



SHUN TAK HOLDINGS LIMITED

信德集團有限公司

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Interim Report 2007 中期業績報告

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## Arctic Tern

The Arctic tern is famous for its acrobatic flair, remarkable perseverance and strong team spirit. It is known as the champion globetrotting bird. The Arctic tern travels between their breeding grounds in the Arctic region and their wintering grounds in the Antarctic annually, pursuing the perpetual daylight of the poles' summer sun.

## GROUP RESULTS

The Group's unaudited profit attributable to equity holders of the Company for the six months ended 30 June 2007 amounted to HK\$677.6 million, an increase of 159.9% as compared with the profit of HK\$260.7 million for the corresponding period last year. Basic earnings per share were 31.0 HK cents (2006: 12.4 HK cents).

## INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of 7 HK cents per share (2006: 4.5 HK cents) in respect of the six months ended 30 June 2007, payable on 12 October 2007 to shareholders on record as at 3 October 2007.

## BUSINESS REVIEW

### Transportation

The Group's transportation division recorded a 13% growth in operating profit for the first half of the year to HK\$147.4 million, before accounting for a HK\$23.5 million special staff bonus, administered during TurboJET's 45th anniversary in 2007, in recognition of the commitment and efforts of its employees. After recognizing for the special bonus, the operating profit for the first half of 2007 was HK\$123.9 million, as compared to HK\$130.6 million for the comparable period last year.

Macau's tourism, entertainment and conference facilities continue to develop and prosper to the benefit of the Group. Total passenger volume on the division's sea routes grew year-on-year by approximately 15% to over 6.8 million. This includes a record high of 6 million passengers on the popular Hong Kong-Macau route. The division continued its four-decade market leadership on this route.

The division's TurboJET Sea Express Service, connecting the Hong Kong International Airport with Shenzhen and Macau, together with its Macau-Shenzhen route, achieved record-high passenger volume, increasing approximately 16% and 14%, respectively, over the same period in 2006. A new upstream airline check-in service at the Macau Maritime Ferry Terminal was introduced for the greater convenience of transit air passengers. Passengers may now check-in for their flights departing from Hong Kong International Airport before sailing off from Macau.

The division's sailing frequency reached a record high level during the 2007 Chinese New Year holidays registering 356 trips in a single day, including 317 trips on the Hong Kong-Macau route.

The division vigorously pursues its goal to develop an international, multi-modal transportation network in the Pearl River Delta region comprehensively covering sea, land and air. Its joint-venture company Shun Tak & CITS Coach (Macao) Limited ("STCITS") operates coach services in Macau and provides cross-boundary services to several major Pearl River Delta destinations. During the period, STCITS expanded its fleet to a total of 60 vehicles subsequent to an order of 27 new vehicles to accommodate the growing passenger demand, particularly in Macau.

Macau Asia Express Limited ("MAX"), a new Macau-based airline in which the Group has an attributable interest of 31.4%, signed a letter of intent with Aircastle Advisor LLC in May 2007 to lease six Airbus aircraft with order delivery between December 2007 and 2009. It is intended that passenger service, scheduled to start progressively in first-quarter 2008, will be established to 12 destinations in Mainland China and Southeast Asia. This venture extends the Group's transportation network to air travel beyond the Pearl River Delta.

### Property

The Group's property division recorded an operating profit of HK\$59.5 million (2006: HK\$46.7 million) during the first half of the year as a result of increased revenue from Macau property sales and its Hong Kong property investment portfolio.

Pre-sale of Nova City II, comprising four residential towers, was well-received since its first launch in May 2006, with over 98% of all residential units sold by 30 June 2007. Superstructure works for Nova City II was completed, while handover of residential flats commenced in the second quarter of 2007.

Since the pre-sale of Nova City III, which commenced in December 2006, more units were launched at increasing prices during the first half of 2007. As at 30 June 2007, three out of four residential towers of Nova City III were launched and almost all launched units were sold. Superstructure works for Nova City III is scheduled for completion in stages in 2008.

One Central is the Group's joint venture project with Hongkong Land Holdings Limited located on a prime site on the Macau NAPE waterfront. Pre-sale of One Central Residences commenced in November 2006 and received an overwhelming response, with over 97% of residential units sold as at the end of June 2007. The development will comprise approximately 1.6 million square feet of lakefront luxury residential and serviced apartments, a high-end

retail arcade and a six-star, 216-room hotel. Superstructure works commenced in March 2007. The development is scheduled for completion in 2009.

Development of Harbour Mile, the Nam Van site adjoining the Macau Tower Convention & Entertainment Centre ("Macau Tower"), is under planning. The development has a total developable gross floor area of 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 2008.

The Group is in discussion with the Macau SAR Government on its plan to develop a site in Cotai with Sociedade de Turismo e Diversões de Macau, S.A. ("STDM"), in place of the originally announced site in Taipa. The Group holds an 80% interest in the project.

In Hong Kong, superstructure works for Radcliffe at 120 Pokfulam Road, a luxury residential development featuring 10 exclusive duplex boutique apartments, was completed in the first half of 2007. The project launching is planned for second half of 2007. Design of the Chatham Garden Redevelopment is in progress with construction work anticipated to commence in the first quarter of 2008. The project is scheduled for completion in 2010.

Occupancy of Westwood, the commercial complex at The Belcher's in Mid-Levels, and Liberté Place, the commercial complex at the Liberté in West Kowloon, remains satisfactory, with Liberté Place almost fully leased.

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

### Property Services

The Group's property management division provides comprehensive quality services to a diversified range of residential, commercial and industrial properties. The property portfolio under the division's management extends to more than 12 million square feet in Hong Kong and Macau. With the addition to its portfolio of Nova City II in Macau and Radcliffe in Hong Kong this year, the division anticipates satisfactory income growth.

ISS Macau Services Limited, a synergistic joint venture between Shun Tak Property Management Limited and ISS Hong Kong Services Limited, has been delivering top-notch cleaning solutions to a growing number of corporate clients since July 2006.

Under the brand name “Living Matters”, the division also offers lifestyle concept services in Hong Kong and Macau, including venue and interior decorations, concierge services and floral design services.

### Hospitality

The Group’s hospitality division has reaped considerable benefits from the boom in Macau’s tourism sector and the growth in the number of visitors to Macau during the first half of 2007. The division recorded an improved operating profit of HK\$16.8 million for the first half of 2007, as compared to HK\$15.7 million for the comparable period last year.

The Group’s 50%-owned Mandarin Oriental Macau (“Mandarin”) achieved an improvement in overall results for the first half of 2007. Room occupancy rate was sustained at a high level, despite a slight decrease in average room rate of 3.7%. The Group’s 34.9%-owned Westin Resort Macau (“Westin”) recorded an increase in earnings, with a 4.8% increase in average room rate and a 1.8% increase in occupancy rate. The adjacent Macau Golf & Country Club recorded satisfactory performance in the first half of 2007.

The Group’s hotel portfolio expanded into Hong Kong last year with the development of a five-star waterfront hotel project located in SkyCity, a business and leisure community developed by The Airport Authority Hong Kong. The Group owns a 70% interest in The Hong Kong SkyCity Marriott Hotel which will be managed by the internationally renowned hotel operator, Marriott International B.V. Superstructure works commenced in January 2007 with completion scheduled in the first half of 2009.

Macau Tower, which has been professionally managed by the Group, sustained its position as a landmark tourist attraction in Macau. Recognition received in the first half of 2007 includes the “Tourism Medal of Merit” from the Macau SAR Government and designation as the “Best Brand Enterprise 2007” by the Hong Kong Productivity Council. Macau Tower’s unique adventure activities have contributed to its popularity among visitors. Building upon this strength, the Bungy Jump was launched in December 2006 and is listed in the Guinness World Records as the highest commercial bungy jump facility.

## Investment

Operating profit of the investment division decreased to HK\$69 million (2006: HK\$113.9 million) for the first half of 2007. The Group owns a consolidated interest in STDM of approximately 15.8%. During the first half of 2007, the Group recognized HK\$60.9 million in ordinary dividends declared by STDM for the financial year ended 31 December 2006. In 2006, the Group recognised approximately HK\$108.5 million in ordinary dividends declared by STDM for the financial year ended 31 December 2005.

The Group's wholly-owned subsidiary, Macau Matters Company Limited, opened two additional retail outlets in Macau in February and June 2007. The stores offer quality retail merchandise with cartoon and movie themes under the brand license "Warner Brothers Studio Presents". These quality consumer retail attractions are expected to benefit from the great potential of Macau's retail market.

## PROSPECTS AND RECENT DEVELOPMENTS

Macau's dynamic transformation into a regional entertainment and business destination has driven its robust economic growth in recent years. The result is reflected by its sustained double-digit growth in gross domestic product, improved affluence of its local residents and a demand for quality housing in convenient locations. As additional new attractions and facilities open, strong growth in visitor arrivals is expected to continue.

The Group believes that these are long-term trends that will continue to benefit all the Group's divisions, especially its expanding regional transportation network and property developments in Macau.

In June 2007, the Group entered into agreements with Hopewell Holdings Limited ("Hopewell") and STDM to purchase from them 50% and 25% interests, respectively, in Nova Taipa Gardens and Nova City, for a total consideration of HK\$6,870 million to be funded by internal resources and bank financing. Upon completion, the Group will own 100% interest in the project, facilitating more flexibility in future design and management plans. In August 2007, the Group received indication that further revisions will need to be made to the approved preliminary plans of Nova City. As a result, the long stop date for obtaining shareholders' approval of the agreements with Hopewell and STDM has been extended to 28 December 2007 and 25 March 2008, respectively.

During the period, the Group undertook to acquire a hotel development in northwest Macau with a gross floor area of approximately 200,000 square feet. The Group also acquired a 79% interest in a columbarium development in Taipa, Macau, which will have a gross floor area of approximately 70,000 square feet, and recognised a gain of HK\$291.1 million from the excess of interests in fair values of net assets acquired over costs of acquisition. The above-mentioned acquisitions will further expand the Group's land bank and diversify its businesses in Macau.

The Group's sea-land-air transportation network continues to expand. In July 2007, the transportation division started to manage a new ferry service route between Macau and Shekou, Shenzhen. In view of the growing passenger demand in the region, the Group's joint-venture coach service also intends to further expand its operating capacity in the future.

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 commence its first commercial flight in the first-quarter of 2008.

In addition to the well-regarded Mandarin and Westin, the Group's future Macau hotel portfolio will also include major new hotels as part of its development projects at One Central, Harbour Mile and in Cotai. These new hotels will serve Macau's growing leisure and business travel markets. In Hong Kong, the Group holds a 70% interest in the planned new five-star, waterfront hotel at the Hong Kong International Airport, the Hong Kong SkyCity Marriott Hotel which is expected to be completed in the first half of 2009.

With a net cash surplus of approximately HK\$1.4 billion as at 30 June 2007, and a strong established presence in Macau, the Group is financially sound and well-positioned to capture business opportunities resulting from the rising affluence of Macau residents and the continued growth in Macau tourism.



## FINANCIAL REVIEW

### Liquidity, Financial Resources and Capital Structure

The Group maintained strong financial position with bank balances and deposits (including bank deposits with embedded derivative of HK\$156 million) amounted to HK\$2,877 million at 30 June 2007. This represented a decrease of HK\$628 million as compared with the position as at 31 December 2006. It was mainly attributable to the Group's net cash outflow of HK\$832 million used in investing activities principally related to the acquisition of interests in Nova Taipa Gardens and Nova City and acquisition of 79% interest in a columbarium development project.

Total loan facilities available to the Group as of 30 June 2007 amounted to HK\$8,990 million, of which HK\$7,476 million remained undrawn. The facilities outstanding at the period end comprised HK\$1,514 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 2007 is set out below:

### Maturity Profile

Within 1 year	1-2 years	2-5 years	over 5 years	Total
56%	18%	21%	5%	100%

Based on a net cash surplus of HK\$1,363 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 2006: 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, 500,000 new shares were issued upon exercise of share options and 7,902,000 shares were repurchased and cancelled. The Company incurred approximately HK\$85 million for the said repurchase during the period. At 30 June 2007, the Group had commitment of HK\$1,610 million to finance a joint venture project with Hongkong Land Holdings Limited to develop One Central in Macau.

Capital expenditure commitments of the Group amounted to HK\$782 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\$602 million (at 31 December 2006: HK\$545 million) were pledged with banks for loan facilities.

### Contingent Liabilities

There was no material contingent liabilities of 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. 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. It is the Group's policy not to engage in any speculative trading activity.

### Human Resources

The Group, including subsidiaries but excluding associates and jointly controlled entities, employed approximately 2,500 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 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

	Note	(Unaudited) 2007 (HK\$'000)	(Unaudited and restated) 2006 (HK\$'000)
<b>Turnover</b>	3	<b>1,370,061</b>	1,222,596
Other revenues		<b>136,545</b>	127,683
Other income	4	<b>1,863</b>	29,186
		<b>1,508,469</b>	1,379,465
Cost of inventories sold or consumed		<b>(351,851)</b>	(310,994)
Staff costs		<b>(333,019)</b>	(281,041)
Depreciation and amortisation		<b>(70,059)</b>	(67,214)
Other costs		<b>(462,934)</b>	(377,835)
Fair value changes on investment properties		<b>42,499</b>	36,843
<b>Operating profit</b>	3,5	<b>333,105</b>	379,224
Excess of interests in fair values of net assets acquired over costs of acquisition of subsidiaries	17	<b>291,177</b>	22,689
Finance costs	6	<b>(21,073)</b>	(26,520)
Share of results of associates		<b>228,990</b>	42,772
Share of results of jointly controlled entities		<b>12,409</b>	4,479
<b>Profit before taxation</b>		<b>844,608</b>	422,644
Taxation	7	<b>(38,004)</b>	(32,619)
<b>Profit after taxation</b>		<b>806,604</b>	390,025
<b>Attributable to:</b>			
Equity holders of the Company		<b>677,613</b>	260,687
Minority interests		<b>128,991</b>	129,338
		<b>806,604</b>	390,025
<b>Interim dividend</b>	8	<b>152,818</b>	98,604
<b>Earnings per share (HK cents)</b>	9		
– basic		<b>31.0</b>	12.4
– diluted		<b>29.8</b>	11.9

## Condensed Consolidated Balance Sheet

	Note	(Unaudited) 30 June 2007 (HK\$'000)	(Audited) 31 December 2006 (HK\$'000)
<b>Non-current assets</b>			
Property, plant and equipment	10	1,055,677	972,843
Investment properties	11	3,051,379	2,988,264
Leasehold land		1,327,279	598,188
Associates		345,070	210,770
Jointly controlled entities		957,083	962,186
Intangible assets		4,400	4,328
Available-for-sale investments	12	1,372,001	1,279,770
Mortgage loans receivable		49,800	82,158
Deferred tax assets		15,011	16,237
Other non-current assets	13	1,507,613	803,649
		<b>9,685,313</b>	<b>7,918,393</b>
<b>Current assets</b>			
Properties under development		937,508	1,071,824
Inventories		411,220	224,346
Trade receivables, other receivables and deposits paid	14	1,308,248	870,417
Available-for-sale investments		7,018	25,260
Derivative financial instruments		31,880	—
Taxation recoverable		1,132	2,779
Bank deposits, cash and bank balances		2,721,513	3,427,514
		<b>5,418,519</b>	<b>5,622,140</b>

## Condensed Consolidated Balance Sheet

	Note	(Unaudited) 30 June 2007 (HK\$'000)	(Audited) 31 December 2006 (HK\$'000)
<b>Current liabilities</b>			
Bank borrowings		854,362	91,742
Trade and other payables	14	714,524	634,005
Derivative financial instruments		4,277	26,141
Provision for employee benefits		27,074	27,654
Taxation payable		53,079	34,432
		<b>1,653,316</b>	813,974
<b>Net current assets</b>		<b>3,765,203</b>	4,808,166
<b>Total assets less current liabilities</b>		<b>13,450,516</b>	12,726,559
<b>Non-current liabilities</b>			
Bank borrowings		659,991	834,982
Deferred tax liabilities		290,317	180,490
Loans from minority shareholders		991,266	974,314
		<b>1,941,574</b>	1,989,786
<b>Net assets</b>		<b>11,508,942</b>	10,736,773
<b>Equity</b>			
Share capital	15	545,778	547,628
Reserves		8,580,696	8,030,269
Proposed dividends		152,818	175,241
<b>Equity attributable to equity holders of the Company</b>		<b>9,279,292</b>	8,753,138
Minority interests		2,229,650	1,983,635
<b>Total equity</b>		<b>11,508,942</b>	10,736,773

# Condensed Consolidated Statement of Changes in Equity

## For the six months ended 30 June 2007 (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 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 2007	547,628	5,066,027	5,945	—	8,905	167,131	(6,417)	11,724	2,776,954	175,241	8,753,138	1,983,635	10,736,773
Fair value changes	—	—	—	—	—	91,942	18,253	—	—	—	110,195	24,595	134,790
Released upon derecognition of available-for-sale investments	—	—	—	—	—	(10,495)	—	—	—	—	(10,495)	—	(10,495)
Released upon derecognition of derivative financial instruments	—	—	—	—	—	—	3,106	—	—	—	3,106	4,185	7,291
Deferred tax charged for the period	—	—	—	—	—	—	(3,738)	—	—	—	(3,738)	(5,036)	(8,774)
Exchange translation differences	—	—	—	—	—	—	—	6,191	—	—	6,191	3,996	10,187
Income and expense recognised directly in equity	—	—	—	—	—	81,447	17,621	6,191	—	—	105,259	27,740	132,999
Profit for the period	—	—	—	—	—	—	—	—	677,613	—	677,613	128,991	806,604

# Condensed Consolidated Statement of Changes in Equity

## 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 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	—	—	—	—	—	81,447	17,621	6,191	677,613	—	782,872	156,731	939,603
Exercise of share options	125	1,850	—	—	—	—	—	—	—	—	1,975	—	1,975
Expenses on issue of shares	—	(2)	—	—	—	—	—	—	—	—	(2)	—	(2)
Repurchase of shares	(1,975)	—	1,975	—	—	—	—	—	(84,288)	—	(84,288)	—	(84,288)
Expenses on repurchase of shares	—	—	—	—	—	—	—	—	(274)	—	(274)	—	(274)
Grant of share options	—	—	—	520	—	—	—	—	—	—	520	—	520
Transfer	—	—	—	—	6	—	—	—	(6)	—	—	—	—
Acquisition of partial interests in subsidiaries	—	—	—	—	—	—	—	—	—	—	—	136,844	136,844
Dividends to minority shareholders	—	—	—	—	—	—	—	—	—	—	—	(47,560)	(47,560)
2006 final dividend for shares issued upon exercise of share options	—	—	—	—	—	—	—	—	(40)	40	—	—	—
2006 final dividend for shares repurchased	—	—	—	—	—	—	—	—	632	(632)	—	—	—
2006 final dividend	—	—	—	—	—	—	—	—	—	(174,649)	(174,649)	—	(174,649)
2007 interim dividend	—	—	—	—	—	—	—	—	(152,818)	152,818	—	—	—
	(1,850)	1,848	1,975	520	6	81,447	17,621	6,191	440,819	(22,423)	526,154	246,015	772,169
At 30 June 2007	545,778	5,067,875	7,920	520	8,911	248,578	11,204	17,915	3,217,773	152,818	9,279,292	2,229,650	11,508,942

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



# Condensed Consolidated Statement of Changes in Equity

	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	—	—	—	—	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
At 30 June 2006	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

# Condensed Consolidated Cash Flow Statement

For the six months ended 30 June

	(Unaudited) 2007 (HK\$'000)	(Unaudited and restated) 2006 (HK\$'000)
<b>Net cash (used in)/from operating activities</b>	<b>(193,893)</b>	6,437
<b>Net cash used in investing activities</b>	<b>(832,121)</b>	(46,366)
<b>Net cash from/(used in) financing activities</b>	<b>298,178</b>	(191,170)
<b>Net decrease in cash and cash equivalents</b>	<b>(727,836)</b>	(231,099)
<b>Effect of foreign exchange rates changes</b>	<b>593</b>	163
<b>Cash and cash equivalents at 1 January</b>	<b>3,452,774</b>	3,877,831
<b>Cash and cash equivalents at 30 June</b>	<b>2,725,531</b>	3,646,895
<b>Analysis of cash and cash equivalents</b>		
Investment funds (classified as available-for-sale investments)	<b>7,018</b>	12,094
Bank deposits, cash and bank balances	<b>2,721,513</b>	3,638,201
	<b>2,728,531</b>	3,650,295
Bank deposits with a maturity over three months	<b>(3,000)</b>	(3,400)
	<b>2,725,531</b>	3,646,895

# 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.

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 2006 except as described in note 2 below.

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

The Group has adopted the following new Hong Kong Financial Reporting Standards (HKFRSs) that are relevant to its operations and first effective for the Group’s current accounting period:

HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HKAS 1 (Amendment)	Presentation of Financial Statements – Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures

The adoption of the new HKFRSs has 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)
<b>For the six months ended 30 June 2007</b>						
<b>Turnover and revenue</b>						
External turnover	957,110	173,833	165,194	73,924	—	1,370,061
Inter-segment turnover	92,653	1,588	18,103	—	(112,344)	—
Other revenues	36,620	443	643	27,769	—	65,475
	1,086,383	175,864	183,940	101,693	(112,344)	1,435,536
<b>Segment results</b>	123,869	59,491	16,787	68,950	—	269,097
Fair value changes on investment properties	—	42,499	—	—	—	42,499
Unallocated net income						21,509
Operating profit						333,105
Excess of interests in fair values of net assets acquired over costs of acquisition of subsidiaries	—	291,098	79	—	—	291,177
Finance costs						(21,073)
Share of results of associates	54	202,609	24,646	1,681	—	228,990
Share of results of jointly controlled entities	1,815	10,594	—	—	—	12,409
Profit before taxation						844,608
Taxation						(38,004)
Profit after taxation						806,604

## Notes to the Condensed Financial Statements

### 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 2006 (restated)						
<b>Turnover and revenue</b>						
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
<b>Segment results</b>	130,573	46,728	15,705	113,872	—	306,878
Fair value changes on investment properties	—	36,843	—	—	—	36,843
Unallocated net income						35,503
Operating profit						379,224
Excess of interest in fair value of net assets acquired over cost of acquisition of a subsidiary	—	22,689	—	—	—	22,689
Finance costs						(26,520)
Share of results of associates	(419)	17,598	24,396	1,197	—	42,772
Share of results of jointly controlled entities	4,268	(115)	—	326	—	4,479
Profit before taxation						422,644
Taxation						(32,619)
Profit after taxation						390,025

## Note 3 Segment Information (Continued)

### Geographical segments

	Hong Kong (HK\$'000)	Macau (HK\$'000)	Others (HK\$'000)	Consolidated (HK\$'000)
For the six months ended 30 June				
<b>Turnover and revenue</b>				
<b>2007</b>	<b>722,014</b>	<b>594,264</b>	<b>119,258</b>	<b>1,435,536</b>
2006	624,497	553,663	92,995	1,271,155

## 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

	2007 (HK\$'000)	2006 (HK\$'000)
<b>After crediting:</b>		
Interest income	74,251	86,510
Rental income from investment properties	72,179	69,430
Dividend income from listed investments	6,500	2,072
Dividend income from unlisted investments	61,047	108,727
Profit on sale of investments	6,997	1,861
<b>After charging:</b>		
Cost of inventories		
– properties	22,476	6,681
– others	329,375	304,313
	<b>351,851</b>	<b>310,994</b>

## Note 6 Finance Costs

For the six months ended 30 June

	2007 (HK\$'000)	2006 (HK\$'000)
Total finance costs incurred	23,655	27,160
Less: Amount capitalised in properties under development	(2,582)	(640)
Total finance costs expensed during the period	21,073	26,520

## Note 7 Taxation

For the six months ended 30 June

	2007 (HK\$'000)	2006 (HK\$'000)
<b>Company and subsidiaries</b>		
Hong Kong profits tax	24,228	20,006
Overseas tax	1,307	1,262
Deferred tax	12,469	11,351
	38,004	32,619

Hong Kong profits tax is provided for at the rate of 17.5% (2006: 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

	2007 (HK\$'000)	2006 (HK\$'000)
Interim dividend of 7 HK cents on 2,183,112,064 shares (2006: 4.5 HK cents on 2,191,208,064 shares)	152,818	98,604

## 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\$677,613,000 (2006: HK\$260,687,000) and the weighted average number of 2,188,709,633 shares (2006: 2,096,772,692 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\$677,613,000 (2006: HK\$260,687,000) and the weighted average number of 2,276,825,432 shares (2006: 2,188,736,830 shares) in issue after adjusting for the effects of all dilutive potential ordinary shares.



**Note 9 Earnings per Share** (Continued)

A reconciliation of profit attributable to 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	
	2007	2006	2007	2006
	(HK\$'000)	(HK\$'000)		
Profit/number of shares for the purpose of basic earnings per share	677,613	260,687	2,188,709,633	2,096,772,692
Effect of dilutive potential ordinary shares – share options	—	—	88,115,799	91,964,138
Profit/number of shares for the purpose of diluted earnings per share	677,613	260,687	2,276,825,432	2,188,736,830

**Note 10 Property, Plant and Equipment**

During the period, additions to property, plant and equipment mainly comprised properties under development, furniture, fixtures and equipment of HK\$145,409,000 (2006: vessels, furniture, fixtures and equipment of HK\$28,573,000) and net book value of property, plant and equipment disposed of amounted to HK\$223,000 (2006: HK\$4,112,000).

**Note 11 Investment Properties**

A revaluation of all investment properties was performed at 30 June 2007 by reference to sales evidence as available on the market and where appropriate on the basis of capitalisation of net income. The revaluation was conducted by Savills Valuation and Professional Services Limited, independent professional valuer, which has among its staff 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 Other Non-current Assets

Other non-current assets include initial deposits of HK\$687,000,000 (at 31 December 2006: nil) paid for the proposed acquisitions of interests in New Taipa-Urbanizations Limited (NTU), Nova City Property Management Limited (NCPM) and Nova Taipa Gardens Property Management Limited (NTGPM).

## Note 14 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:

	<b>30 June 2007 (HK\$'000)</b>	<b>31 December 2006 (HK\$'000)</b>
0 – 30 days	<b>97,814</b>	124,773
31 – 60 days	<b>35,934</b>	33,950
61 – 90 days	<b>13,530</b>	8,352
over 90 days	<b>35,485</b>	15,636
	<b>182,763</b>	182,711

## Note 14 Trade Debtors and Creditors – Ageing Analysis (Continued)

The ageing analysis of trade creditors is as follows:

	<b>30 June 2007</b> (HK\$'000)	31 December 2006 (HK\$'000)
0 – 30 days	<b>225,505</b>	191,385
31 – 60 days	<b>5,952</b>	2,057
61 – 90 days	<b>1,388</b>	942
over 90 days	<b>11,619</b>	10,115
	<b>244,464</b>	204,499

## Note 15 Share Capital

	<b>30 June 2007</b>		<b>31 December 2006</b>	
	Number of shares	(HK\$'000)	Number of shares	(HK\$'000)
<b>Authorised</b>				
Ordinary shares of HK\$0.25 each				
At beginning and end of the period	<b>4,000,000,000</b>	<b>1,000,000</b>	4,000,000,000	1,000,000
<b>Issued and fully paid</b>				
Ordinary shares of HK\$0.25 each				
At beginning of the period	<b>2,190,514,064</b>	<b>547,628</b>	2,082,018,240	520,505
Issue of shares for acquisition of a subsidiary	—	—	94,110,954	23,528
Exercise of share options	<b>500,000</b>	<b>125</b>	15,078,870	3,769
Repurchase of shares	<b>(7,902,000)</b>	<b>(1,975)</b>	(694,000)	(174)
At end of the period	<b>2,183,112,064</b>	<b>545,778</b>	2,190,514,064	547,628

## Note 16 Pledge of Assets

At 30 June 2007, certain assets of the Group with an aggregate carrying value of HK\$601,678,000 (at 31 December 2006: HK\$544,681,000) were pledged to secure bank loan facilities.

## Note 17 Acquisition of Interests in Subsidiaries

For the six months ended 30 June 2007

	Aggregate effect of acquisitions of all subsidiaries acquired during the six months ended 30 June 2007		Effect of acquisition of Tin Wai Development Company, Limited (Tin Wai)	
	Book value (HK\$'000)	Fair value (HK\$'000)	Book value (HK\$'000)	Fair value (HK\$'000)
<b>Net assets acquired</b>				
Property, plant and equipment	629	629	518	518
Leasehold land	1,068	736,000	1,068	736,000
Trade receivables, other receivables and deposits paid	1,866	1,866	227	227
Cash and bank balances	4,626	4,626	—	—
Trade and other payables	(1,078)	(1,078)	(74)	(74)
Taxation payable	(221)	(221)	—	—
Deferred tax liabilities	—	(88,192)	—	(88,192)
	<b>6,890</b>	<b>653,630</b>	<b>1,739</b>	<b>648,479</b>
Minority interests		(137,211)		(136,181)
		516,419		512,298
Excess of interests in fair values of net assets acquired over costs of acquisition		(291,177)		(291,098)
		225,242		221,200
<b>Satisfied by</b>				
Cash consideration paid		199,666		195,624
Assumption of the obligation of a vendor payable to a subsidiary		25,576		25,576
		225,242		221,200

## Note 17 Acquisition of Interests in Subsidiaries (Continued)

On 21 June 2007, Oriental Pride Group Limited, a wholly-owned subsidiary of the Group, acquired 79% of the issued share capital of Tin Wai, which had the right of a land concession in respect of a property site in Taipa, Macau for development of a columbarium.

The fair value adjustment to leasehold land was determined with reference to its valuation performed by an independent professional property valuer. Since the fair value of net assets acquired exceeds the fair value of the consideration, the Group recognised the excess in the consolidated profit and loss account.

Tin Wai contributed no revenue and no profit or loss to the Group between the date of acquisition and the balance sheet date. If the acquisition of Tin Wai had been completed on 1 January 2007, the Group's total revenues and profit for the period would not have been materially different from those shown on the condensed consolidated profit and loss account.

For the six months ended 30 June 2006

	Effect of acquisition of the entire issued share capital of Built City Investments Limited on 7 June 2006	
	Book value (HK\$'000)	Fair value (HK\$'000)
<b>Net assets acquired</b>		
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>	<u>982,621</u>
Excess of interest in fair value of net assets acquired over cost of acquisition		<u>(22,689)</u>
		<u>959,932</u>
<b>Satisfied by</b>		
Ordinary shares of the Company, at fair value		<u>959,932</u>

## 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

	Note	2007 (HK\$'000)	2006 (HK\$'000)
<b>STDM Group</b>	(i)		
Dividend income from STDM		<b>60,859</b>	108,541
Ferry tickets sold to STDM Group		<b>220,769</b>	226,750
Discount granted to STDM Group on ferry tickets purchased by STDM Group		<b>11,038</b>	11,337
Commission paid to STDM Group on ferry tickets sold by STDM Group		<b>9,795</b>	8,270
Fees received from STDM for management of hotels and Macau Tower Convention & Entertainment Centre		<b>16,050</b>	17,734
Fuel purchased from STDM Group for Macau shipping operations		<b>137,282</b>	117,980
Amount collected by STDM Group for sale of ferry tickets and related services in Macau		<b>226,035</b>	166,270
Amount reimbursed to STDM Group for expenses incurred in respect of shipping operations in Macau		<b>77,115</b>	59,836
Amount reimbursed by STDM Group for staff expenses and administrative resources shared		<b>13,635</b>	15,294

## Note 18 Significant Related Party Transactions (Continued)

a) (Continued)

For the six months ended 30 June

	Note	2007 (HK\$'000)	2006 (HK\$'000)
<b>Associates</b>			
Insurance premium paid to an associate		15,318	15,973
<b>Jointly controlled entities</b>			
Ferry passengers handling fees received on behalf of a jointly controlled entity		22,078	18,685
Amount reimbursed by a jointly controlled entity for marketing and promotion expenses incurred		6,915	—
<b>Key management personnel</b>			
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		11,834	12,559
Post-employment benefits		531	547

## Note 18 Significant Related Party Transactions (Continued)

a) (Continued)

For the six months ended 30 June

	Note	2007 (HK\$'000)	2006 (HK\$'000)
<b>Other related parties</b>			
Commission paid to China Travel Service (Hong Kong) Limited (CTSHK) for sale of ferry tickets	(iii)	18,003	15,496
Net income collected by CTSHK for sale of ferry tickets and related services	(iii)	122,033	71,811
Design and construction fee paid to Dragages Hong Kong Limited (DHK)	(iv)	114,733	—



**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 2007 (HK\$'000)	31 December 2006 (HK\$'000)
<b>STDM Group</b>	(i)		
Net receivable from			
STDM Group	(v)	<b>44,764</b>	36,936
Minority shareholder's loan			
from STDM to a subsidiary	(vi)	<b>100,000</b>	100,000
Bank accounts maintained			
with Seng Heng Bank			
Limited, a subsidiary			
of STDM		<b>29,079</b>	22,446
Initial deposit paid for			
acquisition of interest in			
an associate			
of STDM Group	(vii)	<b>229,000</b>	—
<b>Associates</b>			
Amounts due by associates	(viii)	<b>269,596</b>	269,596
<b>Jointly controlled entities</b>			
Amounts due by jointly			
controlled entities	(ix)	<b>431,580</b>	417,831
Construction costs payable			
to a jointly controlled entity		<b>30,148</b>	30,148

## Note 18 Significant Related Party Transactions (Continued)

b) (Continued)

	Note	30 June 2007 (HK\$'000)	31 December 2006 (HK\$'000)
<b>Key management personnel</b>			
Minority shareholder's loans from NWD to subsidiaries (x)		<b>148,012</b>	155,044
Minority shareholder's loan from a company beneficially owned by Dr. Stanley Ho to a subsidiary (xi)		<b>104,747</b>	112,747
Refundable deposit paid by a subsidiary to Sai Wu Investment Limited (Sai Wu) (xii)		<b>500,000</b>	500,000
<b>Other related parties</b>			
Minority shareholder's loan from Dragages Investments Limited (DI) to a subsidiary (iv)		<b>28,500</b>	17,454
Minority shareholder's loans from Sun Hung Kai Properties Limited (SHK) to subsidiaries (x)		<b>433,150</b>	466,674

### 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) *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 DI. DI is a wholly-owned subsidiary of DHK. The minority shareholder's loan is unsecured, non-interest bearing and with no fixed term of repayment.*
- (v) *Net receivable from STDM Group comprises unsecured non-interest bearing current account, trade and other receivable and payable.*
- (vi) *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.*
- (vii) *Ace Wonder Limited, an indirect wholly-owned subsidiary of the Group, entered into a conditional agreement with STDM Group to acquire its 25% interest in NTU and paid the initial deposit. NTU was a 25%-owned associate of the Group at 30 June 2007.*
- (viii) *Amounts due by associates are unsecured and with no fixed term of repayment. Impairment loss of HK\$10,000,000 (at 31 December 2006: HK\$10,000,000) was provided in previous years.*

*Amount of HK\$258,461,000 (at 31 December 2006: HK\$258,461,000) is interest bearing at 6% (at 31 December 2006: 6%) per annum while the remaining balances are non-interest bearing. The related interest income for the first half of 2007 amounted to HK\$7,690,000 (2006: HK\$8,672,000). At 30 June 2007, interest receivable of HK\$8,159,000 (at 31 December 2006: HK\$469,000) remained unsettled.*

## Note 18 Significant Related Party Transactions (Continued)

Notes: (Continued)

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

Amount of HK\$9,200,000 (at 31 December 2006: HK\$9,200,000) is repayable on demand, amount of HK\$333,540,000 (at 31 December 2006: HK\$333,540,000) is repayable by 5 December 2010 and amount of HK\$30,481,000 (at 31 December 2006: HK\$30,440,000) is repayable upon notice of either party while the remaining balances have no fixed term of repayment.

Amount of HK\$7,200,000 (at 31 December 2006: HK\$7,200,000) is interest bearing at 5% (at 31 December 2006: 5%) per annum and amount of HK\$333,540,000 (at 31 December 2006: HK\$333,540,000) is interest bearing at HIBOR plus 3% (at 31 December 2006: HIBOR plus 3%) per annum while the remaining balances are non-interest bearing. The related interest income for the first half of 2007 amounted to HK\$11,692,000 (2006: HK\$5,230,000). At 30 June 2007, interest receivable of HK\$29,116,000 (at 31 December 2006: HK\$17,424,000) remained unsettled.

- (x) The subsidiaries, Ranex Investments Limited (Ranex) and Treasure Peninsula Limited (TPL), hold the development projects of The Belcher's and Chatham Gardens 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% (at 31 December 2006: 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.

- (xi) 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.
- (xii) The subsidiary, Shun Tak Nam Van Investment Limited (Shun Tak Nam Van), entered into a conditional sale and purchase agreement with Sai Wu, a company beneficially owned as to 60% by Dr. Stanley Ho and 40% by other independent third parties, to acquire the interest in the land development right in respect of the property sites adjoining the Macau Tower in Nam Van, Macau. The refundable deposit was paid by Shun Tak Nam Van to Sai Wu in order to further extend the completion date of the acquisition without changing the consideration or other terms of the acquisition.

## Note 19 Commitments

### a) Capital commitments

	30 June 2007 (HK\$'000)	31 December 2006 (HK\$'000)
Contracted but not provided for	<b>784,168</b>	858,736
Authorised but not contracted for	<b>592</b>	22
	<b>784,760</b>	858,758

In addition to the above, the Group had the following commitments at the balance sheet date:

- (i) the payment in cash for the acquisitions of the interests in NTU, NCPM and NTGPM in accordance with the HHL Agreement and the STD M Agreement (as defined in the Company's circular dated 6 August 2007). The remaining balance of the consideration committed to be paid is
  - 1) HK\$6,183 million if the acquisitions under the HHL Agreement and the STD M Agreement are completed;
  - 2) HK\$4,122 million if the acquisition under the HHL Agreement but not the STD M Agreement is completed; or
  - 3) HK\$2,061 million if the acquisition under the STD M Agreement but not the HHL Agreement is completed.
- (ii) the payment of HK\$523 million (at 31 December 2006: HK\$250 million) in cash and the issue of 148,883,374 (at 31 December 2006: 148,883,374) ordinary shares of the Company for the acquisitions of the interests in the land development rights in respect of the property sites adjoining the Macau Tower in Nam Van, Macau.
- (iii) its share of capital and loan contributions of HK\$1,658 million (at 31 December 2006: HK\$2,308 million) to certain jointly controlled entities to finance various projects mainly in Macau.

## Note 19 Commitments (Continued)

### b) Property development commitments

The Group had commitments of HK\$1,738,000,000 (at 31 December 2006: HK\$461,052,000) under various contracts to complete property development projects, out of which HK\$1,711,000,000 (at 31 December 2006: HK\$397,387,000) 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 2006.

## Note 21 Comparatives

Certain comparative figures have been restated in order to conform with the current period's presentation. In particular, both income and expenses related to seconded staff and related costs in the sum of HK\$7,955,000 shown separately as income and expenses in 2006 have been netted off.

## Disclosure of Interests

As at 30 June 2007, 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)	13.28%
	Interests in unissued shares	—		148,883,374	(iv)	6.82%
	Interests in underlying shares	1,587,300	(ii)	—		0.07%
Roger Lobo		—		—		—
Norman Ho		—		—		—
Charles Ho		—		—		—
Yeh V-Nee		—		—		—
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)	9.49%
	Interests in unissued shares	—		148,883,374	(iv)	6.82%
	Interests in underlying shares	30,592,523	(ii)	—		1.40%
Daisy Ho	Interests in issued shares	20,367,028		97,820,707	(vi)	5.41%
	Interests in unissued shares	—		148,883,374	(iv)	6.82%
	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%
Patrick Huen	Interests in issued shares	62,500		5,994,849	(vii)	0.28%
	Interests in underlying shares	10,078,870	(ii)	—		0.46%
Anthony Chan	Interests in issued shares	7,031,250		—		0.32%
	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 2007, the total number of issued shares of the Company is 2,183,112,064.
- (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.



Disclosure of Interests

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

Name of Director	Name of Subsidiary	Corporate Interest	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 and Ms. Daisy 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 2007.

## d) Share Options

As at 30 June 2007, 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	Note	Exercise Price per Share	Number of Share Options 1 January 2007	30 June 2007
<b>Directors</b>						
Stanley Ho	25 May 2004	25 May 2004 to 24 May 2014	(iv)	HK\$3.15	1,587,300	1,587,300
Pansy Ho	3 January 2000	3 January 2000 to 2 January 2010	(iv)	HK\$1.15	10,434,783	10,434,783
	25 May 2004	25 May 2004 to 24 May 2014	(iv)	HK\$3.15	20,157,740	20,157,740
Daisy Ho	3 January 2000	3 January 2000 to 2 January 2010	(iv)	HK\$1.15	5,434,783	5,434,783
	25 May 2004	25 May 2004 to 24 May 2014	(iv)	HK\$3.15	20,157,740	20,157,740
Ambrose So	25 May 2004	25 May 2004 to 24 May 2014	(iv)	HK\$3.15	20,157,740	20,157,740
Patrick Huen	25 May 2004	25 May 2004 to 24 May 2014	(iv)	HK\$3.15	10,078,870	10,078,870
Anthony Chan	25 May 2004	25 May 2004 to 24 May 2014	(iv)	HK\$3.15	5,078,870	5,078,870
Maisy Ho	25 May 2004	25 May 2004 to 24 May 2014	(iv)	HK\$3.15	20,157,740	20,157,740
David Shum	22 September 2004	22 September 2004 to 21 September 2014	(iv)	HK\$4.20	5,000,000	5,000,000
<b>Employees</b>						
	8 July 2004	8 July 2004 to 7 July 2009	(iv)	HK\$3.95	918,800	418,800
	18 January 2007	30 June 2007 to 29 June 2012	(v)	HK\$11.84	—	75,000
	18 January 2007	31 December 2007 to 30 December 2012	(v)	HK\$11.84	—	75,000

## Disclosure of Interests

### Notes:

- (i) *The share option scheme of the Company adopted on 18 May 1993 (the 1993 share option scheme) was terminated on 31 May 2002 and 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) *During the six months ended 30 June 2007, 150,000 share options were granted under the 2002 share option scheme on 18 January 2007. The closing price of the shares of the Company immediately before the date on which the options were granted was HK\$11.80.*

*The fair value of these options on the date of grant was HK\$694,000, calculated using the Black-Scholes option pricing model. The inputs into the model are as follows:*

<i>Closing price of the Company's shares on the date of grant</i>	<i>HK\$11.78</i>
<i>Exercise price</i>	<i>HK\$11.84</i>
<i>Risk-free interest rate</i>	<i>3.94% per annum</i>
<i>Expected life</i>	<i>5 years</i>
<i>Expected volatility</i>	<i>43.02% per annum</i>
<i>Expected dividend yield</i>	<i>1.05% per annum</i>

*Expected volatility was determined by using the historical volatility of the Company's share prices over the previous year up to the date of grant. Expected dividends are based on historical dividends.*

*The Black-Scholes option pricing model requires the input of subjective assumptions. Changes in the inputs may materially affect the fair value estimate.*

*The fair value of the share options granted during the six months ended 30 June 2007 was expensed on a straight-line basis over the vesting period, based on the Group's estimate of the share options that would eventually vest, and a corresponding increase was recognised in capital reserve within equity.*

- (iii) *500,000 share options of an employee granted under the 2002 share option scheme were exercised during the six months ended 30 June 2007. The closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$11.28.*
- (iv) *These share options were fully vested on the dates of grants.*
- (v) *The vesting period of these share options is from the date of grant until the commencement of the exercise period.*
- (vi) *No share option was cancelled or lapsed during the six months ended 30 June 2007.*
- (vii) *Save as described above, as at 30 June 2007, none of the Directors or their spouse or children under 18 years of age were granted any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations under the share option schemes.*

## e) Substantial Shareholders and Other Persons

As at 30 June 2007, 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	14.11%
Sociedade de Turismo e Diversões de Macau, S.A. (STDM) and its subsidiary	(iii)	Interests in issued shares	Beneficial owner	263,667,107	12.08%
Alpha Davis Investments Limited (ADIL)	(iv)	Interests in unissued shares	Beneficial owner	148,883,374	6.82%
Innowell Investments Limited (IIL)	(iv)	Interests in unissued shares	Interests of controlled corporation	148,883,374	6.82%
Megaprospers Investments Limited (MIL)	(iv)	Interests in unissued shares	Interests of controlled corporation	148,883,374	6.82%
Julius Baer Investment Management LLC		Interests in issued shares	Investment manager	153,399,506	7.03%

Notes:

- (i) As at 30 June 2007, the total number of issued shares of the Company is 2,183,112,064.
- (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.

## Disclosure of Interests

- (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 2007.

## 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 2007 in aggregate exceeded 8% of the total assets of the Group as at 31 December 2006. 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 2007 are disclosed as follows:

	Proforma Combined Balance Sheet (HK\$'000)	Group's Attributable Interests (HK\$'000)
Non-current assets	1,498,530	695,190
Current assets	6,051,564	2,363,450
Current liabilities	(3,230,322)	(1,313,311)
Non-current liabilities	(1,940,824)	(716,501)
Net assets	2,378,948	1,028,828

The proforma combined balance sheet of the affiliated companies is prepared by combining their balance sheets as at 30 June 2007, 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 which was made in respect of an acquisition of a subsidiary during the year ended 31 December 2006.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The share repurchases were exercised with the intention to improve the return on equity of the Company. During the six months ended 30 June 2007, the Company repurchased 7,902,000 of its own ordinary shares on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK\$84,562,000. The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Details of the repurchases are as follows:

Month of Repurchases	Number of Ordinary Shares Repurchased	Price per Share		Aggregate Consideration (HK\$'000)
		Highest (HK\$)	Lowest (HK\$)	
March 2007	1,538,000	11.06	10.88	16,898
April 2007	616,000	11.24	11.14	6,910
May 2007	5,748,000	10.90	10.30	60,754
	7,902,000			84,562

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities during the six months ended 30 June 2007.

## 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 2007.

## 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 2007.

## REVIEW BY AUDIT COMMITTEE

The unaudited interim financial statements for the six months ended 30 June 2007 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 Hong Kong Standard on Review Engagements 2410 issued by the Hong Kong Institute of Certified Public Accountants.

By order of the Board

**Stanley Ho**

*Group Executive Chairman*

Hong Kong, 14 September 2007

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. Norman Ho, Mr. Charles Ho and Mr. Yeh V-Nee.

## SHUN TAK HOLDINGS LIMITED

Penthouse, 39th Floor, West Tower

Shun Tak Centre

200 Connaught Road Central

Hong Kong

信德集團有限公司

香港中環干諾道中二百號

信德中心西座三十九字頂樓