rising fuel price through implementation of prudent cost-control measures. The division will also closely monitor its fleet size and seating capacity so as to meet passenger demand while optimizing its fleet deployment strategy.

Hospitality

The hospitality division continues to benefit from the dynamic growth in Macau's economy and the increasing number of travelers there. The liberalization of travel restrictions on individual travelers from the PRC has resulted in an increased number of visitors to Macau, an active trend which is expected to continue. Total visitor arrivals in Macau in the first six months of 2005 rose by 15% to approximately 9 million over the corresponding period last year. As a result, the operating profit of the division increased by HK\$12 million to HK\$14 million for the first half of 2005.

During the first half of 2005, dividend income of HK\$93 million was recognised in respect of the Group's strategic interest in Sociedade de Turismo e Diversões de Macau S.A..

The Group's 50%-owned Mandarin Oriental Macau (Mandarin) and 34.9%-owned Westin Resort Macau (Westin) reported revenue growth for the first half of 2005 compared to the corresponding prior period. As a result of the growing demand from business travelers, Mandarin recorded an increase in average room rate of approximately 33% compared to the first half of 2004 with occupancy rate maintained at 69%. Westin recorded an increase in average room rate of 13% compared to the first half of 2004 with occupancy rate maintained at 61%. The Macau Golf & Country Club, Macau's premier golf club adjacent to the Westin, also recorded satisfactory performance during the period.

Macau Tower Convention & Entertainment Centre (Macau Tower), professionally managed by the Group since its opening in 2001, is now established as a premier tourist landmark in Macau. The thriving economic growth in Macau has generated a growing demand for quality banquet and meeting facilities. As the prime venue for major public events, conventions and banquets, Macau Tower hosted a number of high-profile events in the first half of the year, including the Pacific Asia Travel Association Annual Conference and the Junior Chamber of Commerce Asia Pacific Conference. The cumulative number of visitors to Macau Tower reached approximately 2.8 million as at 30 June 2005. The tower enhanced its adventure leisure attractions by launching Sky Jump in August 2005. The 233-meter controlled-descent Sky Jump is the highest adventure activity of its kind in the world and will be recorded in the Guinness Book of World Records.

Property

The Group's property division recorded an operating profit of HK\$92 million (2004: HK\$334 million) during the first half of the year. This decrease in operating profit is attributable to the completion of the sales of residential units at Liberté in 2004 and the reduced revenue from sales of the remaining residential units at The Belcher's. As at 30 June 2005, 99% of total units for sale at The Belcher's had been sold.

Construction works for the superstructure at 124 Pokfulam Road in Hong Kong Island is scheduled to commence in the fourth quarter of 2005, with expected completion by 2006. The site will be developed into luxurious residential units with approximately 33,000 square feet gross floor area.

The acquisition of existing units in Chatham Garden in Kowloon is scheduled for completion by the end of 2005. Redevelopment of Chatham Garden into luxurious residential apartments is under planning. Expected gross floor area of the development is approximately 366,000 square feet.

Nova Taipa Gardens Phase II (named as "Nova City") in Macau, comprising 13 residential towers, a deluxe clubhouse and landscaped gardens of over 200,000 square feet, will be completed in stages. The first five towers of Nova City have been topped off and are scheduled for completion in the first half of 2006. The remaining phases are under planning.

The Group's property management division, which provides comprehensive quality services to a wide range of residential and commercial properties in Hong Kong and Macau, performed satisfactorily in the first half of the year.

Operating results from the Group's property investments were satisfactory for the first half of 2005. In Hong Kong, The Westwood and Liberté Place continued to generate steady rental income for the Group. In Guangzhou, profit contribution from Shun Tak Business Centre, a 32-storey office tower and six-storey shopping arcade, also recorded a satisfactory increase during the period.

Under Hong Kong Accounting Standard 40 "Investment Property", which became effective on 1 January 2005, the gain or loss arising from changes in the fair value of investment properties is recognised in the profit and loss account. As a result of the valuation of the Group's investment properties by independent professional valuers as at 30 June 2005, a gain of HK\$107 million was recognised in the profit and loss account for the period.

PROSPECTS

With the robust tourism growth and the government's commitment to develop Macau into a world-class tourism and entertainment destination and international business service centre, Macau's economy is expected to continue its dynamic expansion. The Group, with its premium investments and businesses in Macau, is well-positioned to benefit from these long-term positive trends. The Group will continue to explore investment opportunities in Macau that are synergistic with its core businesses.

In view of the encouraging economic growth in Macau and the Pearl River Delta (PRD), the Group's transportation division purchased two catamarans in June 2005 which will be in operation by the end of 2005. The acquisitions mark an important milestone in the Group's quest to build an air-sea multi-modal transportation network within the PRD to complement Macau's vibrant development and expected surge in visitor arrivals. Since Macau is a vital gateway to the PRD, the Group will continue its leadership role in promoting Macau's tourism to reinforce Macau's strategic advantage as the key transit hub in the PRD.

The Group is also in discussion with Air Macau and China National Aviation Company Limited regarding a joint venture to provide low cost air carrier services in Macau. If such discussions are finalized, the Group believes that the low cost carrier services would complement very well its passenger transportation services.

Given Macau's flourishing economic growth and the increasing demand for high quality residential units, the Group expects Nova City will be well-received by the market. In addition, the Group's property management services will be extended to Nova City, increasing the property management portfolio to over 11 million square feet.

The thriving economic growth of Macau will also enhance the value of the Nam Van site, which is strategically located by the new Sai Van Bridge and in the centre of the traffic network there. When the acquisition of the site by the Group is completed, the site is expected to yield a developable gross floor area of not less than 2.7 million square feet for residential, commercial and hotel uses. Subject to approval from the Macau SAR Government, part of the mixed-use complex will be leased to Sociedade de Jogos de Macau, S.A. for operation of a casino, which will further enhance the Group's revenues. In addition, the extension of facilities at the Westin, which includes a spa centre, banquet hall and restaurants, is currently under planning. This major extension will enable Westin to offer its future guests an impressive variety of leisure facilities and enhance its position to meet the growing luxury tourism and business sector demand.

With improvement in the economy of Hong Kong, the Group expects that 124 Pokfulam Road and Chatham Garden will benefit from the increasingly buoyant property market in Hong Kong, particularly in the luxurious residential sector. In June 2005, the Hong Kong SAR Government commenced detailed planning and preparation for the West Island Line of the Mass Transit Railway. The extension of the transit network is expected to enhance public accessibility of The Westwood, the shopping complex at The Belcher's, and improve the rental capability of the Group's property division.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

The Group maintained strong financial position with bank balances and deposits amounted to HK\$3,848 million at 30 June 2005. Total loan facilities and other financing available to the Group as of 30 June 2005 amounted to HK\$4,807 million, of which HK\$3,753 million remained undrawn. The facilities outstanding at the period end comprised HK\$1,049 million in bank loans 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 2005 is set out below:

Maturity Profile

Within 1 year	1-2 years	2-5 years	Total
56%	26%	18%	100%

Based on a net cash surplus of HK\$2,794 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 2004: 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, 5,000,000 new shares were issued upon exercise of share options.

Pledge of Assets

At the period end, certain assets of the Group with an aggregate carrying value of HK\$487 million (at 31 December 2004: HK\$515 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. None of the Group's outstanding borrowings was denominated in foreign currency 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. 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 2,200 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) 2005 (HK\$'000)	(Unaudited and restated) 2004 (HK\$'000)
Turnover	3	1,345,954	2,241,040
Other revenues		53,484	37,374
Other income	4	9,762	58,370
		1,409,200	2,336,784
Cost of inventories sold or consumed		(436,716)	(1,266,841)
Staff costs		(262,145)	(274,758)
Depreciation and amortisation		(66,118)	(80,473)
Other costs		(363,760)	(305,833)
Fair value changes on investment properties		106,576	—
Operating profit	3, 5	387,037	408,879
Finance costs	6	(11,432)	(13,858)
Impairment loss on goodwill of subsidiaries		—	(25,574)
Share of results of associates		16,737	11,151
Share of results of jointly controlled entities		2,856	(1,023)
Profit before taxation		395,198	379,575
Taxation	7	(46,579)	(36,984)
Profit after taxation		348,619	342,591
Attributable to:			
Equity holders of the Company		210,700	215,580
Minority interests		137,919	127,011
Profit after taxation		348,619	342,591
Interim dividend	8	52,126	90,735
Earnings per share (HK cents)	9		
– basic		10.1	10.9
– diluted		9.7	10.7

CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) 30 June 2005 (HK\$'000)	(Audited and restated) 31 December 2004 (HK\$'000)
	Note		
Non-current assets			
Properties, plant and equipment	10	932,887	924,367
Investment properties	11	2,863,246	2,756,359
Leasehold land		594,998	601,782
Associates		446,839	359,314
Joint ventures		53,127	45,861
Investments		—	914,584
Available-for-sale investments	12	888,242	—
Mortgage loans receivable		717,473	973,563
Deferred tax assets		3,444	2,725
Other non-current assets		28,330	—
		6,528,586	6,578,555
Current assets			
Leasehold land		13,565	13,565
Properties under development		918,342	909,521
Inventories		255,792	451,201
Sale proceeds of properties held by stakeholders		2	8,740
Trade & other debtors, deposits and prepayments	13	342,541	228,215
Investments		—	77,657
Available-for-sale investments		54,343	—
Derivative financial instruments		25,662	—
Taxation recoverable		498	685
Time deposits		3,636,319	3,482,268
Cash and bank balances		211,979	390,393
		5,459,043	5,562,245

	Note	(Unaudited) 30 June 2005 (HK\$'000)	(Audited and restated) 31 December 2004 (HK\$'000)
Current liabilities			
Bank and other borrowings		588,209	784,329
Trade & other creditors, deposits and accrued charges	13	477,540	527,815
Provision for employee benefits		27,767	27,940
Derivative financial instruments		727	—
Taxation payable		98,321	73,492
		1,192,564	1,413,576
Net current assets		4,266,479	4,148,669
Total assets less current liabilities		10,795,065	10,727,224
Non-current liabilities			
Bank and other borrowings		465,336	500,423
Loans from minority shareholders		1,330,183	1,576,084
Deferred tax liabilities		148,677	125,496
		1,944,196	2,202,003
Net assets		8,850,869	8,525,221
Equity			
Share capital	14	521,257	520,007
Reserves		6,475,438	6,220,145
Proposed dividends		52,126	135,202
Equity attributable to equity holders of the Company		7,048,821	6,875,354
Minority interests		1,802,048	1,649,867
Total equity		8,850,869	8,525,221

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June

	(Unaudited) 2005 (HK\$'000)	(Unaudited) 2004 (HK\$'000)
Net cash from operating activities	333,063	2,079,312
Net cash from/(used in) investing activities	138,275	(18,596)
Net cash used in financing activities	(602,763)	(975,470)
Net (decrease)/increase in cash and cash equivalents	(131,425)	1,085,246
Cash and cash equivalents at 1 January	3,929,801	1,578,172
Cash and cash equivalents at 30 June	3,798,376	2,663,418
Analysis of balances of cash and cash equivalents		
Listed liquid fund	20,857	—
Time deposits	3,636,319	2,753,242
Cash and bank balances	211,979	404,632
	3,869,155	3,157,874
Time deposits with a maturity over three months	(70,779)	(494,206)
Time deposits pledged to a bank	—	(250)
	3,798,376	2,663,418

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2005 (unaudited)

Equity attributable to equity holders of the Company

	Share capital (HK\$'000)	Share premium account (HK\$'000)	Capital redemption reserve account (HK\$'000)	Capital reserve account (HK\$'000)	Legal reserve account (HK\$'000)	Investment property revaluation reserve account (HK\$'000)	Investment revaluation reserve account (HK\$'000)	Hedging reserve account (HK\$'000)	Exchange reserve account (HK\$'000)	Profit and loss account (HK\$'000)	Proposed dividends (HK\$'000)	Total (HK\$'000)	Minority interests (HK\$'000)	Total equity (HK\$'000)
At 31 December 2004														
- as originally stated	520,007	4,081,491	5,019	44,143	—	194,602	—	—	1,369	2,283,957	135,202	7,265,790	1,671,753	8,937,543
- effect of adopting new HKFRSs	—	—	—	(71,725)	—	(11,181)	—	—	(17)	(307,513)	—	(390,436)	(21,886)	(412,322)
- as restated	520,007	4,081,491	5,019	(27,582)	—	183,421	—	—	1,352	1,976,444	135,202	6,875,354	1,649,867	8,525,221
- effect of adopting new HKFRSs	—	—	—	27,582	21	(183,421)	—	(1,608)	—	230,762	—	73,336	(2,166)	71,170
At 1 January 2005, as restated	520,007	4,081,491	5,019	—	21	—	—	(1,608)	1,352	2,207,206	135,202	6,948,690	1,647,701	8,596,391
Exercise of share options	1,250	14,500	—	—	—	—	—	—	—	—	—	15,750	—	15,750
Expenses on issue of shares	—	(17)	—	—	—	—	—	—	—	—	—	(17)	—	(17)
Fair value changes	—	—	—	—	—	—	(2,967)	17,492	—	—	—	14,525	23,569	38,094
Released upon derecognition of derivative financial instruments	—	—	—	—	—	—	—	(4,611)	—	—	—	(4,611)	(6,213)	(10,824)
Deferred tax charged	—	—	—	—	—	—	—	(689)	—	—	—	(689)	(928)	(1,617)
Profit for the period	—	—	—	—	—	—	—	—	—	210,700	—	210,700	137,919	348,619
2004 final dividend for shares issued upon exercise of share options	—	—	—	—	—	—	—	—	—	—	325	—	—	—
2004 final dividend	—	—	—	—	—	—	—	—	—	—	(135,527)	(135,527)	—	(135,527)
2005 interim dividend	—	—	—	—	—	—	—	—	—	(52,126)	52,126	—	—	—
At 30 June 2005	521,257	4,095,974	5,019	—	21	—	(2,967)	10,584	1,352	2,365,455	52,126	7,048,821	1,802,048	8,850,869

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2004 (unaudited and restated)

Equity attributable to equity holders of the Company												
	Share capital (HK\$'000)	Share premium account (HK\$'000)	Capital redemption reserve account (HK\$'000)	Capital reserve account (HK\$'000)	Legal reserve account (HK\$'000)	Investment property revaluation reserve account (HK\$'000)	Hedging reserve account (HK\$'000)	Exchange reserve account (HK\$'000)	Profit and loss account (HK\$'000)	Proposed dividends (HK\$'000)	Minority interests (HK\$'000)	Total equity (HK\$'000)
At 1 January 2004	485,608	3,795,658	5,019	47,823	—	13,150	—	975	2,012,083	67,985	1,349,804	7,778,105
– as originally stated	—	—	—	(71,725)	—	900	—	—	(284,619)	—	(8,365)	(363,809)
– effect of adopting new HKFRSs	—	—	—	—	—	—	—	—	—	—	—	—
– as restated	485,608	3,795,658	5,019	(23,902)	—	14,050	—	975	1,727,464	67,985	1,341,439	7,414,296
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)
Proceeds on disposal of a subsidiary	—	—	—	—	—	—	—	—	—	—	(79)	(79)
Exchange translation difference	—	—	—	—	—	—	—	(7)	—	—	(5)	(12)
Dividends paid to minority shareholders	—	—	—	—	—	—	—	—	—	—	(38,585)	(38,585)
Profit for the period	—	—	—	—	—	—	—	—	215,580	—	127,011	342,591
2003 final dividend for shares issued upon conversion of convertible guaranteed bonds and exercise of share options	—	—	—	—	—	—	—	—	(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	(27,582)	—	14,050	—	968	1,849,742	90,735	1,429,781	7,812,331

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 Appendix 16 to the Rules Governing the Listing of Securities 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 adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2004 except as described in note 2 below.

Note 2 Impact of new Hong Kong Financial Reporting Standards

The HKICPA has issued a number of new Hong Kong Financial Reporting Standards (HKFRSs, which also include HKASs and Interpretations) which are effective for accounting periods beginning on or after 1 January 2005. The Group has adopted the following HKFRSs issued up to 30 June 2005 which are pertinent to its operations and relevant to these interim financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK(SIC)-Int 21	Income Taxes — Recovery of Revalued Non-Depreciable Assets
HK-Int 2	The Appropriate Accounting Policies for Hotel Properties
HK-Int 3	Revenue — Pre-completion Contracts for the Sale of Development Properties

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

The major changes in accounting policies upon the adoption of these HKFRSs and the application of the relevant transitional provisions are summarised as follows:

- a) The adoption of HKAS 1 and HKAS 27 has resulted in a change in the presentation of minority interests, which are now shown within equity. On the face of the consolidated profit and loss account, minority interests are presented as an allocation of the total profit or loss for the period.

The adoption of HKAS 1 has also affected the shares of results of associates and jointly controlled entities to reflect their net after-tax results and other disclosures. Shares of results of associates and jointly controlled entities were decreased by HK\$2,237,000 and HK\$880,000 (2004: HK\$3,196,000 and HK\$1,293,000) respectively, whereas taxation was decreased by HK\$3,117,000 (2004: HK\$4,489,000).

- b) The adoption of HKAS 16 and HK-Int 2 has resulted in a change in the accounting policy of hotel properties. In prior years, no depreciation was provided on hotel properties owned by the Group's associates, and share of results and net assets of associates were stated on this basis.

Following the adoption of HKAS 16 and HK-Int 2, hotel properties owned by the Group's associates are stated at cost less accumulated depreciation and any accumulated impairment losses, and share of results and net assets of associates are stated on this new basis. This change in accounting policy has been applied retrospectively. Share of results of associates was decreased by HK\$7,562,000 (2004: HK\$5,980,000).

- c) The adoption of HKAS 17 has resulted in a change in accounting policy of leasehold land. In prior years, leasehold land and buildings were included in fixed assets and stated at cost or directors' valuation less accumulated depreciation and any accumulated impairment losses. No depreciation was provided on leasehold land and buildings not yet put to effective use.

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

Following the adoption of HKAS 17, leasehold land and buildings are split into a lease of land and a lease of building in proportion to the relative fair values of the interests in the land and the building elements at the inception of the lease. Leasehold land is stated at cost and amortised over the period of the lease on a straight line basis, whereas leasehold buildings are stated at cost less accumulated depreciation and any accumulated impairment losses. This change in accounting policy has been applied retrospectively, with a corresponding adjustment to retained profits and capital reserve as appropriate. Amortisation of land lease premium was increased by HK\$4,948,000 (2004: HK\$4,948,000).

d) The adoption of HKAS 32 and HKAS 39 has resulted in a change in accounting policy of financial instruments.

(i) Investments in debt and equity securities

In prior years, investments in debt and equity securities were classified as investment securities and other investments, which were stated at cost less any accumulated impairment losses and at fair value respectively. Any impairment losses on investment securities and changes in fair value of other investments were recognised in the profit and loss account.

Following the adoption of HKAS 39, non-trading investments classified as available-for-sale investments are stated at fair value, changes in which are recognised in equity. An exception is investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. They are measured at cost less any accumulated impairment losses. In accordance with the transitional provisions in HKAS 39, at 1 January 2005, investment securities, other investments and liquid funds at 31 December 2004 were redesignated as available-for-sale investments and measured at fair value or cost less any accumulated impairment losses as appropriate, with a corresponding adjustment to retained profits. Other costs were decreased by HK\$2,385,000 (2004: nil).

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

(ii) Derivative financial instruments (DFIs)

In prior years, DFIs entered into by management to hedge commodity price risk were recognised on a cash basis. Following the adoption of HKAS 39, DFIs are stated at fair value. Changes in fair value of non-hedging DFIs are recognised in the profit and loss account. Changes in fair value of DFIs held as hedging instruments in a cash flow hedge are recognised in equity to the extent that the hedge is effective. Any ineffective portion of the changes in fair value of DFIs is recognised in the profit and loss account. In accordance with the transitional provisions in HKAS 39, at 1 January 2005, DFIs held as hedging instruments were recognised and measured at fair value, with a corresponding adjustment to equity. At 30 June 2005, DFIs were increased by HK\$25,662,000 and HK\$117,000 (at 1 January 2005: HK\$490,000 and HK\$5,065,000) shown within assets and liabilities respectively.

- e) The adoption of HKAS 40 has resulted in a change in accounting policy of investment properties. In prior years, changes in fair value of investment properties are dealt with as movements in investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

Following the adoption of HKAS 40, any changes in fair value of investment properties are dealt with in the profit and loss account. The Group has applied the relevant transitional provisions and elected to apply HKAS 40 from 1 January 2005 onwards. The amount held in investment property revaluation reserve at 1 January 2005 has been transferred to retained profits. Fair value changes on investment properties were increased by HK\$106,576,000 (2004: nil).

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

- f) The adoption of HKFRS 2 has resulted in a change in accounting policy of employee share options. In prior years, options granted to directors and employees over the Company's shares did not result in a charge to the profit and loss account. The financial effects of share options were recognised only when they were exercised.

Following the adoption of HKFRS 2, the fair value of share options at grant date is amortised over the relevant vesting periods to the profit and loss account. In accordance with the transitional provisions, HKFRS 2 is applied to (i) share options granted after 7 November 2002 and not yet vested at 1 January 2005 and (ii) share options granted on or after 1 January 2005. No share options granted by the Company fell into these categories up to the balance sheet date.

- g) The adoption of HKFRS 3 has resulted in a change in accounting policy of goodwill.

(i) Goodwill

In prior years, goodwill arising from business combinations before 1 January 2001 was held in reserves, and goodwill arising from business combinations on or after 1 January 2001 was capitalised and stated at cost less accumulated amortisation and any accumulated impairment losses.

The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill previously held in reserves has been transferred to retained profits on 1 January 2005, and will not be recognised as profit or loss when the Group disposes of all or part of the business to which that goodwill relates or when a cash-generating unit to which the goodwill relates becomes impaired. In addition, the accumulated amortisation and impairment losses of goodwill previously capitalised has been eliminated against the related carrying amount on 1 January 2005. From 1 January 2005 onwards, goodwill arising from business combinations is not amortised, and is tested for impairment at least annually. At 30 June 2005 and 1 January 2005, associates were decreased by HK\$16,348,000, capital reserve was increased by HK\$34,121,000 and retained profits were decreased by HK\$50,469,000.

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

- (ii) Excess of the Group's interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost (previously known as negative goodwill)

In prior years, negative goodwill arising from business combinations before 1 January 2001 was held in reserves, and negative goodwill arising from business combinations on or after 1 January 2001 was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted.

The Group has applied the relevant transitional provisions in HKFRS 3, and derecognised all negative goodwill, with a corresponding increase in retained profits. From 1 January 2005 onwards, negative goodwill arising from business combinations is recognised immediately in the profit and loss account. At 30 June 2005 and 1 January 2005, associates were increased by HK\$90,872,000, capital reserve was decreased by HK\$6,539,000, legal reserve was increased by HK\$21,000 and retained profits were increased by HK\$97,390,000.

- h) The adoption of HK(SIC)-Int 21 has resulted in a change in accounting policy of deferred tax related to investment properties. In prior years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor interpretation (SSAP-Interpretation 20).

Following the adoption of HK(SIC)-Int 21, which removes the presumption that the carrying amount of investment properties is to be recovered through sale, the deferred tax consequences of the investment properties are now assessed on the basis that reflects the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HK(SIC)-Int 21, this change in accounting policy has been applied retrospectively. Taxation was increased by HK\$22,691,000 (2004: HK\$2,602,000).

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

- i) The adoption of HK-Int 3 has resulted in a change in accounting policy in recognition of revenue on pre-completion contracts for the sale of properties under development. In prior years, revenue on pre-completion contracts for the sale of properties under development was recognised under the percentage of completion method when construction had progressed beyond the preliminary stages, the percentage used being the proportion of construction costs incurred at the balance sheet date to estimated total construction costs. Profit recognised on this basis was limited to the amount of sale proceeds received.

Following the adoption of HK-Int 3, revenue on pre-completion contracts for the sale of properties under development is only recognised upon completion of the development. Sales deposits or instalments received and receivable from purchasers in respect of those contracts before completion of the development are included in liabilities. The new accounting policy will be applied to contracts entered into on or after 1 January 2005. This change in accounting policy had no financial effect for the period ended 30 June 2005.

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

- j) The financial effects of the above changes in accounting policies on the condensed consolidated profit and loss account are as follows:

For the six months ended 30 June 2005

	Effect of adopting new HKFRSs						Total
	HKAS 16 [#] & HKAS 1 [#]		HKAS 32 [#] & HKAS 39 [^]		HK(SIC)- Int 21 [#]		
	HKAS 1 [#] Note 2(a)	HK-Int 2 [#] Note 2(b)	HKAS 17 [#] Note 2(c)	HKAS 39 [^] Note 2(d)	HKAS 40 [^] Note 2(e)	HK(SIC)- Int 21 [#] Note 2(h)	
Increase/(decrease) in profit after taxation (HK\$'000)							
Amortisation of land lease premium	—	—	(4,948)	—	—	—	(4,948)
Other costs	—	—	—	2,385	—	—	2,385
Fair value changes on investment properties	—	—	—	—	106,576	—	106,576
Share of results of associates	(2,237)	(7,562)	—	—	—	—	(9,799)
Share of results of jointly controlled entities	(880)	—	—	—	—	—	(880)
Taxation	3,117	—	—	—	—	(22,691)	(19,574)
	—	(7,562)	(4,948)	2,385	106,576	(22,691)	73,760
Attributable to (HK\$'000)							
Equity holders of the Company	—	(7,562)	(3,906)	2,385	72,276	(15,761)	47,432
Minority interests	—	—	(1,042)	—	34,300	(6,930)	26,328
	—	(7,562)	(4,948)	2,385	106,576	(22,691)	73,760
Increase/(decrease) in earnings per share (HK cents)							
– basic	—	(0.4)	(0.2)	0.1	3.5	(0.7)	2.3
– diluted	—	(0.3)	(0.2)	0.1	3.3	(0.7)	2.2

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

For the six months ended 30 June 2004

	Effect of adopting new HKFRSs						Total
	HKAS 16 [#] & HK-Int 2 [#]		HKAS 32 [#] & HKAS 39 [^]		HK(SIC)- Int 21 [#]		
	HKAS 1 [#] Note 2(a)	HK-Int 2 [#] Note 2(b)	HKAS 17 [#] Note 2(c)	HKAS 39 [^] Note 2(d)	HKAS 40 [^] Note 2(e)	HK(SIC)- Int 21 [#] Note 2(h)	
Increase/(decrease) in profit after taxation (HK\$'000)							
Amortisation of land lease premium	—	—	(4,948)	—	—	—	(4,948)
Share of results of associates	(3,196)	(5,980)	—	—	—	—	(9,176)
Share of results of jointly controlled entities	(1,293)	—	—	—	—	—	(1,293)
Taxation	4,489	—	—	—	—	(2,602)	1,887
	—	(5,980)	(4,948)	—	—	(2,602)	(13,530)
Attributable to (HK\$'000)							
Equity holders of the Company	—	(5,980)	(3,906)	—	—	(1,561)	(11,447)
Minority interests	—	—	(1,042)	—	—	(1,041)	(2,083)
	—	(5,980)	(4,948)	—	—	(2,602)	(13,530)
Decrease in earnings per share (HK cents)							
– basic	—	(0.3)	(0.2)	—	—	(0.1)	(0.6)
– diluted	—	(0.3)	(0.2)	—	—	(0.1)	(0.6)

[#] adjustments which take effect retrospectively

[^] adjustments which take effect prospectively from 1 January 2005

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

- k) The financial effects of the above changes in accounting policies on the condensed consolidated balance sheet are as follows:

At 30 June 2005

	Effect of adopting new HKFRSs						
	HKAS 1 [#] & HKAS 27 [#]	HKAS 16 [#] & HK-Int 2 [#]	HKAS 32 [#] & HKAS 39 [#]	HKAS 40 [^]	HKFRS 3 [^]	HK(SIC)- Int 21 ^{**}	Total
	Note 2(a)	Note 2(b)	Note 2(c)	Note 2(d)	Note 2(e)	Note 2(g)	Note 2(h)
Increase/(decrease) in net assets							
(HK\$'000)							
Properties, plant and equipment	(2,863,246)	—	(711,851)	—	—	—	(3,575,097)
Investment properties	2,863,246	—	—	—	—	—	2,863,246
Leasehold land	—	—	608,563	—	—	—	608,563
Associates	—	(273,541)	—	—	—	74,524	(199,017)
Investments	—	—	—	(970,960)	—	—	(970,960)
Available-for-sale investments	—	—	—	942,585	—	—	942,585
Deferred tax assets	—	—	—	—	—	(570)	(570)
Other non-current assets	—	—	—	28,330	—	—	28,330
Derivative financial instruments	—	—	—	25,545	—	—	25,545
Minority interests and loans	3,147,827	—	—	—	—	—	3,147,827
Loans from minority shareholders	(1,330,183)	—	—	—	—	—	(1,330,183)
Deferred tax liabilities	—	—	—	(816)	—	—	(70,124)
	1,817,644	(273,541)	(103,288)	24,684	—	74,524	1,469,329
Increase/(decrease) in total equity							
(HK\$'000)							
Capital reserve	—	—	(71,725)	—	—	27,582	(44,143)
Investment property revaluation reserve	—	—	—	—	(266,878)	—	(266,878)
Investment revaluation reserve	—	—	—	(2,967)	—	—	(2,967)
Hedging reserve	—	—	—	10,584	—	—	10,584
Other reserves	—	—	—	—	—	21	(17)
Retained profits	—	(273,541)	(24,271)	2,805	266,878	46,921	(29,319)
Minority interests	1,817,644	—	(7,292)	14,262	—	—	1,802,048
	1,817,644	(273,541)	(103,288)	24,684	—	74,524	1,469,329

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

At 1 January 2005/31 December 2004

	Effect of adopting new HKFRSs						
	HKAS 1 [#] & HKAS 27 [#] Note 2(a)	HKAS 16 [#] & HK-Int 2 [#] Note 2(b)	HKAS 32 [#] & HKAS 39 [#] Note 2(d)	HKAS 40 [^] Note 2(e)	HKFRS 3 [^] Note 2(g)	HK(SIC)- Int 21 ^{*,*} Note 2(h)	Total
Increase/(decrease) in net assets (HK\$'000)							
Properties, plant and equipment	(2,756,359)	—	(713,687)	—	—	—	(3,470,046)
Investment properties	2,756,359	—	—	—	—	—	2,756,359
Leasehold land	—	—	615,347	—	—	—	615,347
Associates	—	(265,979)	—	—	74,524	—	(191,455)
Investments	—	—	—	(992,241)	—	—	(992,241)
Available-for-sale investments	—	—	—	964,331	—	—	964,331
Deferred tax assets	—	—	—	801	—	(570)	231
Other non-current assets	—	—	—	28,330	—	—	28,330
Derivative financial instruments	—	—	—	(4,575)	—	—	(4,575)
Minority interests and loans	3,247,837	—	—	—	—	—	3,247,837
Loans from minority shareholders	(1,576,084)	—	—	—	—	—	(1,576,084)
Deferred tax liabilities	—	—	—	—	—	(47,433)	(47,433)
	1,671,753	(265,979)	(98,340)	(3,354)	—	74,524	1,330,601
Increase/(decrease) in total equity (HK\$'000)							
Capital reserve	—	—	(71,725)	—	—	27,582	(44,143)
Investment property revaluation reserve	—	—	—	—	(194,602)	—	(194,602)
Hedging reserve	—	—	—	(1,608)	—	—	(1,608)
Other reserves	—	—	—	—	—	21	4
Retained profits	—	(265,979)	(20,365)	420	194,602	46,921	(76,751)
Minority interests	1,671,753	—	(6,250)	(2,166)	—	(15,636)	1,647,701
	1,671,753	(265,979)	(98,340)	(3,354)	—	74,524	1,330,601

[#] adjustments which take effect retrospectively

[^] adjustments which take effect prospectively from 1 January 2005

^{*} At 31 December 2004, investment property revaluation reserve was reduced by HK\$11,181,000 upon the adoption of HK(SIC)-Int 21 and transferred to retained profits at 1 January 2005 upon the adoption of HKAS 40.

Note 3 Segment information

Business segments

	Transportation (HK\$'000)	Property (HK\$'000)	Hospitality (HK\$'000)	Investment and others (HK\$'000)	Eliminations (HK\$'000)	Consolidated (HK\$'000)
For the six months ended 30 June 2005						
Turnover and revenue						
External turnover	790,172	356,030	105,003	94,749	—	1,345,954
Inter-segment turnover	19,363	832	13,735	—	(33,930)	—
Other revenues	18,840	832	224	3,796	—	23,692
	828,375	357,694	118,962	98,545	(33,930)	1,369,646
Segment results	91,702	91,614	14,024	91,257	—	288,597
Fair value changes on investment properties	—	106,576	—	—	—	106,576
Unallocated net expenses						(8,136)
Operating profit						387,037

For the six months ended
30 June 2004 (restated)

Turnover and revenue						
External turnover	739,338	1,436,352	64,976	374	—	2,241,040
Inter-segment turnover	4,070	782	—	—	(4,852)	—
Other revenues	11,037	11,346	201	11,924	—	34,508
	754,445	1,448,480	65,177	12,298	(4,852)	2,275,548
Segment results	95,665	334,055	2,076	6,785	—	438,581
Unallocated net expenses						(29,702)
Operating profit						408,879

Geographical segments

	Hong Kong (HK\$'000)	Macau (HK\$'000)	Others (HK\$'000)	Consolidated (HK\$'000)
For the six months ended 30 June				
Turnover and revenue				
2005	830,847	471,243	67,556	1,369,646
2004	1,870,190	347,297	58,061	2,275,548

Note 4 Other income

Other income in 2004 includes HK\$49,013,000 being interest and redemption premium on convertible guaranteed bonds written back following their conversion.

Note 5 Operating profit

For the six months ended 30 June

	2005 (HK\$'000)	(Restated) 2004 (HK\$'000)
After crediting:		
Interest income	36,969	7,139
Rental income from investment properties	63,572	57,479
Dividend income from listed investments	1,006	—
Dividend income from unlisted investments	93,630	146
After charging:		
Cost of inventories		
– properties	206,034	1,102,262
– others	230,682	164,579
	436,716	1,266,841

Note 6 Finance costs

For the six months ended 30 June

	2005 (HK\$'000)	2004 (HK\$'000)
Total finance costs incurred	11,466	14,867
Less: Amount capitalised in properties under development	(34)	(1,009)
Total finance costs expensed during the period	11,432	13,858

Note 7 Taxation

For the six months ended 30 June

	2005 (HK\$'000)	(Restated) 2004 (HK\$'000)
Company and subsidiaries		
Hong Kong profits tax	21,290	16,130
Overseas tax	3,643	8,640
Deferred tax	21,646	12,214
	46,579	36,984

Hong Kong profits tax is provided for at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits for the period. Overseas taxation is calculated at the rates applicable in their respective jurisdictions.

Deferred tax has been provided for temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits.

The Group's shares of taxation of associates and jointly controlled entities were HK\$3,553,000 (2004: HK\$2,930,000, as restated) and HK\$880,000 (2004: HK\$1,293,000) respectively.

Note 8 Interim dividend

For the six months ended 30 June

	2005 (HK\$'000)	2004 (HK\$'000)
Interim dividend of 2.5 HK cents on 2,085,026,240 shares (2004: 4.5 HK cents on 2,016,340,195 shares)	52,126	90,735

Note 9 Earnings per share

The calculation of basic earnings per share is based on profit attributable to equity holders of the Company of HK\$210,700,000 (2004: HK\$215,580,000, as restated) and the weighted average number of 2,080,854,969 shares (2004: 1,982,465,522 shares) in issue during the period. The calculation of diluted earnings per share is based on profit attributable to equity holders of the Company of HK\$210,700,000 (2004: HK\$222,687,000, as restated) and the weighted average number of 2,166,616,091 shares (2004: 2,088,257,842 shares) in issue after adjusting for the effects of all dilutive potential ordinary shares.

A reconciliation of profit attributable to equity holders 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:

For the six months ended 30 June

	Profit attributable to equity holders of the Company		Weighted average number of shares	
	2005 (HK\$'000)	(Restated) 2004 (HK\$'000)	2005	2004
Profit/number of shares for the purpose of basic earnings per share	210,700	215,580	2,080,854,969	1,982,465,522
Effect of dilutive potential ordinary shares				
– share options	—	—	85,761,122	17,676,584
– convertible guaranteed bonds	—	7,107	—	88,115,736
Profit/number of shares for the purpose of diluted earnings per share	210,700	222,687	2,166,616,091	2,088,257,842

Note 10 Properties, plant and equipment

During the period, additions to properties, plant and equipment mainly comprised vessels, furniture, fixtures and equipment of HK\$68,177,000 (2004: furniture, fixtures and equipment of HK\$4,385,000) and net book value of properties, plant and equipment disposed of amounted to HK\$200,000 (2004: HK\$537,000).

Note 11 Investment properties

A revaluation of investment properties was performed on the open market value basis at 30 June 2005. The revaluation was conducted by Savills (Hong Kong) Limited and Chesterton Petty Limited, independent professional valuers, and carried out by qualified persons who are members of the Hong Kong Institute of Surveyors. Gain on revaluation and deferred tax thereon have been included in the profit and loss account.

Note 12 Available-for-sale investments

Available-for-sale investments of the Group mainly comprised an unlisted equity investment in Sociedade de Turismo e Diversões de Macau, S.A. (STDM), which does not have a quoted market price in an active market and for which 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. The STDM investment is therefore stated at cost and is subject to review for impairment loss.

Note 13 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 2005 (HK\$'000)	31 December 2004 (HK\$'000)
0 – 30 days	84,259	91,907
31 – 60 days	30,492	27,795
61 – 90 days	7,941	2,025
over 90 days	8,585	15,890
	131,277	137,617

The ageing analysis of trade creditors is as follows:

	30 June 2005 (HK\$'000)	31 December 2004 (HK\$'000)
0 – 30 days	170,158	189,964
31 – 60 days	1,591	761
61 – 90 days	365	550
over 90 days	1,457	708
	173,571	191,983

Note 14 Share capital

	30 June 2005		31 December 2004	
	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	2,080,026,240	520,007	1,942,433,910	485,608
Conversion of convertible guaranteed bonds	—	—	127,390,540	31,848
Exercise of share options	5,000,000	1,250	10,201,790	2,551
At end of the period	2,085,026,240	521,257	2,080,026,240	520,007

Note 15 Pledge of assets

At 30 June 2005, certain assets of the Group with an aggregate carrying value of HK\$487,007,000 (at 31 December 2004: HK\$514,567,000) were pledged to secure bank loan facilities.

Note 16 Capital commitments

	30 June 2005 (HK\$'000)	31 December 2004 (HK\$'000)
Contracted but not provided for		
Capital expenditure	20,321	32,337
Capital contribution to jointly controlled entities	6,368	6,368
	26,689	38,705
Authorised but not contracted for		
Capital expenditure	223	—

At 30 June 2005, the Group had an outstanding commitment of HK\$1,500 million for the acquisition of land development rights in respect of the property sites adjoining the Macau Tower in Nam Van, Macau as stated in item 7 of Connected Transactions in the Report of the Directors in the 2004 annual report.

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

	30 June 2005 (HK\$'000)	31 December 2004 (HK\$'000)
Contracted but not provided for	—	16
Authorised but not contracted for	—	7
	—	23

Note 17 Contingencies

There have been no material changes in contingent liabilities of the Group since 31 December 2004.

Note 18 Significant related party transactions

- a) During the period, details of significant related party transactions are as follows:

For the six months ended 30 June

	Note	2005 (HK\$'000)	2004 (HK\$'000)
STDM Group	(i)		
Dividend income from STDM		93,341	—
Ship tickets sold to STDM Group		236,802	243,070
Discount granted to STDM Group on ship tickets purchased by STDM Group		11,840	12,154
Commission paid to STDM Group on ship tickets sold by STDM Group		7,440	6,832
Fees received from STDM for management of hotels and Macau Tower Convention & Entertainment Centre (MTCEC)		17,810	18,666
Fuel purchased from STDM Group for Macau shipping operations		87,284	55,762
Amount collected by STDM Group for sale of ship tickets and related services in Macau		150,480	136,838
Amount reimbursed to STDM Group for expenses incurred in respect of shipping operations in Macau		70,570	66,234
Amount reimbursed by STDM Group for staff expenses and administrative resources shared		15,461	17,027
Amount reimbursed by STDM for management of MTCEC		15,903	7,907
Associates			
Insurance premium paid to an associate		15,509	16,692
Joint ventures			
Construction cost paid to a joint venture		16,236	24,160
Ship passengers handling fees received on behalf of a joint venture		13,849	6,907

Note 18 Significant related party transactions

(Continued)

For the six months ended 30 June

	Note	2005 (HK\$'000)	2004 (HK\$'000)
Key management personnel			
Fees received under Ferry Services			
Co-operation Agreement with a jointly controlled entity of New World Development Company Limited (NWD)	(ii)	15,000	15,000
Directors' remuneration			
Salaries and other short-term employee benefits		12,241	12,520
Post-employment benefits		535	505
Other related parties			
Commission paid to China Travel Service (Hong Kong) Limited (CTSHK) for sale of ship tickets	(iii)	13,735	13,159
Net income collected by CTSHK for sale of ship tickets and related services		61,291	62,934

Note 18 Significant related party transactions

(Continued)

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

	Note	30 June 2005 (HK\$'000)	31 December 2004 (HK\$'000)
STDM Group	(i)		
Net receivable from/(payable to) STDM	(iv)	78,306	(22,899)
Minority shareholder's loan from STDM to a subsidiary	(v)	100,000	100,000
Associates			
Amounts due by associates	(vi)	311,208	296,225
Joint ventures			
Amounts due by jointly controlled entities	(vii)	36,080	31,670
Key management personnel			
Minority shareholder's loans from NWD to subsidiaries	(viii)	217,095	263,338
Minority shareholder's loan from a company beneficially owned by Dr. Stanley Ho to a subsidiary	(ix)	121,107	125,107
Other related parties			
Minority shareholder's loans from Sun Hung Kai Properties Limited (SHK) to subsidiaries	(viii)	674,885	824,300

Notes:

- (i) Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung, Mrs. Mok Ho Yuen Wing, Louise, Ms. Pansy Ho and Mr. David Shum, directors of the Company, have beneficial interests in STDM. Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung (appointed representative of a corporate director), Mrs. Mok Ho Yuen Wing, Louise, Ms. Pansy Ho and Mr. David Shum are directors of STDM. STDM is a substantial shareholder of the Company.
- (ii) Dato' Dr. Cheng Yu Tung is chairman of NWD.
- (iii) CTSBK is a subsidiary of China Travel International Investment Hong Kong Limited which is a minority shareholder of a subsidiary.

Note 18 Significant related party transactions

(Continued)

- (iv) Net receivable from/(payable to) STDM includes dividend receivable, non-interest bearing unsecured temporary advances, trade and other receivable and payable.
- (v) The subsidiary, Shun Tak, Serviços Recreativos, S.A., holds development rights of a site in Taipa Macau and is owned as to 80% by the Group and 20% by STDM. The minority shareholder's loan is unsecured, non-interest bearing and with no fixed term of repayment.
- (vi) Amounts due by associates are unsecured and with no fixed term of repayment. Amount to the extent of HK\$276,700,000 (at 31 December 2004: HK\$264,500,000) is interest bearing at 6% per annum while the remaining balances are non-interest bearing.
- (vii) Amounts due by jointly controlled entities are unsecured, non-interest bearing and with no fixed term of repayment.
- (viii) The subsidiaries, Ranex Investments Limited (Ranex) and Treasure Peninsula Limited (TPL), hold the development project of The Belcher's and provide second mortgage financing to the buyers of The Belcher's respectively. The subsidiaries are owned as to 51% by the Group, 29% by SHK, 10% by NWD and 10% by an unrelated third party. The minority shareholders' loans to Ranex from NWD and SHK are unsecured, interest bearing at HIBOR plus 0.58% per annum and with no fixed term of repayment. The minority shareholders' loans to TPL from NWD and SHK are unsecured, non-interest bearing and with no fixed term of repayment.

Moreover, SHK also provides minority shareholder's loan to a subsidiary, Onluck Finance Limited, which provides second mortgage financing to the buyers of Liberté. This subsidiary is owned as to 64.56% by the Group and 35.44% by SHK. The loan is unsecured, non-interest bearing and with no fixed term of repayment.

- (ix) 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 minority shareholder's loan is unsecured, non-interest bearing and with no fixed term of repayment.

DISCLOSURE OF INTERESTS

As at 30 June 2005, 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 Part XV 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 Issuers (Model Code) as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Listing Rules), 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)	245,513,460	39,021,590	13.65%
Sir Roger Lobo		—	—	—
Robert Kwan		—	—	—
Norman Ho		—	—	—
Cheng Yu Tung		—	—	—
Mok Ho Yuen Wing, Louise		323,627	—	0.02%
Pansy Ho	(ii)	45,745,344	97,820,707	6.89%
Daisy Ho	(iii)	44,959,551	97,820,707	6.85%
Ambrose So	(iv)	30,563,990	—	1.47%
Patrick Huen	(v)	10,141,370	5,994,849	0.77%
Andrew Tse	(vi)	12,403,870	—	0.59%
Anthony Chan	(vii)	13,110,120	—	0.63%
Maisy Ho	(viii)	21,788,175	23,066,918	2.15%
David Shum	(ix)	5,000,000	—	0.24%

Notes:

- (i) The personal interest of Dr. Stanley Ho represents the interest in 243,926,160 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), 24,838,987 shares of the Company held by Dareset Limited (DL) and 2,736,067 shares of the Company held by Lanceford Company Limited (LCL). SIL, DL and LCL are wholly-owned by Dr. Stanley Ho.

- (ii) The personal interest of Ms. Pansy Ho represents the interest in 15,152,821 shares and interest in 30,592,523 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 14,367,028 shares and interest in 30,592,523 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". The corporate interest of Mr. Patrick Huen represents the interest in 5,994,849 shares of the Company held by Enhance Gain Investments Limited (EGIL). EGIL is wholly-owned by Mr. Patrick Huen.
- (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 8,031,250 shares and interest in 5,078,870 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. Maisy Ho represents the interest in 1,630,435 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. Maisy Ho represents the interest in 23,066,918 shares of the Company held by LionKing Offshore Limited (LOL). LOL is wholly-owned by Ms. Maisy Ho.
- (ix) The personal interest of Mr. David Shum represents the interest in 5,000,000 underlying shares in respect of the share options granted by the Company, the details of which are stated in section (d) "Share options".

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

Name of Director	Name of Subsidiary	Corporate Interest	Percentage of Interest
Stanley Ho	Shun Tak Cultural Centre Limited	4 ordinary shares	40%

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 other associated corporations of the Company

Name of Director	Name of Associated Corporation	Personal Interest	Corporate Interest	Percentage of Interest
Stanley Ho	South Light Limited	1 ordinary share	—	10%
Pansy Ho	Shun Tak & CITS Coach (Macao) Limited	—	750 shares	15%

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

Save as disclosed above, none of the directors or any of their 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 that was required to be recorded 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 as at 30 June 2005.

d) Share options

As at 30 June 2005, details of share options granted to directors and employees under the 1993 and 2002 share option schemes (as hereinafter defined) of the Company are as follows:

Grantee	Date of Grant	Exercise / Vesting Period	Exercise Price per Share	Number of Share Options	
				1 January 2005	30 June 2005
Stanley Ho	25 May 2004	25 May 2004 to 24 May 2014	HK\$3.15	1,587,300	1,587,300
Pansy Ho	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	20,157,740
Daisy Ho	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	20,157,740
Ambrose So	25 May 2004	25 May 2004 to 24 May 2014	HK\$3.15	20,157,740	20,157,740
Patrick Huen	25 May 2004	25 May 2004 to 24 May 2014	HK\$3.15	10,078,870	10,078,870
Andrew Tse	25 May 2004	25 May 2004 to 24 May 2014	HK\$3.15	10,078,870	10,078,870
Anthony Chan	25 May 2004	25 May 2004 to 24 May 2014	HK\$3.15	10,078,870	5,078,870
Maisy Ho	25 May 2004	25 May 2004 to 24 May 2014	HK\$3.15	20,157,740	20,157,740
David Shum	22 September 2004	22 September 2004 to 21 September 2014	HK\$4.20	5,000,000	5,000,000
Aggregate total of employees	8 July 2004	8 July 2004 to 7 July 2009	HK\$3.95	918,800	918,800

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 no further options could be offered but the outstanding options granted shall continue to be valid and exercisable in accordance with its provisions. A new share option scheme was adopted on 31 May 2002 (the 2002 share option scheme).

DISCLOSURE OF INTERESTS

- (ii) 5,000,000 share options of Mr. Anthony Chan granted under the 2002 share option scheme were exercised during the six months ended 30 June 2005. The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$7.50.
- (iii) No share option was granted, cancelled or lapsed during the six months ended 30 June 2005.
- (iv) Save as described above, as at 30 June 2005, 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 2005, the register of interests or short positions in shares kept under Section 336 of the SFO shows 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	14.77%
Sociedade de Turismo e Diversões de Macau, S.A. (STDM) and its subsidiary	263,667,107	12.65%

Notes:

- (i) 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. Mok Ho Yuen Wing, Louise has beneficial interests in STS.
- (ii) Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung, Mrs. Mok Ho Yuen Wing, Louise, Ms. Pansy Ho and Mr. David Shum have beneficial interests in STDM. Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung (appointed representative of a corporate director), Mrs. Mok Ho Yuen Wing, Louise, Ms. Pansy Ho and Mr. David Shum are directors of 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 2005.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Wednesday, 5 October to Friday, 7 October 2005, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong registrars, Computershare Hong Kong Investor Services Limited, of Shops 1712-1716, 17th Floor Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Tuesday, 4 October 2005.

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 2005.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain high standards of corporate governance. During the six months ended 30 June 2005, the Company took steps to comply with the Code Provisions in the Code on Corporate Governance Practices, as set out in Appendix 14 of the Listing Rules (the "Code").

At the annual general meeting held on 14 June 2005 (which was chaired by Ms. Pansy Ho, Managing Director, due to the Chairman being unable to attend), amendments to the Articles of Association of the Company were proposed and approved by shareholders to provide that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

The non-executive directors of the Company were appointed for a specific term but subject to re-election in accordance with the provisions of the Company's Articles of Association. Standard procedures were adopted for directors to seek independent professional advice and the responsibilities and duties of the Chairman and Managing Director were clearly defined in accordance with the Code.

CODE ON CORPORATE GOVERNANCE PRACTICES *(Continued)*

The terms of reference of the Audit Committee were modified to incorporate certain provisions set out in the Code. The Remuneration Committee was established and its terms of reference were adopted to comply with the Code.

In the opinion of the directors, having taken the steps above, and in conjunction with corporate governance procedures already in place, the Company has (save as stated above) complied with the Code throughout the six months ended 30 June 2005.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding directors' securities transactions. Based on specific enquiry of the directors of the Company, the directors have complied with the required standard, as set out in the Model Code during the six months ended 30 June 2005.

REVIEW BY AUDIT COMMITTEE

The unaudited interim financial statements for the six months ended 30 June 2005 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.

By order of the Board

Stanley Ho

Group Executive Chairman

Hong Kong, 13 September 2005

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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