



SHUN TAK HOLDINGS LIMITED

信德集團有限公司

Stock Code 股份代號 : 242

Interim Report 2006中期業績報告

GROUP RESULTS

The Group's unaudited profit attributable to equity holders of the Company for the six months ended 30 June 2006 amounted to HK\$260.7 million, an increase of 23.7% as compared with the profit of HK\$210.7 million for the corresponding period last year. Basic earnings per share were 12.4 HK cents (2005: 10.1 HK cents).

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of 4.5 HK cents per share (2005: 2.5 HK cents) in respect of the six months ended 30 June 2006, payable on 6 October 2006 to shareholders on record as at 29 September 2006.

BUSINESS REVIEW

Transportation

During the first half of the year, the Group's transportation division achieved a 42.4% increase in operating profit to HK\$130.6 million (2005: HK\$91.7 million). This performance reflects the favourable influence of Macau's emergence as a world-class tourism, entertainment and conference destination and the resulting traffic flow there. The number of visitors to Macau during the first half of the year exceeded 10 million people, representing an increase of approximately 17% over the comparable period last year.

Total passenger volume on the division's sea routes grew by approximately 12% to over 5.9 million people as compared to the same period in 2005. On the division's popular Hong Kong-Macau route, passenger volume increased by approximately 12% to 5.2 million people, a record high since the formation of TurboJET in 1999. The division retains its market leadership on this route, which it has maintained for the past four decades.

The division's TurboJET Sea Express service, linking the Hong Kong International Airport with Shenzhen and Macau, and its Macau-Shenzhen route both achieved record-high passenger volume with increases of approximately 29% and 39%, respectively, over the same period in 2005.

The division's sailing frequency reached a record-high level during the 2006 Chinese New Year holidays with 321 trips within a single day, including 282 trips on the Hong Kong-Macau route. These encouraging passenger trends were tempered by escalating fuel prices, which rose by approximately 30%

from same period in 2005. High fuel prices continue to be a challenge to the transportation division's positive performance. The division will continue to maintain prudent cost-control measures, including the most effective fleet deployment and sailing schedules.

In addition to the division's sea travel services, its transportation network has been extended to land and air. Its joint-venture company Shun Tak & CITS Coach (Macao) Limited (STCITS) operates bus services in Macau and provides cross-boundary services to several major Pearl River Delta destinations. STCITS recently purchased ten new coaches to accommodate the growing passenger demand for these routes. In January 2006, the Group announced a joint venture with China National Aviation Company Limited to form Groupax Limited, which indirectly holds a 49% interest in a new Macau-based airline, Macau Asia Express Limited (MAX).

Hospitality

The Group's hospitality division reported an operating profit of HK\$15.7 million for the first half of 2006, an increase of 12% over the comparable period last year. The division continues to benefit from the Macau SAR Government's promotion campaigns to attract leisure and business travelers to Macau and the Government's efforts to expand and improve Macau's infrastructure to accommodate the surge in growth of visitors to Macau.

The Group's 50%-owned Mandarin Oriental Macau (Mandarin) and 34.9%-owned Westin Resort Macau (Westin) together with the adjacent Macau Golf & Country Club, reported satisfactory growth in earnings over the same period of 2005. The Mandarin recorded an approximately 15% increase in average room rate during the period with an occupancy rate of 65%. The Westin recorded an increase in average room rate of approximately 7% and an occupancy rate of 55%.

In June, the Group's hotel portfolio expanded to Hong Kong to include a hotel at the Hong Kong International Airport. The Airport Authority Hong Kong awarded the consortium, in which the Group owns 70% interest, the right to develop and operate the hotel. The new five-star waterfront hotel, targeted at business, convention and leisure visitors, will be developed in two phases for a total of up to 1,000 rooms with initially 658 rooms in the first phase. The project will be named The Hong Kong SkyCity Marriott Hotel and managed by the internationally renowned hotel operator, Marriott International Inc. The new hotel will include extensive meeting facilities, three restaurants, an indoor swimming pool, health club and spa. The first development phase, with a total

investment of approximately HK\$1 billion, is anticipated to be completed in the first half of 2009. It is expected that about 60% of the total investment will be funded by external financing.

Macau Tower Convention & Entertainment Centre, which has been professionally managed by the Group, attracted more than four million visitors since its opening in December 2001. The Tower is now established as both a major tourist attraction and a prime venue for business conventions and large-scale public events.

Property

The Group's property division recorded an operating profit of HK\$48.4 million (2005: HK\$91.6 million) during the first half of the year. The profit decreased as most of the completed development properties in Hong Kong had been sold in previous years and new property developments are currently under planning and construction. With the completion of Nova City Phase I in Macau in the third quarter of 2006, a considerable profit will be recognized in the latter half of 2006.

The pre-sale of Nova City Phase I, comprising five residential towers, commenced in September 2005. The launch drew an enthusiastic market response, with almost all residential units sold by the first half of 2006. Superstructure works for Nova City Phase II, comprising four residential towers, commenced in October 2005 and is scheduled for completion in the first quarter of 2007. Pre-sale of Nova City Phase II units was launched in May 2006 and received a very positive response. Nova City Phase III is under planning.

In September 2005, the Group announced plans for a joint venture project with Hongkong Land Holdings Limited to develop a prime site on the Macau NAPE waterfront adjacent to the MGM Grand Macau complex under construction. The development of this joint venture project is named as One Central. It will comprise approximately 1.6 million square feet of lakefront luxury residential and serviced apartments, an approximately 400,000-square-foot high-end retail arcade and a 6-star 210-room hotel that will be managed by the Mandarin Oriental Hotel Group. Foundation work of the development was completed in August 2006. The project's residential and retail portions are scheduled for completion in 2008 and its serviced apartments and hotel portions in 2009.

Development of the Nam Van site, adjoining the Macau Tower, is under planning. The site area is approximately 428,000 square feet, with a total developable gross floor area of approximately 3.8 million square feet for mixed use, subject to the Macau SAR Government's approval. The completion date of the acquisition has been extended to 30 June 2007. The Group paid to the seller a HK\$500 million refundable deposit in consideration of the seller agreeing to further extend the completion date without increasing the sale price of the subject land. The development will include residential towers, a shopping mall, office building, hotel and casino.

The Group will also develop a site in Cotai zoned for hospitality and entertainment uses with Sociedade de Turismo e Diversões de Macau, S.A. (STDM), subject to the Macau SAR Government's approval, in lieu of the originally-announced site in Taipa. The Group holds 80% of the development and STDM holds the remaining 20%.

In Hong Kong, superstructure works for Radcliffe (formerly known as 120 Pokfulam Road), a luxury residential development featuring ten exclusive duplex boutique apartments of over 3,000 square feet each, commenced in September 2005 with completion scheduled for early 2007. The Group has also acquired all 140 units of Chatham Gardens as of January 2006. Demolition works commenced in May 2006 and are scheduled for completion by September 2006. The design of the site's new residential towers and commercial podium is in progress.

Liberté Place, the commercial complex at the Liberté in West Kowloon, and The Westwood, the commercial complex at The Belcher's in Mid-Levels, continued to generate stable rental income and satisfactory occupancy rates.

In Guangzhou, the Shun Tak Business Centre, a 32-storey office tower and a six-storey shopping arcade, recorded satisfactory performance.

Property Services

The Group's property management division provides comprehensive quality services to a wide range of residential, commercial and industrial properties. The property portfolio under the Group's management extends to more than 10 million square feet in Hong Kong and Macau and continues to expand. With the expected addition of Nova City Phase I to the portfolio, the revenue from property management will be further enhanced.

Investment

The investment division reported a 24.8% increase in operating profit to HK\$113.9 million (2005: HK\$91.3 million) for the first half of 2006. The Group owns a consolidated interest in STDM of approximately 15.8%. During the first half of 2006, the Group recognized HK\$108.5 million ordinary dividends from STDM for financial year ended 31 December 2005, representing a 16.3% increase over the corresponding period last year. In 2005, the Group recognized approximately HK\$93.3 million dividend income for the financial year ended 31 December 2004.

PROSPECTS

The Group is confident that Macau's robust economic expansion, with accompanying visitor and population growth and infrastructure development, will continue over the next decade. All divisions of the Group - transportation, hospitality, property and investment - are well-positioned to benefit from this long-term upward trend.

Built on the foundation of its historic shipping operations, the Group's transportation network has been extended to sea, land and air. The Group will continue to develop this international multi-modal network as passenger demand and synergistic opportunities evolve, and to seek additional revenue sources. Its joint-venture coach service, which began in 2005, has expanded its ground fleet in anticipation of increasing passenger demand for reliable, comfortable coach transportation in Macau and to major Pearl River Delta destinations.

The Group also anticipates growing demand for low-cost air transportation in the Pearl River Delta region. Utilizing a highly competitive cost model, MAX will fly initially to new destinations in Mainland China and other parts of Asia, offering individual travelers high-value flights. Subject to approval by the Macau SAR Government, MAX is scheduled to undertake its first commercial flight in the second quarter of 2007.

The Group's Macau hotel portfolio has been expanding and will comprise five luxury hotels. In addition to the well-regarded Mandarin and Westin, the Group plans major new hotels as part of its development projects at One Central, at the Nam Van site adjacent to the Macau Tower and in Cotai. These new hotels are well-positioned to serve Macau's growing leisure travel and business travel markets. The newly planned hotel at the Hong Kong International Airport, which is expected to be completed by the first half of

2009, will not only strengthen the Group's hotel portfolio but will also enhance its leading role as the premier travel and hospitality services provider in the Pearl River Delta region.

The property management division is actively pursuing opportunities that complement the thriving property and hospitality industries in Macau. In June 2006, it established ISS Shun Tak Company Limited, a joint venture company with ISS Hong Kong Services Limited, to deliver high-quality business cleaning services in Macau. ISS Hong Kong Services Limited is a member of ISS Group, a global market leader in facility services.

In March 2006, the Group obtained a HK\$5 billion syndicated loan facility for its planned property development projects at the Macau NAPE and Nam Van sites. As at 30 June 2006, the Group had a net cash surplus of approximately HK\$2.7 billion. The Group maintains a strong financial capability to explore and realize investment opportunities in Macau that are synergistic with its core businesses.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

The Group maintained strong financial position with bank balances and deposits amounted to HK\$3,716 million at 30 June 2006. Total loan facilities available to the Group as of 30 June 2006 amounted to HK\$8,559 million, of which HK\$7,528 million remained undrawn. The facilities outstanding at the period end comprised HK\$1,031 million in bank loans.

It is the Group's policy to secure adequate funding to match with cash flows required for working capital and investing activities. The maturity profile of the Group's borrowings as at 30 June 2006 is set out below:

Maturity Profile

Within 1 year	1-2 years	2-5 years	Total
7%	72%	21%	100%

Based on a net cash surplus of HK\$2,685 million at the period end, the Group's gearing ratio (expressed as a ratio of net borrowings to equity attributable to equity holders of the Company) was nil (at 31 December 2005: 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, 15,078,870 new shares were issued upon exercise of share options. In June 2006, 94,110,954 shares were issued as purchase consideration for the acquisition of Built City Investments Limited, a company holding 51% interest in a joint venture project with Hongkong Land Holdings Limited to develop One Central in Macau. At 30 June 2006, the Group had commitment of HK\$2,658 million to finance this development project.

Capital expenditure commitments of the Group amounted to HK\$892 million, a major portion of which was related to the Hong Kong SkyCity Marriott Hotel project at the Hong Kong International Airport.

Pledge of Assets

At the period end, certain assets of the Group with an aggregate carrying value of HK\$437 million (at 31 December 2005: HK\$465 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 minimal exposure to currency 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 2,300 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 members. They are also 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

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		(Unaudited) 2006	(Unaudited) 2005
	Note	(HK\$'000)	(HK\$'000)
Turnover	3	1,222,596	1,345,954
Other revenues		127,683	53,484
Other income	4	37,141	9,762
		1,387,420	1,409,200
Cost of inventories sold or consumed		(310,994)	(436,716)
Staff costs		(288,679)	(262,145)
Depreciation and amortisation		(67,214)	(66,118)
Other costs		(378,152)	(363,760)
Fair value changes on investment properties		36,843	106,576
Operating profit	3, 5	379,224	387,037
Excess of interest in fair value of net assets acquired over cost of acquisition of a subsidiary	17	22,689	—
Finance costs	6	(26,520)	(11,432)
Share of results of associates		42,772	16,737
Share of results of jointly controlled entities		4,479	2,856
Profit before taxation		422,644	395,198
Taxation	7	(32,619)	(46,579)
Profit after taxation		390,025	348,619
Attributable to:			
Equity holders of the Company		260,687	210,700
Minority interests		129,338	137,919
		390,025	348,619
Interim dividend	8	98,604	52,126
Earnings per share (HK cents)	9		
- basic		12.4	10.1
- diluted		11.9	9.7

		(Unaudited) 30 June 2006	(Audited) 31 December 2005
	Note	(HK\$'000)	(HK\$'000)
Non-current assets			
Property, plant and equipment	10	900,926	936,855
Investment properties	11	2,953,062	2,912,255
Leasehold land		595,000	601,782
Properties under development		12,689	—
Associates		203,084	196,955
Jointly controlled entities		996,329	14,553
Intangible assets		3,439	2,275
Available-for-sale investments	12	1,181,984	1,057,684
Mortgage loans receivable		120,875	283,099
Deferred tax assets		11,863	11,285
Other non-current assets		737,534	370,951
		7,716,785	6,387,694
Current assets			
Properties under development		1,042,480	1,026,554
Inventories		239,229	235,674
Trade and other receivables	13	442,474	303,049
Available-for-sale investments		12,094	29,038
Derivative financial instruments		823	5,363
Taxation recoverable		3,538	4,169
Cash and bank balances	14	3,638,201	3,864,250
		5,378,839	5,468,097

		(Unaudited) 30 June 2006	(Audited) 31 December 2005
	Note	(HK\$'000)	(HK\$'000)
Current liabilities			
Bank borrowings		76,244	166,995
Trade and other payables	13	549,031	519,243
Derivative financial instruments		36	—
Provision for employee benefits		27,931	28,222
Taxation payable		49,419	65,211
		702,661	779,671
Net current assets		4,676,178	4,688,426
Total assets less current liabilities		12,392,963	11,076,120
Non-current liabilities			
Bank borrowings		954,853	849,724
Deferred tax liabilities		169,869	158,412
Loans from minority shareholders		992,681	1,104,858
		2,117,403	2,112,994
Net assets		10,275,560	8,963,126
Equity			
Share capital	15	547,802	520,505
Reserves		7,717,472	6,530,298
Proposed dividends		98,604	93,691
Equity attributable to equity holders of the Company		8,363,878	7,144,494
Minority interests		1,911,682	1,818,632
Total equity		10,275,560	8,963,126

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2006 (unaudited)

Equity attributable to equity holders of the Company

	Share capital (HK\$'000)	Share premium account (HK\$'000)	Capital redemption reserve account (HK\$'000)	Legal 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 1 January 2006	520,505	4,095,965	5,771	7,548	14,552	1,885	5,389	2,399,188	93,691	7,144,494	1,818,632	8,963,126
Fair value changes	—	—	—	—	60,685	2,148	—	—	—	62,833	2,894	65,727
Released upon derecognition of available-for-sale investments	—	—	—	—	(1,236)	—	—	—	—	(1,236)	—	(1,236)
Released upon derecognition of derivative financial instruments	—	—	—	—	—	(4,082)	—	—	—	(4,082)	(5,500)	(9,582)
Deferred tax credited for the period	—	—	—	—	—	338	—	—	—	338	456	794
Exchange translation differences	—	—	—	—	—	—	1,858	—	—	1,858	1,239	3,097
Income and expense recognised directly in equity	—	—	—	—	59,449	(1,596)	1,858	—	—	59,711	(911)	58,800
Profit for the period	—	—	—	—	—	—	—	260,687	—	260,687	129,338	390,025

Equity attributable to equity holders of the Company

	Share capital (HK\$'000)	Share premium account (HK\$'000)	Capital redemption reserve account (HK\$'000)	Legal 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 equity (HK\$'000)	Minority interests (HK\$'000)	Total equity (HK\$'000)
Total recognised income and expense for the period	—	—	—	—	59,449	(1,596)	1,858	260,687	—	320,398	128,427	448,825
Issue of shares for acquisition of a subsidiary	23,528	936,404	—	—	—	—	—	—	—	959,932	—	959,932
Exercise of share options	3,769	33,729	—	—	—	—	—	—	—	37,498	—	37,498
Expenses on issue of shares	—	(64)	—	—	—	—	—	—	—	(64)	—	(64)
Deemed disposal of partial interest in a subsidiary	—	—	—	—	—	—	—	—	—	—	3	3
Dividends to minority shareholders	—	—	—	—	—	—	—	—	—	—	(35,380)	(35,380)
2005 final dividend for shares issued upon exercise of share options and for acquisition of a subsidiary	—	—	—	—	—	—	—	(4,689)	4,689	—	—	—
2005 final dividend	—	—	—	—	—	—	—	—	(98,380)	(98,380)	—	(98,380)
2006 interim dividend	—	—	—	—	—	—	—	(98,604)	98,604	—	—	—
27,297	970,069	—	—	—	59,449	(1,596)	1,858	157,394	4,913	1,219,384	93,050	1,312,434
547,802	5,066,034	5,771	7,548	74,001	289	7,247	2,556,582	98,604	8,363,878	1,911,682	10,275,560	
At 30 June 2006												

Equity attributable to equity holders of the Company

	Share capital (HK\$'000)	Share premium account (HK\$'000)	Capital redemption reserve account (HK\$'000)	Investment Legal 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 1 January 2005	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
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 for the period	—	—	—	—	—	(689)	—	—	—	(689)	(928)	(1,617)
Income and expense recognised directly in equity	—	—	—	—	(2,967)	12,192	—	—	—	9,225	16,428	25,653
Profit for the period	—	—	—	—	—	—	—	210,700	—	210,700	137,919	348,619

Equity attributable to equity holders of the Company

	Share capital (HK\$'000)	Share premium account (HK\$'000)	Capital redemption reserve account (HK\$'000)	Legal 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)
Total recognised income and expense for the period	—	—	—	—	(2,967)	12,192	—	210,700	—	219,925	154,347	374,272
Exercise of share options	1,250	14,500	—	—	—	—	—	—	—	15,750	—	15,750
Expenses on issue of shares	—	(17)	—	—	—	—	—	—	—	(17)	—	(17)
2004 final dividend for shares issued upon exercise of share options	—	—	—	—	—	—	—	(325)	325	—	—	—
2004 final dividend	—	—	—	—	—	—	—	—	(135,527)	(135,527)	—	(135,527)
2005 interim dividend	—	—	—	—	—	—	—	(52,126)	52,126	—	—	—
	1,250	14,483	—	—	(2,967)	12,192	—	158,249	(83,076)	100,131	154,347	254,478
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 Cash Flow Statement

For the six months ended 30 June

		(Unaudited) 2006	(Unaudited) 2005
	Note	(HK\$'000)	(HK\$'000)
Net cash from operating activities		6,437	333,063
Net cash (used in)/from investing activities		(46,366)	138,275
Net cash used in financing activities		(191,170)	(602,763)
Net decrease in cash and cash equivalents		(231,099)	(131,425)
Effect of foreign exchange rates changes		163	—
Cash and cash equivalents at 1 January		3,877,831	3,929,801
Cash and cash equivalents at 30 June		3,646,895	3,798,376
Analysis of cash and cash equivalents			
Bank balances (classified as other non-current assets)		77,600	—
Investment funds (classified as available-for-sale investments)		12,094	20,857
Cash and bank balances	14	3,638,201	3,848,298
		3,727,895	3,869,155
Bank deposits with a maturity over three months		(81,000)	(70,779)
		3,646,895	3,798,376

The major non-cash transaction during the period was the issue of 94,110,954 ordinary shares of the Company as the consideration for an acquisition, the details of which are disclosed in note 17.

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.

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 2005 except as described in note 2 below.

Note 2 Impact of Revised Hong Kong Financial Reporting Standards

The Group has adopted the following amendments to Hong Kong Financial Reporting Standards (HKFRSs) that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2006:

HKAS 1, HKAS 27 & HKFRS 3 (Amendments)	Presentation of Financial Statements, Consolidated and Separate Financial Statements & Business Combinations – Amendments as a consequence of the Hong Kong Companies (Amendment) Ordinance 2005
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – The Fair Value Option
HKAS 39 & HKFRS 4 (Amendments)	Financial Instruments: Recognition and Measurement & Insurance Contracts – Financial Guarantee Contracts

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

In addition, the Hong Kong Companies (Amendment) Ordinance 2005 came into effect on 1 December 2005 and was first applicable to the Group's financial statements for the accounting period beginning on 1 January 2006.

The adoption of the revised HKFRSs and the application of the Hong Kong Companies (Amendment) Ordinance 2005 have no material impact on these condensed consolidated financial statements.

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 2006						
Turnover and revenue						
External turnover	856,173	119,288	136,161	110,974	—	1,222,596
Inter-segment turnover	61,316	964	15,496	—	(77,776)	—
Other revenues	30,800	714	574	16,471	—	48,559
	948,289	120,966	152,231	127,445	(77,776)	1,271,155
Segment results	130,573	48,390	15,705	113,872	—	308,540
Fair value changes on investment properties	—	36,843	—	—	—	36,843
Unallocated net income						33,841
Operating profit						379,224

Note 3 Segment Information (Continued)

Business segments (Continued)

	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

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				
2006	624,497	553,663	92,995	1,271,155
2005	830,847	471,243	67,556	1,369,646

Note 4 Other Income

Other income in 2006 includes HK\$27,268,000 being profit on disposal of property, plant and equipment.

Note 5 Operating Profit

For the six months ended 30 June

	2006	2005
	(HK\$'000)	(HK\$'000)
After crediting:		
Interest income	86,510	36,969
Rental income from investment properties	69,430	63,572
Dividend income from listed investments	2,072	1,006
Dividend income from unlisted investments	108,727	93,630
Profit on sale of investments	1,861	—
After charging:		
Cost of inventories		
- properties	6,681	206,034
- others	304,313	230,682
	310,994	436,716

Note 6 Finance Costs

For the six months ended 30 June

	2006	2005
	(HK\$'000)	(HK\$'000)
Total finance costs incurred	27,160	11,466
Less: Amount capitalised in properties under development	(640)	(34)
Total finance costs expensed during the period	26,520	11,432

Note 7 Taxation

For the six months ended 30 June

	2006	2005
	(HK\$'000)	(HK\$'000)
Company and subsidiaries		
Hong Kong profits tax	20,006	21,290
Overseas tax	1,262	3,643
Deferred tax	11,351	21,646
	32,619	46,579

Note 7 Taxation (Continued)

Hong Kong profits tax is provided for at the rate of 17.5% (2005: 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.

Note 8 Interim Dividend

For the six months ended 30 June

	2006 (HK\$'000)	2005 (HK\$'000)
Interim dividend of 4.5 HK cents on 2,191,208,064 shares (2005: 2.5 HK cents on 2,085,026,240 shares)	98,604	52,126

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\$260,687,000 (2005: HK\$210,700,000) and the weighted average number of 2,096,772,692 shares (2005: 2,080,854,969 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\$260,687,000 (2005: HK\$210,700,000) and the weighted average number of 2,188,736,830 shares (2005: 2,166,616,091 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	
	2006	2005	2006	2005
	(HK\$'000)	(HK\$'000)		
Profit/number of shares for the purpose of basic earnings per share	260,687	210,700	2,096,772,692	2,080,854,969
Effect of dilutive potential ordinary shares – share options	—	—	91,964,138	85,761,122
Profit/number of shares for the purpose of diluted earnings per share	260,687	210,700	2,188,736,830	2,166,616,091

Note 10 Property, Plant and Equipment

During the period, additions to property, plant and equipment mainly comprised vessels, furniture, fixtures and equipment of HK\$28,573,000 (2005: HK\$68,177,000) and net book value of property, plant and equipment disposed of amounted to HK\$4,112,000 (2005: HK\$200,000).

Note 11 Investment Properties

A revaluation of all investment properties was performed at 30 June 2006 by reference to sales evidence as available on the market and where appropriate on the basis of capitalisation of net income. The revaluation was conducted by Knight Frank Petty Limited, independent professional valuer, and carried out by qualified persons who are members of the Hong Kong Institute of Surveyors. Surplus on revaluation and deferred tax thereon have been included in the profit and loss account.

Note 12 Available-for-sale Investments

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

Note 13 Trade Debtors and Creditors — Ageing Analysis

Trade debtors are managed in accordance with defined credit policies, dependent on market requirements and businesses which they operate. Subject to negotiation, credit is only available for major customers with well-established trading records. The ageing analysis of trade debtors is as follows:

	30 June 2006	31 December 2005
	(HK\$'000)	(HK\$'000)
0 – 30 days	87,888	91,422
31 – 60 days	39,237	32,133
61 – 90 days	9,502	4,312
over 90 days	33,478	16,639
	170,105	144,506

The ageing analysis of trade creditors is as follows:

	30 June 2006	31 December 2005
	(HK\$'000)	(HK\$'000)
0 – 30 days	149,360	150,071
31 – 60 days	2,317	3,649
61 – 90 days	554	452
over 90 days	10,031	8,731
	162,262	162,903

Note 14 Cash and Bank Balances

Cash and bank balances included bank deposits of HK\$1,224,397,000 (at 31 December 2005: nil) which were denominated in Hong Kong dollars and deposited in a bank in Macau as a condition for the bank to issue a bank guarantee to evidence the Company's liquidity position relating to a pre-emptive shares acquisition right.

Note 15 Share Capital

	30 June 2006		31 December 2005	
	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	2,082,018,240	520,505	2,080,026,240	520,007
Issue of shares for acquisition of a subsidiary	94,110,954	23,528	—	—
Exercise of share options	15,078,870	3,769	5,000,000	1,250
Repurchase of shares	—	—	(3,008,000)	(752)
At end of the period	2,191,208,064	547,802	2,082,018,240	520,505

Note 16 Pledge of Assets

At 30 June 2006, certain assets of the Group with an aggregate carrying value of HK\$437,144,000 (at 31 December 2005: HK\$465,089,000) were pledged to secure bank loan facilities.

Note 17 Acquisition of Interest in a Subsidiary

	Book value (HK\$'000)	Fair value (HK\$'000)
Net assets acquired		
Jointly controlled entity	(5,587)	978,713
Amount due by jointly controlled entity	201,788	201,788
Trade and other receivables	277,237	277,237
Cash and bank balances	29	29
Amount due to the Group	(197,881)	(197,881)
Trade and other payables	(277,265)	(277,265)
	<u>(1,679)</u>	982,621
Excess of interest in fair value of net assets acquired over cost of acquisition		<u>(22,689)</u>
		<u>959,932</u>
Satisfied by		
Ordinary shares of the Company, at fair value		<u>959,932</u>

On 7 June 2006, Right City International Limited, a wholly-owned subsidiary of the Group, completed the acquisition of the entire issued share capital of Built City Investments Limited (Built City), whose principal asset is a 51% interest in a jointly controlled entity, Basecity Investments Limited (Basecity), which indirectly wholly-owns Properties Sub F, Limited, which had the right of a land concession in respect of the property site located at Lot B, District B2, Zone B, NAPE in Macau.

Note 17 Acquisition of Interest in a Subsidiary (Continued)

The Company issued 94,110,954 ordinary shares as consideration for the acquisition. The consideration was determined with reference to the market value of the property site in mid-2004 (as described in the Company's circular dated 21 October 2005), and did not take into account the subsequent increase in property prices in Macau. The fair value of ordinary shares issued as consideration was based on the quoted bid price at the date of completion of acquisition. The fair value adjustment to the attributable interest in the jointly controlled entity was mainly attributable to the fair value of the land concession right it held. Since the fair value of net assets acquired exceeds the fair value of the consideration paid, the Group recognised the excess in the consolidated profit and loss account.

Built City did not contribute any profit or loss to the Group between the date of acquisition and the balance sheet date.

The acquisition was completed during the month prior to the balance sheet date. Given the time constraints, it is not practicable to reasonably estimate and disclose the revenue and profit or loss of the Group for the period as though the acquisition had taken place at 1 January 2006.

The initial accounting for the acquisition was determined only provisionally because (i) only unaudited financial information was used given the time constraints, and (ii) the cost of acquisition will be affected by the Cash Adjustment, if any, as defined in the Company's circular dated 21 October 2005. The Cash Adjustment was not included in the cost of acquisition because it could not be measured exactly until completion of construction.

Note 18 Significant Related Party Transactions

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

For the six months ended 30 June

		2006	2005
	Note	(HK\$'000)	(HK\$'000)
STDM Group	(i)		
Dividend income from STDM		108,541	93,341
Ferry tickets sold to STDM Group		226,750	236,802
Discount granted to STDM Group on ferry tickets purchased by STDM Group		11,337	11,840
Commission paid to STDM Group on ferry tickets sold by STDM Group		8,270	7,440
Fees received from STDM for management of hotels and Macau Tower Convention & Entertainment Centre		17,734	17,810
Fuel purchased from STDM Group for Macau shipping operations		117,980	87,284
Amount collected by STDM Group on behalf of the Group for sale of ferry tickets and related services in Macau		166,270	150,480

Note 18 Significant Related Party Transactions

(Continued)

a) (Continued)

For the six months ended 30 June

	2006	2005
Note	(HK\$'000)	(HK\$'000)
Amount reimbursed to STDM Group for expenses incurred in respect of shipping operations in Macau	59,836	70,570
Amount reimbursed by STDM Group for staff expenses and administrative resources shared	15,294	15,461
Associates		
Insurance premium paid to an associate	15,973	15,509
Jointly controlled entities		
Ferry passengers handling fees received on behalf of a jointly controlled entity	18,685	13,849

Note 18 Significant Related Party Transactions

(Continued)

a) (Continued)

For the six months ended 30 June

		2006	2005
	Note	(HK\$'000)	(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' emoluments			
Salaries and other short-term employee benefits		12,559	12,241
Post-employment benefits		547	535
Other related parties			
Commission paid to China Travel Service (Hong Kong) Limited (CTSHK) for sale of ferry tickets	(iii)	15,496	13,735
Net income collected by CTSHK for sale of ferry tickets and related services		71,811	61,291

Note 18 Significant Related Party Transactions

(Continued)

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

		30 June 2006	31 December 2005
	Note	(HK\$'000)	(HK\$'000)
STDM Group	(i)		
Net receivable from			
STDM Group	(iv)	94,047	7,956
Minority shareholder's			
loan from STDM			
to a subsidiary	(v)	100,000	100,000
Associates			
Amounts due by associates	(vi)	302,611	302,611
Jointly controlled entities			
Amounts due by jointly			
controlled entities	(vii)	311,470	34,280
Construction costs			
payable to a jointly			
controlled entity		30,148	40,362
Key management			
personnel			
Minority shareholder's			
loans from NWD			
to subsidiaries	(viii)	153,352	176,172
Minority shareholder's			
loan from a company			
beneficially owned			
by Dr. Stanley Ho			
to a subsidiary	(ix)	117,907	117,907

Note 18 Significant Related Party Transactions

(Continued)

b) (Continued)

		30 June 2006	31 December 2005
	Note	(HK\$'000)	(HK\$'000)
Other related parties			
Minority shareholder's loans from Sun Hung Kai Properties Limited (SHK) to subsidiaries	(viii)	456,361	533,701
Minority shareholder's loan from Dragages Investments Limited (Dragages) to a subsidiary	(x)	10,497	—

- c) During the period, the Group completed the acquisition of Built City, a subsidiary previously indirectly wholly-owned by Ms. Pansy Ho, a Director and shareholder of the Company. The details of the acquisition are disclosed in note 17.

After the completion of the acquisition, Built City received on behalf of a company wholly-owned by Ms. Pansy Ho the balance of the consideration, totalling HK\$277 million, for the sale of 49% interest in Basecity to an indirectly wholly-owned subsidiary of Hongkong Land Holdings Limited.

Note 18 Significant Related Party Transactions

(Continued)

Notes:

- (i) *Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung, Mrs. Louise Mok, Ms. Pansy Ho and Mr. David Shum, Directors of the Company, have beneficial interests in STDM. Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung (appointed representative of a corporate director), Mrs. Louise Mok, 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) *CTSHK is a subsidiary of China Travel International Investment Hong Kong Limited which is a minority shareholder of a subsidiary.*
- (iv) *Net receivable from STDM Group comprises unsecured non-interest bearing current account, trade and other receivable and payable, including dividend receivable of HK\$60,106,000 (at 31 December 2005: nil).*
- (v) *The subsidiary, Shun Tak, Serviços Recreativos, S.A., holds site development rights in 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. Impairment loss of HK\$10,000,000 (at 31 December 2005: HK\$10,000,000) was provided in previous years.*

Amount to the extent of HK\$291,475,000 (at 31 December 2005: HK\$291,475,000) is interest bearing at 6% per annum while the remaining balances are non-interest bearing. The related interest income for the first half of 2006 amounted to HK\$8,672,000 (2005: HK\$8,043,000). At 30 June 2006, interest receivable of HK\$22,810,000 (at 31 December 2005: HK\$14,138,000) remained unsettled.

- (vii) *Amounts due by jointly controlled entities are unsecured.*

Amount to the extent of HK\$9,200,000 (at 31 December 2005: HK\$9,200,000) is expected to be repayable within one year, amount to the extent of HK\$30,440,000 (at 31 December 2005: nil) is repayable upon notice of either party, while the remaining balances have no fixed term of repayment.

Note 18 Significant Related Party Transactions

(Continued)

Amount to the extent of HK\$7,200,000 (at 31 December 2005: HK\$7,200,000) is interest bearing at 5% per annum and amount to the extent of HK\$241,700,000 (at 31 December 2005: nil) is interest bearing at HIBOR plus 3% per annum while the remaining balances are non-interest bearing. The related interest income for the first half of 2006 amounted to HK\$5,230,000 (2005: nil). At 30 June 2006, interest receivable of HK\$5,230,000 (at 31 December 2005: HK\$360,000) remained unsettled.

(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.

(x) The subsidiary, Union Sky Holdings Limited, holds the hotel development project at the Hong Kong International Airport and is owned as to 70% by the Group and 30% by Dragages. The minority shareholder's loan is unsecured, non-interest bearing and with no fixed term of repayment.

Note 19 Commitments

	30 June 2006	31 December 2005
	(HK\$'000)	(HK\$'000)
Capital expenditure		
Contracted but not provided for	892,162	39,085
Authorised but not contracted for	89	—

At the balance sheet date, the Group had commitments of:

- (i) the payment of HK\$750 million (at 31 December 2005: HK\$750 million) in cash and the issue of 148,883,374 ordinary shares (at 31 December 2005: 148,883,374 ordinary shares) of the Company for the acquisition of the interest in the land development right in respect of the property sites adjoining the Macau Tower in Nam Van, Macau.
- (ii) its share of capital and loan contributions of HK\$2,710 million (at 31 December 2005: HK\$6 million) to certain jointly controlled entities to finance various projects in Mainland China and Macau.
- (iii) HK\$334,067,000 (at 31 December 2005: HK\$95,592,000) under various contracts to complete property development projects, out of which HK\$248,163,000 (at 31 December 2005: nil) represents the Group's share of such commitments of a jointly controlled entity.

Note 20 Contingencies

There have been no material changes in contingent liabilities of the Group since 31 December 2005.

Note 21 Events after the Balance Sheet Date

After the balance sheet date, pursuant to the commitment for the acquisition of the interest in the land development right as disclosed in note 19(i), the Company paid a refundable deposit of \$500 million in order to further extend the completion date of the acquisition without changing the consideration or other terms of the acquisition.

As at 30 June 2006, 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	Nature of Interests	Ordinary Shares of HK\$0.25 each				Approximate Percentage of Total Issued Shares Note (i)
		Personal Interests	Note	Corporate Interests	Note	
Stanley Ho	Interests in issued shares	250,936,160		39,021,590	(iii)	13.23%
	Interests in unissued shares	—		148,883,374	(iv)	6.79%
	Interests in underlying shares	1,587,300	(ii)	—		0.07%
Roger Lobo		—		—		—
Robert Kwan		—		—		—
Norman Ho		—		—		—
Cheng Yu Tung		—		—		—
Louise Mok	Interests in issued shares	323,627		—		0.01%
Pansy Ho	Interests in issued shares	15,152,821		191,931,661	(v)	9.45%
	Interests in unissued shares	—		148,883,374	(iv)	6.79%
	Interests in underlying shares	30,592,523	(ii)	—		1.40%
Daisy Ho	Interests in issued shares	20,367,028		97,820,707	(vi)	5.39%
	Interests in unissued shares	—		148,883,374	(iv)	6.79%
	Interests in underlying shares	25,592,523	(ii)	—		1.17%
Ambrose So	Interests in issued shares	8,906,250		—		0.41%
	Interests in underlying shares	20,157,740	(ii)	—		0.92%

Name of Director	Nature of Interests	Ordinary Shares of HK\$0.25 each				Approximate Percentage of Total Issued Shares Note (i)
		Personal Interests	Note	Corporate Interests	Note	
Patrick Huen	Interests in issued shares	62,500		5,994,849	(vii)	0.28%
	Interests in underlying shares	10,078,870	(ii)	—		0.46%
Andrew Tse	Interests in issued shares	11,403,870		—		0.52%
Anthony Chan	Interests in issued shares	8,031,250		—		0.37%
	Interests in underlying shares	5,078,870	(ii)	—		0.23%
Maisy Ho	Interests in issued shares	1,630,435		23,066,918	(viii)	1.13%
	Interests in underlying shares	20,157,740	(ii)	—		0.92%
David Shum	Interests in underlying shares	5,000,000	(ii)	—		0.23%

Notes:

- (i) As at 30 June 2006, the total number of issued shares of the Company is 2,191,208,064.
- (ii) These represent the interests in underlying shares in respect of share options granted by the Company, the details of which are stated in section (d) "Share options".
- (iii) The 39,021,590 shares of Dr. Stanley Ho comprise 11,446,536 shares held by Sharikat Investments Limited (SIL), 24,838,987 shares held by Dareset Limited (DL) and 2,736,067 shares held by Lanceford Company Limited (LCL). SIL, DL and LCL are wholly-owned by Dr. Stanley Ho.
- (iv) The 148,883,374 unissued shares of Dr. Stanley Ho, Ms. Pansy Ho and Ms. Daisy Ho are the same parcel of shares, and represent shares to be allotted to Alpha Davis Investments Limited (ADIL) upon completion of the acquisition as described in the Company's circular dated 17 December 2004. ADIL is owned as to 47% by Innowell Investments Limited (IIL) and 53% by Megaprosper Investments Limited (MIL). IIL is wholly-owned by Dr. Stanley Ho. MIL is owned as to 51% by Ms. Pansy Ho and 39% by Ms. Daisy Ho.
- (v) The 191,931,661 shares of Ms. Pansy Ho comprise 97,820,707 shares held by Beeston Profits Limited (BPL) and 94,110,954 shares held by Classic Time Developments Limited (CTDL). BPL and CTDL are wholly-owned by Ms. Pansy Ho.
- (vi) The 97,820,707 shares of Ms. Daisy Ho are held by St. Lukes Investments Limited, which is wholly-owned by Ms. Daisy Ho.

(vii) The 5,994,849 shares of Mr. Patrick Huen are held by Enhance Gain Investments Limited, which is wholly-owned by Mr. Patrick Huen.

(viii) The 23,066,918 shares of Ms. Maisy Ho are held by LionKing Offshore Limited, which is wholly-owned by Ms. Maisy Ho.

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 (resigned on 21 August 2006) 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	Corporate Interest	Percentage of Interest
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 2006.

d) Share Options

As at 30 June 2006, 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 Period	Exercise Price per Share	Number of Share Options	
				1 January 2006	30 June 2006
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	5,434,783
	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	—
Anthony Chan	25 May 2004	25 May 2004 to 24 May 2014	HK\$3.15	5,078,870	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).
- (ii) 5,000,000 share options of Ms. Daisy Ho granted under the 1993 share option scheme were exercised during the six months ended 30 June 2006. The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$9.30.

- (iii) 10,078,870 share options of Mr. Andrew Tse (resigned on 21 August 2006) granted under the 2002 share option scheme were exercised during the six months ended 30 June 2006. The weighted average closing price of the shares of the Company immediately before the dates on which the options were exercised was HK\$11.02.
- (iv) No share option was granted, cancelled or lapsed during the six months ended 30 June 2006.
- (v) Save as described above, as at 30 June 2006, 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 under the share option schemes.

e) Substantial Shareholders

As at 30 June 2006, 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	Note	Nature of Interests	Capacity	Ordinary Shares of HK\$0.25 each	Approximate Percentage of Interests
Shun Tak Shipping Company, Limited (STS) and its subsidiaries	(ii)	Interests in issued shares	Beneficial owner	308,057,215	14.06%
Sociedade de Turismo e Diversões de Macau, S.A. (STDM) and its subsidiary	(iii)	Interests in issued shares	Beneficial owner	263,667,107	12.03%
Alpha Davis Investments Limited (ADIL)	(iv)	Interests in unissued shares	Beneficial owner	148,883,374	6.79%
Innowell Investments Limited (ILL)	(iv)	Interests in unissued shares	Interests of controlled corporation	148,883,374	6.79%
Megaprospere Investments Limited (MIL)	(iv)	Interests in unissued shares	Interests of controlled corporation	148,883,374	6.79%
Julius Baer Investment Management LLC		Interests in issued shares	Investment manager	147,302,862	6.72%

Notes:

- (i) As at 30 June 2006, the total number of issued shares of the Company is 2,191,208,064.*
- (ii) Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung, Ms. Pansy Ho and Ms. Daisy Ho have beneficial interests in and are directors of STS. Mrs. Louise Mok has beneficial interests in STS.*
- (iii) Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung, Mrs. Louise Mok, 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. Louise Mok, Ms. Pansy Ho and Mr. David Shum are directors of STDM.*
- (iv) ADIL is entitled to interests in 148,883,374 unissued shares of the Company which will be issued upon completion of the acquisition as described in the Company's circular dated 17 December 2004. ADIL is owned as to 47% by IIL and 53% by MIL. IIL is wholly-owned by Dr. Stanley Ho. MIL is owned as to 51% by Ms. Pansy Ho, 39% by Ms. Daisy Ho and 10% by Ms. Maisy Ho. Accordingly, the interests of IIL and MIL in the Company duplicate the interests of ADIL in the Company as described above. Dr. Stanley Ho is a director of ADIL and IIL. Ms. Pansy Ho and Ms. Daisy Ho are directors of ADIL, IIL and MIL.*
- (v) All the interests disclosed above represent long position in the shares of the Company.*
- (vi) 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 2006.*

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

Financial assistance given to and guarantees given for facilities granted to affiliated companies by the Group as at 30 June 2006 in aggregate exceeded 8% of the total assets of the Group as at 31 December 2005. In accordance with the requirement under Rule 13.22 of the Listing Rules, a proforma combined balance sheet of the affiliated companies and the Group's attributable interests as at 30 June 2006 are disclosed as follows:

	Proforma Combined Balance Sheet (HK\$'000)	Group's Attributable Interests (HK\$'000)
Non-current assets	1,161,998	528,148
Current assets	4,033,662	1,442,338
Current liabilities	(1,149,332)	(323,985)
Non-current liabilities	(2,035,637)	(676,268)
Net assets	2,010,691	970,233

The proforma combined balance sheet of the affiliated companies is prepared by combining their balance sheets as at 30 June 2006, after regrouping into significant balance sheet classification and taking up adjustments to conform with the Group's significant accounting policies as well as the fair value adjustment as disclosed in note 17 to the condensed financial statements.

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 2006.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2006.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they fully complied with the Model Code throughout the six months ended 30 June 2006.

REVIEW BY AUDIT COMMITTEE

The unaudited interim financial statements for the six months ended 30 June 2006 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 Statement of Auditing Standards 700 issued by the Hong Kong Institute of Certified Public Accountants.

By order of the Board

Stanley Ho

Group Executive Chairman

Hong Kong, 8 September 2006

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. Anthony Chan, Ms. Maisy Ho and Mr. David Shum. The non-executive Directors are Dato' Dr. Cheng Yu Tung and Mrs. Louise Mok and the independent non-executive Directors are Sir Roger Lobo, Mr. Robert Kwan and Mr. Norman Ho.

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