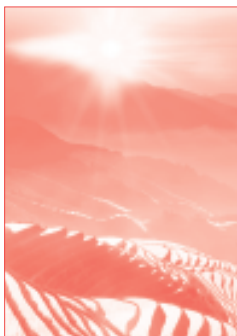




SHUN TAK HOLDINGS LIMITED
信德集團有限公司

Stock Code 股份代號: 242

INTERIM REPORT
中期業績報告
2008



Layered Terraces

Layered terraces, with their stepped appearance, provide crops with the optimum natural condition to thrive and prosper, in terms of irrigation, wind speed and sunlight duration. Suitable for a wide variety of crops, terracing is an effective approach in agriculture to improve harvest quality and quantity.

The terraces depicted in the cover art symbolize the steady, sustained growth of Shun Tak's various operations in a favourable and dynamic environment. With one clear vision for tomorrow, the Group is set to celebrate the coming of a new dawn as it continues to make great strides into the future.

Nature is the unifying idea behind this year's interim report, which takes on the lively red color as its theme; epitomizing Shun Tak's bright, vibrant plans for the coming year.

梯田

「梯田」是一種分層的種植區，其地形構造有利於日照時間、水源、風速等各因素，令土壤成為優良的耕種地，不同的農作物均可健康生長，五穀豐收。封面設計比喻信德擁有穩固的經濟基礎，持有眼光獨到的發展遠見，於有利的外在環境因素下，各業務發展持續增長，蒸蒸日上。日出中的梯田正好比喻公司繼續進步，邁向光明的新一頁。

整體中期業績報告設計以大自然為主題，以紅色為主調，萬物皆有強烈的生命力，代表信德來年業務發展將繼續大展鴻圖。

Contents

02	Group Results
02	Interim Dividend
02	Business Review
07	Prospects and Recent Developments
09	Financial Review
11	Condensed Consolidated Income Statement
12	Condensed Consolidated Balance Sheet
14	Condensed Consolidated Statement of Changes in Equity
18	Condensed Consolidated Cash Flow Statement
19	Notes to the Condensed Financial Statements
37	Disclosure of Interests
43	Financial Assistance and Guarantees to Affiliated Companies
44	Purchase, Sale or Redemption of Listed Securities
45	Code on Corporate Governance Practices
45	Model Code for Securities Transactions
46	Review by Audit Committee

GROUP RESULTS

The Group's unaudited profit attributable to equity holders of the Company for the six months ended 30 June 2008 amounted to HK\$84.1 million, as compared with a profit of HK\$677.6 million for the corresponding period last year. Basic earnings per share were HK 3.6 cents (2007: HK 31.0 cents).

INTERIM DIVIDEND

The Board of Directors has resolved not to declare any interim dividend (2007: HK 7.0 cents) in respect of the six months ended 30 June 2008.

BUSINESS REVIEW

Property

The Group's property division recorded a HK\$120.8 million (2007: HK\$59.5 million) or 103% growth in operating profit during the period mainly due to increased revenue recognized from property sales in Macau and Hong Kong.

Nova City is a large-scale residential and retail development in Taipa, in which the Group now owns 100% interest following the successful acquisition of 75% shareholding from its partners in December 2007. This strategic move allows for greater flexibility in the design and management of the final phases, Nova City 4 and 5, currently under planning. Accessibility to Nova City will be enhanced by the proposed Light Rapid-Transit route in the future.

Pre-sale of Nova City 3 commenced in December 2006, and superstructure works of the four residential towers are scheduled for completion in the fourth quarter of 2008. As at 30 June 2008, more than 87% of residential units were sold.

Nova City 1 was completed and profit was recognized in 2006 while Nova City 2 was completed in 2007 with the majority of profits booked in the same year.

One Central is the Group's joint venture project with Hongkong Land Holdings Limited located on a prime site on the Macau NAPE waterfront. 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 are in progress. The residential portion is scheduled for completion in mid-2009, and the retail portion, serviced apartments and hotel in the fourth quarter of 2009. 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 2008.

Development of Harbour Mile, the Nam Van site adjoining the Macau Tower Convention & Entertainment Centre ("Macau Tower"), is under planning. In May 2008, the Group announced that it entered into an agreement to purchase an additional site adjacent to the original Nam Van site, which will contribute an additional 1.6 million square feet of developable gross floor area to the existing developable area of 2.7 million square feet. The Group intends to develop the combined 4.3 million square feet as a whole to create a comprehensive mixed-use development, including residential towers, serviced apartments, a shopping mall and a hotel, subject to market conditions and Macau SAR Government's approval.

In May 2008, the Group acquired from Sociedade de Turismo e Diversões de Macau, S.A. ("STDM") its 20% interest in a hotel and entertainment project, previously planned to be constructed on a site in Taipa. Consolidating 100% interest, the Group will be able to exercise greater flexibility in the planning and development of the site. The Group will continue to engage in discussions with the Macau SAR Government on its plan to exchange the site, in accordance with the relevant urban planning terms, for site in other location with the same area.

In Hong Kong, Radcliffe at 120 Pokfulam Road, a luxury residential development featuring ten exclusive duplex boutique apartments, was completed in the first half of 2007. Seven of the duplex units were sold by end-June 2008.

The design of the Chatham Garden Redevelopment is in progress with construction work anticipated to commence in the third quarter of 2008. The project, a luxury development consisting of residential and retail components covering 370,000 square feet of gross floor area, is scheduled for completion in 2011.

Occupancy of The Westwood, the commercial complex at The Belcher's in Mid-Levels, and Liberté Place, the commercial complex at the Liberté in West Kowloon, both maintained stable occupancy levels and achieved satisfactory growth in rental income within the period.

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

The Group holds a 79% interest in a columbarium development in Taipa, Macau. The design of the project is in progress. Construction works are scheduled to commence in the fourth quarter of 2008 with completion scheduled for 2010.

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 Nova City 3 and One Central to be added by 2009.

ISS Macau Services Limited, a synergistic joint venture between Shun Tak Property Management Limited and ISS Hong Kong Services Limited, provides a comprehensive range of cleaning services to both commercial and residential developments in Macau.

The Group's subsidiary Clean Living (Macau) Limited launched a professional laundry service for premier institutional clients in Macau in 2007. Since then, it has built a substantial client base, including prominent Macau hotels.

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.

Transportation

The Group's transportation division recorded an operating loss of HK\$47.3 million for the first half of the year, as compared to a profit of HK\$123.9 million for the comparable period last year. The shipping operation confronted the considerable challenge of surging fuel prices during the first half of the year, when the average fuel price rose by 77% as compared with same period in 2007 despite efforts in hedging against fuel prices.

Total passenger volume on the division's sea routes grew year-on-year by approximately 2% to over 6.9 million passengers, including a record high of 6.2 million passengers on the popular Hong Kong-Macau route, maintaining a similar load factor as in 2007. The division continued its more than 45-year market leadership on this route.

Recognizing visitor diversification as the key direction for future sustainable growth of Macau tourism, the division commenced the first-of-its-kind multi modal network – TurboJET Airport Routes in 2003 to effectively capture international tourists and to strengthen Macau's connection with the world via Hong Kong International Airport ("HKIA"). This seamless air/sea transit connection greatly enhanced the coverage for Macau by capitalizing on the 155 destinations serviced by HKIA, and has facilitated tremendous growth in international visitor arrivals as a result. As at July 2008, Airport Routes operated by TurboJET constituted 49% of all traffic out of SkyPier, with the HKIA-Macau route registering a year-on-year growth of 42%. Amongst which, Japanese visitors increased four-fold between 2005 and 2007. During the first half of 2008, the share of Japanese visitors arriving in Macau through TurboJET Airport Routes has increased significantly from 4.4% in 2005 to approximately 17% over total Japanese visitor turnover. The division anticipates that such growth will be sustainable and will continue to unfold its potential with the opening of other international markets.

In response to the uncertainties of rising fuel costs, tightening up of travel from mainland China and increased competition, the division applied stringent cost-control measures and has made the best effort to boost passenger traffic through redeployment of resources and effective fleet utilization. In addition, the division reinforced its co-operative agreement with New World First Ferry Services (Macau) Limited in June 2008 to further facilitate cross-utilization of vessel capacity as necessary, improving operational efficiency and achieving economies of scale.

To sustain and strengthen its position in this mature and diversified market, the division persistently implements an array of service enhancements and segmentation programs, including extended sales channels, vessel refurbishment and increased traveling flexibilities and convenience to sustain the shipping operation's market.

The division remains committed to its long-term goal of developing an extensive international, multi-modal transportation network in the Pearl River Delta Region ("PRD"). Its joint-venture company Shun Tak & CITS Coach (Macao) Limited operates coach service in Macau and provides cross-boundary service to several major PRD destinations. Revenue from the coach business has more than doubled to HK\$32.9 million during the period due to the opening of new attractions in Macau.

Hospitality

While the Group's hospitality division continues to benefit from the dynamic growth in Macau's tourism sector, that same growth has attracted more competition for visitor stays and events-related activities. During the first half of the year, the hospitality division recorded an operating profit of HK\$20.5 million (2007: HK\$16.8 million), an increase of 22% as compared with the corresponding period last year.

Despite entry of new competitors, the Group's acclaimed 50%-owned Mandarin Oriental Macau and 34.9%-owned Westin Resort Macau ("Westin") continue to be popular among tourists. Conveniently located near the Macau Maritime Ferry Terminal, the Mandarin Oriental Macau is renowned for its signature quality service, while the Westin is distinguished as a non-gaming resort destination. In 2008, Westin won "Macau's Leading Hotel" at the World Travel Awards 2008. The World Travel Awards are hailed "the Oscars of the Travel Industry" by the Wall Street Journal. The adjacent Macau Golf & Country Club also recorded satisfactory performance registering an 8% growth in profit over the first half of 2008.

In Hong Kong, the Group owns a 70% interest in The Hong Kong SkyCity Marriott Hotel, a five-star, 658-room waterfront hotel project located in SkyCity, a business and leisure community developed by The Airport Authority Hong Kong. Superstructure works are in progress, with project completion scheduled for December 2008. The hotel will be managed by the internationally renowned hotel operator Marriott Hotels International B.V. Superbly designed, the new hotel will set a new standard for luxury airport hotels.

Macau Tower is an iconic landmark and a major tourist attraction in Macau which has been managed by the Group since its opening in 2001. It has attracted more than 6.4 million visitors since its opening in 2001. Despite increased competition in the expanding business sector of conferences and exhibitions, Macau Tower continues to attract high-profile, large-scale corporate and government events and banquets because of its location and reputation for quality service. In addition, Macau Tower's unique adventure activities have contributed to its popularity among leisure visitors. Its feature attractions, Bungee Jump and SkyJump, are both listed in the Guinness World Records as the world's highest adventure facilities of their kinds.

Investment

Operating profit of the investment division increased to HK\$96.0 million (2007: HK\$70.6 million) for the first half of 2008. The Group owns an effective interest in STDM of approximately 11.5%. During the first half of 2008, the Group recognized HK\$78.3 million in ordinary dividends declared by STDM for the financial year ended 31 December 2007. In 2007, the Group recognized HK\$60.9 million in ordinary dividends declared by STDM for the financial year ended 31 December 2006.

On 16 July 2008, STDM completed the spin-off of its subsidiary, Sociedade de Jogos de Macau S.A. ("SJM") through SJM Holdings Limited. Following the spin-off, STDM's effective shareholding in SJM decreased from approximately 80% to about 60%.

PROSPECTS AND RECENT DEVELOPMENTS

Commanding one of the largest land reserves in Macau and a balanced portfolio of established operations in transportation and hospitality, the Group is well-positioned to capitalize on the long-term growth potential of the region's economy. Despite the recent changes in Macau government policies on gaming and visa restrictions, the Group is optimistic that the transition shall effectively readjust market dynamics so as to build a stronger foundation for future economic growth.

Subject to market performance, the Group expects to be active in property sales for the coming period, with the continued sale of Radcliffe, Nova City and the remaining units of One Central Residences.

The Group is also ideally poised to capitalize on the steady growth of Macau's convention and exhibition sectors. Its hospitality developments, including Macau Tower, existing and hotels under planning, provide a full spectrum of quality facilities and services to business visitors from all parts of the world, particularly from China, Japan, Korea, Taiwan and Southeast Asia. The Group's Macau hotel portfolio will be expanded to include major new hotels in its development projects at One Central, Harbour Mile and in Cotai.

In Hong Kong, the Group will be entering the local hospitality market with its five-star, waterfront Hong Kong SkyCity Marriott Hotel, scheduled for completion in December this year. Directly linked to the Asia World-Expo and only minutes away from the Hong Kong International Airport and the new SkyPier terminal to be launched mid-2009, the hotel will form an integral part of a fast-rising destination hub in Lantau, Hong Kong.

The Group's hospitality ventures extend to Shanghai, with the opening of the Sea Palace Floating Restaurant late last year. The restaurant, situated on the Huangpu River near the financial district of Lujiazui in Pudong, is the largest floating restaurant in Shanghai with a capacity of 1,100 seats. The restaurant is a joint venture with Shanghai International Port (Group) Co., Ltd.

The Group's multi-modal transportation network has expanded dynamically within the PRD with the introduction of upstream airline check-in service in 2007. Departing from Macau and Shenzhen terminals, the service allows passengers to check in for their onward flight connections for a seamless transportation experience. It now services 25 major airlines operating out of Hong Kong, Macau and Shenzhen airports.

The Group currently owns a fleet of 31 high-speed passenger vessels, serving routes connecting ports in the PRD including but not limited to Hong Kong and Macau. In August 2008, the Group announced that it entered into agreements with New World First Ferry Services (Macau) Limited to acquire two new catamaran vessels at a cash consideration of HK\$147.4 million each. The additions to the fleet will form an integral part of the division's long-term development plan to enhance operational efficiency through increasing carrying capacity and improving cost efficiencies. The increased overall seating capacity will better equip the Group as it strives to capture new business opportunities and optimize customer experience.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

The Group's bank balances and deposits amounted to HK\$3,024 million at 30 June 2008, representing a decrease of HK\$541 million as compared with the position as at 31 December of 2007. It was mainly attributable to a net cash outflow of HK\$464 million used in financing activities primarily related to the net repayment of bank loans of about HK\$390 million.

It is the Group's policy to secure adequate funding to match with cash flows required for working capital and investing activities. Total loan facilities available to the Group as of 30 June 2008 amounted to HK\$11,818 million, of which HK\$5,999 million remained undrawn. The loan facilities outstanding at the period end amounted to HK\$5,819 million. The maturity profile of the Group's borrowings as at 30 June 2008 is set out below:

Maturity Profile

Within 1 year	1-2 years	2-5 years	over 5 years	Total
44%	14%	37%	5%	100%

Based on a net borrowings of HK\$2,750 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 21.7% (at 31 December 2007: 20.1%). The Group will continue with its financial strategy of maintaining a healthy gearing ratio and consider steps to reduce its finance costs.

During the period, 15,969,566 new shares were issued upon exercise of share options and 2,436,000 shares were repurchased and cancelled. The Company incurred approximately HK\$20 million for the said repurchase during the period. At 30 June 2008, the Group had commitment of HK\$1,462 million to finance a joint venture project with Hongkong Land Holdings Limited to develop One Central in Macau. In May 2008, the Group agreed to acquire the land development right of Nam Van site in Macau at a consideration of HK\$3,145 million. The outstanding commitment of which at the period end amounted to about HK\$2,830 million.

Pledge of Assets

At the period end, certain assets of the Group with an aggregate carrying value of HK\$1,044 million (at 31 December 2007: HK\$800 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. Approximately 98% of the bank deposits, cash and bank balances are denominated in Hong Kong dollars and United States dollars with the remaining balance mainly in Renminbi and Macau pataca. The Group's principal operations are primarily conducted in Hong Kong dollars so that the exposure to foreign exchange fluctuations is minimal. While the Group has financial assets denominated in the United States dollar and Macau pataca, they are continuously pegged to Hong Kong dollar and the exposure to currency risk for such currencies is minimal to the Group. 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 2,650 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 Income Statement

For the six months ended 30 June

	Note	(Unaudited) 2008 (HK\$'000)	(Unaudited and restated) 2007 (HK\$'000)
Turnover	3	1,811,161	1,370,061
Other revenues		116,681	120,477
Other income		4,060	1,863
		1,931,902	1,492,401
Cost of inventories sold or consumed		(878,981)	(351,851)
Staff costs		(340,343)	(333,019)
Depreciation and amortisation		(75,460)	(70,059)
Other costs		(476,755)	(446,866)
Fair value changes on investment properties		9,850	42,499
Operating profit	3, 4	170,213	333,105
Excess of interests in fair values of net assets acquired over costs of acquisition of subsidiaries		—	291,177
Finance costs	5	(74,455)	(21,073)
Share of results of associates		20,378	228,990
Share of results of jointly controlled entities		14,939	12,409
Profit before taxation		131,075	844,608
Taxation	6	(9,753)	(38,004)
Profit after taxation		121,322	806,604
Attributable to:			
Equity holders of the Company		84,103	677,613
Minority interests		37,219	128,991
		121,322	806,604
Interim dividend	7	—	152,818
Earnings per share (HK cents)	8		
– basic		3.6	31.0
– diluted		3.5	29.8

Condensed Consolidated Balance Sheet

	Note	(Unaudited) 30 June 2008 (HK\$'000)	(Audited) 31 December 2007 (HK\$'000)
Non-current assets			
Property, plant and equipment	9	1,460,548	1,252,893
Investment properties	10	3,349,594	3,311,364
Leasehold land		1,296,762	1,312,107
Associates		238,203	237,214
Jointly controlled entities		979,344	975,236
Intangible assets		366,373	366,685
Available-for-sale investments	11	1,441,330	1,530,894
Mortgage loans receivable		26,254	38,931
Deferred tax assets		14,090	9,526
Other non-current assets		495,170	573,159
		9,667,668	9,608,009
Current assets			
Properties for or under development		10,871,307	10,775,322
Inventories		397,194	784,231
Trade receivables, other receivables and deposits paid	12	1,571,788	1,528,798
Available-for-sale investments		46,328	20,882
Derivative financial instruments		49,789	32,608
Taxation recoverable		705	926
Bank deposits, cash and bank balances		3,023,500	3,564,534
		15,960,611	16,707,301
Current liabilities			
Bank borrowings		2,589,491	3,216,982
Trade and other payables	12	1,112,746	1,065,379
Deposits received on sale of properties		769,645	668,863
Derivative financial instruments		267	—
Provision for employee benefits		26,763	27,314
Taxation payable		233,912	191,848
		4,732,824	5,170,386

	Note	(Unaudited) 30 June 2008 (HK\$'000)	(Audited) 31 December 2007 (HK\$'000)
Net current assets		11,227,787	11,536,915
Total assets less current liabilities		20,895,455	21,144,924
Non-current liabilities			
Bank borrowings		3,230,000	2,992,500
Deferred tax liabilities		1,211,688	1,253,499
Loans from minority shareholders		1,431,298	1,515,795
		5,872,986	5,761,794
Net assets		15,022,469	15,383,130
Equity			
Share capital	13	585,460	582,077
Reserves		12,058,493	12,292,356
Proposed dividends		—	164,072
Equity attributable to equity holders of the Company		12,643,953	13,038,505
Minority interests		2,378,516	2,344,625
Total equity		15,022,469	15,383,130

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008 (unaudited)

	Equity attributable to equity holders of the Company														
	Share capital (HK\$'000)	Share premium (HK\$'000)	Capital redemption reserve (HK\$'000)	Capital reserve (HK\$'000)	Legal reserve (HK\$'000)	Special reserve (HK\$'000)	Asset revaluation reserve (HK\$'000)	Investment revaluation reserve (HK\$'000)	Hedging reserve (HK\$'000)	Exchange reserve (HK\$'000)	Retained profits (HK\$'000)	Proposed dividends (HK\$'000)	Total (HK\$'000)	Minority interests (HK\$'000)	Total equity (HK\$'000)
At 1 January 2008	582,077	6,735,345	7,920	5	11,141	—	1,740,674	371,162	10,656	27,353	3,388,100	164,072	13,038,505	2,344,625	15,383,130
Fair value changes	—	—	—	—	—	—	—	—	6,593	—	—	—	(86,821)	8,884	(77,937)
Realised upon sale of properties	—	—	—	—	—	—	(73,207)	—	—	—	—	—	(73,207)	—	(73,207)
Released upon derecognition of available-for-sale investments	—	—	—	—	—	—	—	(16,532)	—	—	—	—	(16,532)	—	(16,532)
Released upon derecognition of derivative financial instruments	—	—	—	—	—	—	—	—	(9,183)	—	—	—	(9,183)	(12,373)	(21,556)
Deferred tax charged for the period	—	—	—	—	—	—	8,453	—	557	—	—	—	9,010	750	9,760
Exchange translation differences	—	—	—	—	—	—	—	—	—	14,680	—	—	14,680	9,474	24,154
Share of reserve of associate	—	—	—	—	(338)	—	—	—	—	—	338	—	—	—	—
Income and expense recognised directly in equity	—	—	—	—	(338)	—	(64,754)	(109,946)	(2,033)	14,680	338	—	(162,053)	6,735	(155,318)
Profit for the period	—	—	—	—	—	—	—	—	—	—	84,103	—	84,103	37,219	121,322

For the six months ended 30 June 2008 (unaudited)

	Equity attributable to equity holders of the Company														
	Share capital (HK\$'000)	Share premium (HK\$'000)	Capital redemption reserve (HK\$'000)	Capital reserve (HK\$'000)	Legal reserve (HK\$'000)	Special reserve (HK\$'000)	Asset revaluation reserve (HK\$'000)	Investment revaluation reserve (HK\$'000)	Hedging reserve (HK\$'000)	Exchange reserve (HK\$'000)	Retained profits (HK\$'000)	Proposed dividends (HK\$'000)	Total (HK\$'000)	Minority interests (HK\$'000)	Total equity (HK\$'000)
						(Note)									
Total recognised income and expense for the period	—	—	—	—	(338)	—	(64,754)	(109,946)	(2,033)	14,680	84,441	—	(77,950)	43,954	(33,996)
Exercise of share options	3,992	14,653	—	—	—	—	—	—	—	—	—	—	18,645	—	18,645
Expenses on issue of shares	—	(19)	—	—	—	—	—	—	—	—	—	—	(19)	—	(19)
Repurchase of shares	(609)	—	609	—	—	—	—	—	—	—	(19,705)	—	(19,705)	—	(19,705)
Expenses on repurchase of shares	—	—	—	—	—	—	—	—	—	—	(68)	—	(68)	—	(68)
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	—	34	34
Acquisition of additional interests in a subsidiary	—	—	—	—	—	(151,413)	—	—	—	—	—	—	(151,413)	13,393	(138,020)
Dividends to minority shareholders	—	—	—	—	—	—	—	—	—	—	—	—	—	(23,490)	(23,490)
2007 final dividend for shares repurchased	—	—	—	—	—	—	—	—	—	—	30	(30)	—	—	—
2007 final dividend	—	—	—	—	—	—	—	—	—	—	—	(164,042)	(164,042)	—	(164,042)
	3,383	14,634	609	—	(338)	(151,413)	(64,754)	(109,946)	(2,033)	14,680	64,698	(164,072)	(394,552)	33,891	(360,661)
At 30 June 2008	585,460	6,749,979	8,529	5	10,803	(151,413)	1,675,920	261,216	8,623	42,033	3,452,798	—	12,643,953	2,378,516	15,022,469

Note: Special reserve represents the difference between the fair value and the carrying amount of the net assets attributable to the additional interest in a subsidiary being acquired from a minority shareholder during the six months ended 30 June 2008.

For the six months ended 30 June 2007 (unaudited)

	Equity attributable to equity holders of the Company												
	Share capital (HK\$'000)	Share premium (HK\$'000)	Capital redemption reserve (HK\$'000)	Capital reserve (HK\$'000)	Legal reserve (HK\$'000)	Investment revaluation reserve (HK\$'000)	Hedging reserve (HK\$'000)	Exchange reserve (HK\$'000)	Retained profits (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

For the six months ended 30 June 2007 (unaudited)

	Equity attributable to equity holders of the Company												
	Share capital (HK\$'000)	Share premium (HK\$'000)	Capital redemption reserve (HK\$'000)	Capital reserve (HK\$'000)	Legal reserve (HK\$'000)	Investment revaluation reserve (HK\$'000)	Hedging reserve (HK\$'000)	Exchange reserve (HK\$'000)	Retained profits (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

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June

	(Unaudited) 2008 (HK\$'000)	(Unaudited) 2007 (HK\$'000)
Net cash from/(used in) operating activities	164,372	(193,893)
Net cash used in investing activities	(217,783)	(832,121)
Net cash (used in)/from financing activities	(464,557)	298,178
Net decrease in cash and cash equivalents	(517,968)	(727,836)
Effect of foreign exchange rates changes	2,380	593
Cash and cash equivalents at 1 January	3,585,416	3,452,774
Cash and cash equivalents at 30 June	3,069,828	2,725,531
Analysis of cash and cash equivalents		
Investment funds (classified as available-for-sale investments)	46,328	7,018
Bank deposits, cash and bank balances	3,023,500	2,721,513
	3,069,828	2,728,531
Bank deposits with a maturity over three months	—	(3,000)
	3,069,828	2,725,531

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 2007 except as described in note 2 below.

NOTE 2 IMPACT OF NEW HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new Hong Kong Financial Reporting Standards (HKFRSs) that are effective for the Group's current accounting period:

HK(IFRIC)-Int 11	HKFRS 2 - Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction

The adoption of the new HKFRSs has no material impact on these condensed consolidated financial statements.

Notes to the Condensed Financial Statements

NOTE 3 SEGMENT INFORMATION

Business segments

	Property (HK\$'000)	Transportation (HK\$'000)	Hospitality (HK\$'000)	Investment and others (HK\$'000)	Eliminations (HK\$'000)	Consolidated (HK\$'000)
For the six months ended 30 June 2008						
Turnover and revenue						
External turnover	560,942	985,327	170,031	94,861	—	1,811,161
Inter-segment turnover	1,646	91,865	18,390	—	(111,901)	—
Other revenues	6,886	54,551	119	20,544	—	82,100
	569,474	1,131,743	188,540	115,405	(111,901)	1,893,261
Segment results	120,761	(47,280)	20,453	95,965	—	189,899
Fair value changes on investment properties	9,850	—	—	—	—	9,850
Unallocated net expense						(29,536)
Operating profit						170,213
Finance costs						(74,455)
Share of results of associates	36	6,506	12,344	1,492	—	20,378
Share of results of jointly controlled entities	3,095	6,866	4,978	—	—	14,939
Profit before taxation						131,075
Taxation						(9,753)
Profit after taxation						121,322

NOTE 3 SEGMENT INFORMATION (Continued)

Business segments (Continued)

	Property (HK\$'000)	Transportation (HK\$'000)	Hospitality (HK\$'000)	Investment and others (HK\$'000)	Eliminations (HK\$'000)	Consolidated (HK\$'000)
For the six months ended 30 June 2007 (Restated)						
Turnover and revenue						
External turnover	173,833	957,110	165,194	73,924	–	1,370,061
Inter-segment turnover	1,588	92,653	18,103	–	(112,344)	–
Other revenues	443	36,620	643	11,701	–	49,407
	175,864	1,086,383	183,940	85,625	(112,344)	1,419,468
Segment results	59,491	123,869	16,787	70,578	–	270,725
Fair value changes on investment properties	42,499	–	–	–	–	42,499
Unallocated net income						19,881
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	202,609	54	24,646	1,681	–	228,990
Share of results of jointly controlled entities	10,594	1,815	–	–	–	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)

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				
2008	741,940	1,046,447	104,874	1,893,261
2007 (Restated)	714,305	594,264	110,899	1,419,468

NOTE 4 OPERATING PROFIT

For the six months ended 30 June

	2008 (HK\$'000)	(Restated) 2007 (HK\$'000)
After crediting:		
Interest income	35,786	74,251
Rental income from investment properties	73,716	72,179
Dividend income from listed investments	8,288	6,500
Dividend income from unlisted investments	78,829	61,047
Net gain transferred from equity for available-for-sale investments on disposal	16,532	10,495
After charging:		
Cost of inventories		
– properties	336,910	22,476
– fuel	510,817	295,134
– others	31,254	34,241
	878,981	351,851

NOTE 5 FINANCE COSTS

For the six months ended 30 June

	2008 (HK\$'000)	2007 (HK\$'000)
Total finance costs incurred	86,416	23,655
Less: Amount capitalised in properties under development	(11,961)	(2,582)
Total finance costs expensed during the period	74,455	21,073

NOTE 6 TAXATION

For the six months ended 30 June

	2008 (HK\$'000)	2007 (HK\$'000)
Company and subsidiaries		
Hong Kong profits tax	17,114	24,228
Overseas tax	32,292	1,307
Deferred tax	(39,653)	12,469
	9,753	38,004

Hong Kong profits tax is provided for at the rate of 16.5% (2007: 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.

On 26 June 2008, the Hong Kong profit tax rate was enacted to decrease from 17.5% to 16.5% with effect from the year of assessment 2008/09. The effect of this decrease has been reflected in the calculation of current and deferred tax balances as at 30 June 2008.

Notes to the Condensed Financial Statements

NOTE 7 DIVIDENDS

For the six months ended 30 June

	2008 (HK\$'000)	2007 (HK\$'000)
Interim dividend: Nil (2007: HK7.0 cents per share)	—	152,818

At the Board meeting held on 17 September 2008, the Directors have resolved not to declare any interim dividend for the six months ended 30 June 2008.

Final dividend of HK7.0 cents per share for the year ended 31 December 2007 amounting to HK\$164,042,000 was approved by shareholders on 19 June 2008 and paid on 3 July 2008.

NOTE 8 EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to equity holders of the Company of HK\$84,103,000 (2007: HK\$677,613,000) and the weighted average number of 2,336,462,248 shares (2007: 2,188,709,633 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\$84,103,000 (2007: HK\$677,613,000) and the weighted average number of 2,410,122,295 shares (2007: 2,276,825,432 shares) in issue after adjusting for the effects of all dilutive potential ordinary shares.

NOTE 8 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	
	2008	2007	2008	2007
	(HK\$'000)	(HK\$'000)		
Profit/number of shares for the purpose of basic earnings per share	84,103	677,613	2,336,462,248	2,188,709,633
Effect of dilutive potential ordinary shares – share options	—	—	73,660,047	88,115,799
Profit/number of shares for the purpose of diluted earnings per share	84,103	677,613	2,410,122,295	2,276,825,432

NOTE 9 PROPERTY, PLANT AND EQUIPMENT

During the period, additions to property, plant and equipment mainly comprised properties under development, furniture, fixtures and equipment of HK\$276,647,000 (2007: HK\$145,409,000) and net book value of property, plant and equipment disposed of amounted to HK\$830,000 (2007: HK\$223,000).

NOTE 10 INVESTMENT PROPERTIES

A revaluation of all investment properties was performed at 30 June 2008 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, 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 income statement.

Notes to the Condensed Financial Statements

NOTE 11 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 12 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 2008 (HK\$'000)	31 December 2007 (HK\$'000)
0 – 30 days	333,041	144,702
31 – 60 days	35,217	67,928
61 – 90 days	15,138	131,052
over 90 days	19,400	22,002
	402,796	365,684

The ageing analysis of trade creditors is as follows:

	30 June 2008 (HK\$'000)	31 December 2007 (HK\$'000)
0 – 30 days	398,399	505,465
31 – 60 days	7,705	7,712
61 – 90 days	3,222	1,367
over 90 days	3,257	26,923
	412,583	541,467

NOTE 13 SHARE CAPITAL

	30 June 2008		31 December 2007	
	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	2,328,309,734	582,077	2,190,514,064	547,628
Placement of shares	—	—	140,000,000	35,000
Exercise of share options	15,969,566	3,992	5,697,670	1,424
Repurchase of shares	(2,436,000)	(609)	(7,902,000)	(1,975)
At end of the period	2,341,843,300	585,460	2,328,309,734	582,077

NOTE 14 PLEDGE OF ASSETS

At 30 June 2008, certain assets of the Group with an aggregate carrying value of HK\$1,044,107,000 (at 31 December 2007: HK\$799,577,000) were pledged to secure bank loan facilities.

Notes to the Condensed Financial Statements

NOTE 15 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	2008 (HK\$'000)	2007 (HK\$'000)
STDM Group	(i)		
Dividend income from STDM	(ii)	78,311	60,859
Ferry tickets sold (after discount) to STDM Group		153,782	209,731
Commission paid to STDM Group on ferry tickets sold by STDM Group		10,760	9,795
Fees received from STDM for management of hotels and Macau Tower Convention & Entertainment Centre		15,632	16,050
Fuel purchased from STDM Group for Macau shipping operations		242,578	137,282
Amount collected by STDM Group for sale of ferry tickets and related services in Macau		235,815	226,035
Amount reimbursed to STDM Group for expenses incurred in respect of shipping operations in Macau		79,413	77,115
Amount reimbursed by STDM Group for staff expenses and administrative resources shared		20,033	13,635
Acquisition of the remaining 20% interest in Shun Tak, Serviços Recreativos, S.A. Group Limited (STSR) and assignment of related shareholder's loan from STDM	(iii)	238,000	—

NOTE 15 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

a) (Continued)

For the six months ended 30 June

	Note	2008 (HK\$'000)	2007 (HK\$'000)
Associates			
Insurance premium paid to an associate		18,177	15,318
Jointly controlled entities			
Ferry passengers handling fees received on behalf of a jointly controlled entity		24,926	22,078
Amount reimbursed by a jointly controlled entity for marketing and promotion expenses incurred		691	6,915
Key management personnel			
Fees received under Ferry Services Co-operation Agreement with a jointly controlled entity of New World Development Company Limited (NWD) (iv)		—	15,000
Ferry tickets sold (after discount) to a jointly controlled entity of NWD (iv)		18,508	—
Ferry tickets sold (after discount) to MGM Grand Paradise Limited (MGM) (v)		5,170	—
Fees received from MGM for laundry, decoration, travel and other services rendered (v)		13,831	—
Directors' emoluments			
Salaries and other short-term employee benefits		12,861	11,834
Post-employment benefits		584	531

Notes to the Condensed Financial Statements

NOTE 15 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

a) (Continued)

For the six months ended 30 June

	Note	2008 (HK\$'000)	2007 (HK\$'000)
Other related parties			
Commission paid to China Travel Service (Hong Kong) Limited (CTSHK) for sale of ferry tickets (vi)		18,390	18,003
Net income collected by CTSHK for sale of ferry tickets and related services (vi)		93,735	122,033
Design and construction fee paid to Dragages Hong Kong Limited (DHK) (vii)		216,355	114,733

NOTE 15 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Note	30 June 2008 (HK\$'000)	31 December 2007 (HK\$'000)
STDM Group	(i)		
Net receivable from STDM Group	(viii)	21,329	—
Minority shareholder's loan from STDM to a subsidiary	(iii)	—	100,000
Jointly controlled entities			
Amounts due by jointly controlled entities	(ix)	449,877	444,261
Construction costs payable to a jointly controlled entity		78,281	28,983
Key management personnel			
Minority shareholder's loans from NWD to subsidiaries	(x)	248,564	248,195
Minority shareholder's loan from a company beneficially owned by Dr. Stanley Ho to a subsidiary	(xi)	95,627	104,747
Bank accounts maintained with Seng Heng Bank Limited (SHB)	(xii)	26,526	26,938
Refundable deposit paid by a subsidiary to Sai Wu Investimento Limitada (Sai Wu)	(xiii)	500,000	500,000

Notes to the Condensed Financial Statements

NOTE 15 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

b) (Continued)

Note	30 June 2008 (HK\$'000)	31 December 2007 (HK\$'000)
Other related parties		
Minority shareholder's loan from Dragages Investments Limited (DI) to a subsidiary (vii)	90,000	66,000
Minority shareholder's loans from Sun Hung Kai Properties Limited (SHK) to subsidiaries (x)	720,836	721,553
Accounts receivable from CTS HK Design and construction fee payable to DHK	12,130	15,265
	74,863	71,808

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.

NOTE 15 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Notes: (Continued)

- (ii) *The shareholders of STDM during its annual general meeting on 31 March 2008 passed resolutions (1) approving the annual report and annual accounts of STDM for year ended 31 December 2007 (the "STDM Accounts") as proposed by its Board of Directors; and (2) approving the distribution of dividends based upon the approved STDM Accounts ("Distribution Resolution"). On 7 April 2008, Madame Ho Yuen Ki and Moon Valley Inc. commenced court proceedings in Macau and requested an interim injunction to be decreed to suspend all acts of delivery of the Distribution Resolution ("Macau Proceedings"). The Directors have received advice that under Macau law, although payment of the dividends has been temporarily suspended pending determination of the Macau Proceedings by the Court of First Instance, the dividends payable to each STDM shareholder remain owing to its shareholders who are legally entitled thereto. The Directors are of the view that the dividends may properly be recorded as an income in the accounts of the Group.*
- (iii) *The subsidiary, STSR, holds site development rights in Macau and was previously owned as to 80% by the Group and 20% by STDM. In June 2008, the Group completed the acquisition of the aforesaid 20% interests at a consideration of HK\$238,000,000, comprising HK\$137,800,000 for the 20% equity interest and HK\$100,200,000 for the shareholder's loan. The difference between the fair value of the assets acquired and the carrying amount of the 20% equity interest in the sum of \$151,413,000 was recognised as special reserve.*
- (iv) *Dato' Dr. Cheng Yu Tung is chairman of NWD.*
- (v) *Ms. Pansy Ho has beneficial interest in MGM. Ms. Pansy Ho and Ms. Daisy Ho are directors of MGM.*
- (vi) *CTSHK is a subsidiary of China Travel International Investment Hong Kong Limited which is a minority shareholder of a subsidiary.*
- (vii) *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.*
- (viii) *Net receivable from STDM Group comprises unsecured non-interest bearing current account, trade and other receivable and payable.*

Notes to the Condensed Financial Statements

NOTE 15 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 2007: HK\$9,200,000) is repayable on demand, amount of HK\$333,540,000 (at 31 December 2007: HK\$333,540,000) is repayable by 5 December 2010 and amount of HK\$52,094,000 (at 31 December 2007: HK\$30,487,000) 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 2007: HK\$7,200,000) is interest bearing at 5% (at 31 December 2007: 5%) per annum, amount of HK\$2,196,000 (at 31 December 2007: nil) is interest bearing at 6% per annum and amount of HK\$333,540,000 (at 31 December 2007: HK\$333,540,000) is interest bearing at HIBOR plus 3% (at 31 December 2007: HIBOR plus 3%) per annum while the remaining balances are non-interest bearing. The related interest income for the first half of 2008 amounted to HK\$11,229,000 (2007: HK\$11,692,000). At 30 June 2008, interest receivable of HK\$48,611,000 (at 31 December 2007: HK\$41,431,000) 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 2007: 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) On 28 January 2008, STDm disposed its entire interest in SHB to Industrial and Commercial Bank of China Limited. Prior to the disposal, SHB was a subsidiary of STDm. Mr. Patrick Huen has beneficial interest in and is a director of SHB.

NOTE 15 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Notes: (Continued)

(xiii) 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. On 27 May 2008, the completion date of the acquisition was further extended from 30 June 2008 to on or before 30 June 2009.

NOTE 16 COMMITMENTS

a) Capital commitments

	30 June 2008 (HK\$'000)	31 December 2007 (HK\$'000)
Contracted but not provided for	345,102	506,010
Authorised but not contracted for	4,431	4,557
	349,533	510,567

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

- (i) the payment of HK\$3,080 million (at 31 December 2007: HK\$523 million) in cash and the issue of 148,883,374 (at 31 December 2007: 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.
- (ii) its share of capital and loan contributions of HK\$1,513 million (at 31 December 2007: HK\$1,535 million) to certain jointly controlled entities to finance various projects mainly in Macau.

b) Property development commitments

The Group had commitments of HK\$1,219,531,000 (at 31 December 2007: HK\$1,926,078,000) under various contracts to complete property development projects, out of which HK\$1,040,738,000 (at 31 December 2007: HK\$1,376,002,000) represents the Group's share of such commitments of a jointly controlled entity.

Notes to the Condensed Financial Statements

NOTE 17 CONTINGENCIES

There have been no material changes in contingent liabilities of the Group since 31 December 2007.

NOTE 18 COMPARATIVES

Certain comparative figures have been restated in order to conform with the current period's presentation. In particular, both revenues and the related cost in the sum of HK\$16,068,000 in connection with the disposal of certain available-for-sale investments and other financial instruments previously shown separately have been netted off.

Disclosure of Interests

As at 30 June 2008, the interests or short positions of the Directors and chief executive of the Company 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 ("Stock Exchange") 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 ("Listing Rules"), were as follows:

(a) Interests of the Directors in Shares and Underlying Shares of the Company

Name of Director	Nature of interests	Number of shares held		Note	Approximate percentage of total issued shares Note (i)
		Personal interests	Corporate interests		
Stanley Ho	Interests in issued shares	250,936,160	39,021,590	(iii)	12.38%
	Interests in unissued shares	—	148,883,374	(iv)	6.36%
	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	342,627	—		0.01%
Pansy Ho	Interests in issued shares	25,587,604	191,931,661	(v)	9.29%
	Interests in unissued shares	—	148,883,374	(iv)	6.36%
	Interests in underlying shares	20,157,740	—	(ii)	0.86%
Daisy Ho	Interests in issued shares	25,801,811	97,820,707	(vi)	5.28%
	Interests in unissued shares	—	148,883,374	(iv)	6.36%
	Interests in underlying shares	20,157,740	—	(ii)	0.86%
Ambrose So	Interests in issued shares	8,906,250	87,452	(vii)	0.38%
	Interests in underlying shares	20,157,740	—	(ii)	0.86%
Patrick Huen	Interests in issued shares	62,500	5,994,849	(viii)	0.26%
	Interests in underlying shares	10,078,870	—	(ii)	0.43%
Anthony Chan	Interests in issued shares	10,310,120	—		0.44%
Maisy Ho	Interests in issued shares	1,630,435	23,066,918	(ix)	1.05%
	Interests in underlying shares	20,157,740	—	(ii)	0.86%
David Shum	Interests in underlying shares	5,000,000	—	(ii)	0.21%

Disclosure of Interests

Notes:

- (i) As at 30 June 2008, the total number of issued shares of the Company is 2,341,843,300.
- (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 Megaprospere 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 87,452 shares of Dr. Ambrose So are held by Super Gold Holdings Limited, which is wholly-owned by Dr. Ambrose So.
- (viii) The 5,994,849 shares of Mr. Patrick Huen are held by Enhance Gain Investments Limited, which is wholly-owned by Mr. Patrick Huen.
- (ix) 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%

(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 in sections (a) to (c) above, none of the Directors or chief executive of the Company 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 (within the meaning of Part XV of the 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 pursuant to the Model Code as at 30 June 2008.

Disclosure of Interests

(d) Share Options

As at 30 June 2008, 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 2008	30 June 2008
Directors					
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	—
	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	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
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
Employees	8 July 2004	8 July 2004 to 7 July 2009	HK\$3.95	300,000	200,000

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) *10,434,783 share options of Ms. Pansy Ho granted under the 1993 Share Option Scheme were exercised during the six months ended 30 June 2008. The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$9.50.*
- (iii) *5,434,783 share options of Ms. Daisy Ho granted under the 1993 Share Option Scheme were exercised during the six months ended 30 June 2008. The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$9.50.*
- (iv) *100,000 share options of employees granted under the 2002 Share Option Scheme were exercised during the six months ended 30 June 2008. The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$7.87.*
- (v) *The share options outstanding at the beginning and at the end of the period granted to the Directors are exercisable during the period of 10 years commencing on the date of grant. These share options vested on the dates of their issues.*
- (vi) *The share options outstanding at the beginning and at the end of the period granted to employees are exercisable during the period of 5 years commencing on the date of grant. These share options vested on the dates of their issues.*
- (vii) *No share option was cancelled or lapsed during the six months ended 30 June 2008.*

Save as disclosed above, as at 30 June 2008, 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.

Disclosure of Interests

(e) Substantial Shareholders and Other Persons

As at 30 June 2008, 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	Number of shares/ underlying shares held	Approximate percentage of total issued shares Note (i)
Shun Tak Shipping Company, Limited ("STS") and its subsidiaries	(ii)	Interests in issued shares	Beneficial owner	308,057,215	13.15%
Sociedade de Turismo e Diversões de Macau, S.A. ("STDM") and its subsidiary	(iii)	Interests in issued shares	Beneficial owner	263,667,107	11.26%
Alpha Davis Investments Limited ("ADIL")	(iv)	Interests in unissued shares	Beneficial owner	148,883,374	6.36%
Innowell Investments Limited ("IIL")	(iv)	Interests in unissued shares	Interests of controlled corporation	148,883,374	6.36%
Megaproprosper Investments Limited ("MIL")	(iv)	Interests in unissued shares	Interests of controlled corporation	148,883,374	6.36%
Artio Global Management LLC (formerly Julius Baer Investment Management LLC)		Interests in issued shares	Investment manager	234,856,346	10.03%
State Street Corporation		Interests in issued shares	Investment manager	141,084,883	6.02%

Notes:

- (i) As at 30 June 2008, the total number of issued shares of the Company is 2,341,843,300.
- (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 and Mr. David Shum have 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.

Save as disclosed above, no other person (other than the Directors) 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 2008.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

A proforma combined balance sheet of the affiliated companies and the Group's attributable interests as at 30 June 2008 are disclosed as follows:

	Proforma Combined Balance Sheet (HK\$'000)	Group's Attributable Interests (HK\$'000)
Non-current assets	1,684,247	815,645
Current assets	3,612,924	1,763,445
Current liabilities	(2,364,749)	(1,177,114)
Non-current liabilities	(951,205)	(479,408)
Net assets	1,981,217	922,568

The proforma combined balance sheet of the affiliated companies is prepared by combining their balance sheets as at 30 June 2008, after regrouping into significant balance sheet classification and taking up adjustments to conform with the Group's significant accounting policies as well as any fair value adjustments.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2008, the Company repurchased 2,436,000 of its own shares on the Stock Exchange at an aggregate consideration of HK\$19,705,000. 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 on the Stock Exchange	Number of shares repurchased	Highest price paid per share (HK\$)	Lowest price paid per share (HK\$)	Aggregate price paid (HK\$)
February 2008	300,000	10.50	10.38	3,124,000
April 2008	418,000	9.90	9.73	4,121,000
June 2008	1,718,000	7.37	7.13	12,460,000
	2,436,000			19,705,000

The share repurchases were made for the benefit of the shareholders with a view to enhancing the net asset value of the Company and/ or its earnings per share for future years.

Save as disclosed above, the Company had not redeemed any of its listed securities, and neither the Company nor any of its subsidiaries had purchased or sold, any of the Company's listed securities during the six months ended 30 June 2008.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2008, except for the deviation from code provision A.5.4 which is explained as follows:

The code provision A.5.4 requires that Directors must comply with the obligations set out in the Model Code in Appendix 10 of the Listing Rules.

A Director, upon discovering a discrepancy of 9,000 shares between her total shareholding in the Company and her disclosure of interest following the Company's rights issue in May 2002, and under a mistaken impression that it was a necessary remedial step, purchased 10,000 shares of the Company on 18 March 2008. The purchase was made in the month immediately preceding the Company's 2007 annual results announcement and without notifying the Chairman or the Director designated by the Board contrary to the requirements of rules A.3 and B.8 of the Model Code.

The Director reported her unintentional breach of the Model Code to the Stock Exchange and rectified her disclosure of shareholding in the Company in late March 2008. The Company discussed the breach of the Model Code with the Director upon receipt of her notification and, having considered that the incident was an isolated and unintentional mistake, the Company concluded no remedial action would be necessary. The Company reiterated to the Director that the Model Code requirements should be strictly complied with at all times and for such purposes, the Company will continue to adhere to the usual practice of issuing the relevant black out notice to all Directors.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. All other Directors have confirmed, following specific enquiry by the Company, that they fully complied with the Model Code throughout the six months ended 30 June 2008 with the exception of the deviation referred to under the section headed Code on Corporate Governance Practices above.

REVIEW BY AUDIT COMMITTEE

The unaudited interim financial statements and the interim report for the six months ended 30 June 2008 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, 17 September 2008

As at the date of this report, the executive Directors 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.

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