



SHUN TAK HOLDINGS LIMITED

信德集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 242)

2007 Interim Results Announcement

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.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June

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

CONDENSED CONSOLIDATED BALANCE SHEET

	(Unaudited) 30 June 2007 (HK\$'000)	(Audited) 31 December 2006 (HK\$'000)
<i>Note</i>		
Non-current assets		
Property, plant and equipment	1,055,677	972,843
Investment properties	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	1,372,001	1,279,770
Mortgage loans receivable	49,800	82,158
Deferred tax assets	15,011	16,237
Other non-current assets	<u>1,507,613</u>	<u>803,649</u>
	<u>9,685,313</u>	<u>7,918,393</u>
Current assets		
Properties under development	937,508	1,071,824
Inventories	411,220	224,346
Trade receivables, other receivables and deposits paid	9 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	<u>2,721,513</u>	<u>3,427,514</u>
	<u>5,418,519</u>	<u>5,622,140</u>
Current liabilities		
Bank borrowings	854,362	91,742
Trade and other payables	9 714,524	634,005
Derivative financial instruments	4,277	26,141
Provision for employee benefits	27,074	27,654
Taxation payable	<u>53,079</u>	<u>34,432</u>
	<u>1,653,316</u>	<u>813,974</u>
Net current assets	<u>3,765,203</u>	<u>4,808,166</u>
Total assets less current liabilities	<u>13,450,516</u>	<u>12,726,559</u>

	(Unaudited) 30 June 2007 <i>Note</i> (HK\$'000)	(Audited) 31 December 2006 (HK\$'000)
Non-current liabilities		
Bank borrowings	659,991	834,982
Deferred tax liabilities	290,317	180,490
Loans from minority shareholders	<u>991,266</u>	<u>974,314</u>
	<u>1,941,574</u>	<u>1,989,786</u>
Net assets	<u>11,508,942</u>	<u>10,736,773</u>
Equity		
Share capital	545,778	547,628
Reserves	8,580,696	8,030,269
Proposed dividends	<u>152,818</u>	<u>175,241</u>
Equity attributable to equity holders of the Company	9,279,292	8,753,138
Minority interests	<u>2,229,650</u>	<u>1,983,635</u>
Total equity	<u>11,508,942</u>	<u>10,736,773</u>

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)
For the six months ended 30 June 2007						
Turnover and revenue						
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	<u>36,620</u>	<u>443</u>	<u>643</u>	<u>27,769</u>	<u>—</u>	<u>65,475</u>
	<u>1,086,383</u>	<u>175,864</u>	<u>183,940</u>	<u>101,693</u>	<u>(112,344)</u>	<u>1,435,536</u>
Segment results	123,869	59,491	16,787	68,950	—	269,097
Fair value changes on investment properties	—	42,499	—	—	—	42,499
Unallocated net income						<u>21,509</u>
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	—	—	—	<u>12,409</u>
Profit before taxation						844,608
Taxation						<u>(38,004)</u>
Profit after taxation						<u>806,604</u>

Business segments

	Transportation (HK\$'000)	Property (HK\$'000)	Hospitality (HK\$'000)	Investment and others (HK\$'000)	Eliminations (HK\$'000)	Consolidated (HK\$'000)
For the six months ended 30 June 2006 (restated)						
Turnover and revenue						
External turnover	856,173	119,288	136,161	110,974	—	1,222,596
Inter-segment turnover	61,316	964	15,496	—	(77,776)	—
Other revenues	<u>30,800</u>	<u>714</u>	<u>574</u>	<u>16,471</u>	<u>—</u>	<u>48,559</u>
	<u>948,289</u>	<u>120,966</u>	<u>152,231</u>	<u>127,445</u>	<u>(77,776)</u>	<u>1,271,155</u>
Segment results	130,573	46,728	15,705	113,872	—	306,878
Fair value changes on investment properties	—	36,843	—	—	—	36,843
Unallocated net income						<u>35,503</u>
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	—	<u>4,479</u>
Profit before taxation						422,644
Taxation						<u>(32,619)</u>
Profit after taxation						<u>390,025</u>

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				
2007	<u>722,014</u>	<u>594,264</u>	<u>119,258</u>	<u>1,435,536</u>
2006	<u>624,497</u>	<u>553,663</u>	<u>92,995</u>	<u>1,271,155</u>

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)
After crediting:		
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
After charging:		
Cost of inventories		
— properties	22,476	6,681
— others	<u>329,375</u>	<u>304,313</u>
	351,851	310,994

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	<u>(2,582)</u>	<u>(640)</u>
Total finance costs expensed during the period	<u><u>21,073</u></u>	<u><u>26,520</u></u>

Note 7 Taxation

For the six months ended 30 June

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

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

The ageing analysis of trade creditors is as follows:

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

Note 10 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.

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.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Saturday, 29 September 2007 to Wednesday, 3 October 2007, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong registrars, Computershare Hong Kong Investor Services Limited, of Shops 1712-1716, 17th Floor Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 28 September 2007.

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	<u>5,748,000</u>	10.90	10.30	<u>60,754</u>
	<u>7,902,000</u>			<u>84,562</u>

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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the six months ended 30 June 2007.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions By Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of Listing Rules 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 the 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 hereof, 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. Mok Ho Yuen Wing, Louise and the independent non-executive Directors are Sir Roger Lobo, Mr. Norman Ho, Mr. Charles Ho and Mr. Yeh V-Nee.