



**SHUN TAK HOLDINGS LIMITED**

**信德集團有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 242)**

*Website: <http://www.shuntakgroup.com>*

## **2008 Interim Results Announcement**

### **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.

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June

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

## CONDENSED CONSOLIDATED BALANCE SHEET

	(Unaudited) 30 June 2008 (HK\$'000)	(Audited) 31 December 2007 (HK\$'000)
<b>Non-current assets</b>		
Property, plant and equipment	1,460,548	1,252,893
Investment properties	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	1,441,330	1,530,894
Mortgage loans receivable	26,254	38,931
Deferred tax assets	14,090	9,526
Other non-current assets	<u>495,170</u>	<u>573,159</u>
	<b><u>9,667,668</u></b>	<b><u>9,608,009</u></b>
<b>Current assets</b>		
Properties for or under development	10,871,307	10,775,322
Inventories	397,194	784,231
Trade receivables, other receivables and deposits paid	8 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	<u>3,023,500</u>	<u>3,564,534</u>
	<b><u>15,960,611</u></b>	<b><u>16,707,301</u></b>
<b>Current liabilities</b>		
Bank borrowings	2,589,491	3,216,982
Trade and other payables	8 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	<u>233,912</u>	<u>191,848</u>
	<b><u>4,732,824</u></b>	<b><u>5,170,386</u></b>
<b>Net current assets</b>	<b><u>11,227,787</u></b>	<b><u>11,536,915</u></b>
<b>Total assets less current liabilities</b>	<b><u>20,895,455</u></b>	<b><u>21,144,924</u></b>

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

### 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)
<b>For the six months ended 30 June 2008</b>						
<b>Turnover and revenue</b>						
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	<u>6,886</u>	<u>54,551</u>	<u>119</u>	<u>20,544</u>	<u>—</u>	<u>82,100</u>
	<u>569,474</u>	<u>1,131,743</u>	<u>188,540</u>	<u>115,405</u>	<u>(111,901)</u>	<u>1,893,261</u>
<b>Segment results</b>	120,761	(47,280)	20,453	95,965	—	189,899
Fair value changes on investment properties	9,850	—	—	—	—	9,850
Unallocated net expense						<u>(29,536)</u>
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	—	—	<u>14,939</u>
Profit before taxation						131,075
Taxation						<u>(9,753)</u>
Profit after taxation						<u>121,322</u>

## 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 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	<u>443</u>	<u>36,620</u>	<u>643</u>	<u>11,701</u>	<u>—</u>	<u>49,407</u>
	<u>175,864</u>	<u>1,086,383</u>	<u>183,940</u>	<u>85,625</u>	<u>(112,344)</u>	<u>1,419,468</u>
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						<u>19,881</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	202,609	54	24,646	1,681	—	228,990
Share of results of jointly controlled entities	10,594	1,815	—	—	—	<u>12,409</u>
Profit before taxation						844,608
Taxation						<u>(38,004)</u>
Profit after taxation						<u>806,604</u>

## Geographical segments

	Hong Kong (HK\$'000)	Macau (HK\$'000)	Others (HK\$'000)	Consolidated (HK\$'000)
For the six months ended 30 June				
<b>Turnover and revenue</b>				
<b>2008</b>	<u>741,940</u>	<u>1,046,447</u>	<u>104,874</u>	<u>1,893,261</u>
2007 (Restated)	<u>714,305</u>	<u>594,264</u>	<u>110,899</u>	<u>1,419,468</u>

#### Note 4 Operating Profit

For the six months ended 30 June

	2008 (HK\$'000)	(Restated) 2007 (HK\$'000)
<b>After crediting:</b>		
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
<b>After charging:</b>		
Cost of inventories		
— properties	336,910	22,476
— fuel	510,817	295,134
— others	<u>31,254</u>	<u>34,241</u>
	<b>878,981</b>	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	<u>(11,961)</u>	<u>(2,582)</u>
Total finance costs expensed during the period	<u><b>74,455</b></u>	<u><b>21,073</b></u>

#### Note 6 Taxation

For the six months ended 30 June

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

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.

#### **Note 7 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 Trade Debtors and Creditors — Ageing Analysis**

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

	<b>30 June 2008 (HK\$'000)</b>	31 December 2007 (HK\$'000)
0 — 30 days	<b>333,041</b>	144,702
31 — 60 days	<b>35,217</b>	67,928
61 — 90 days	<b>15,138</b>	131,052
over 90 days	<b>19,400</b>	22,002
	<b><u>402,796</u></b>	<u>365,684</u>

The ageing analysis of trade creditors is as follows:

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

## **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, Bungy 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**

<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>over 5 years</u>	<u>Total</u>
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.

## 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 of Hong Kong Limited (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:

<b>Month of repurchases on the Stock Exchange</b>	<b>Number of shares repurchased</b>	<b>Highest price paid per share (HK\$)</b>	<b>Lowest price paid per share (HK\$)</b>	<b>Aggregate price paid (HK\$)</b>
February 2008	300,000	10.50	10.38	3,124,000
April 2008	418,000	9.90	9.73	4,121,000
June 2008	<u>1,718,000</u>	7.37	7.13	<u>12,460,000</u>
	<u>2,436,000</u>			<u>19,705,000</u>

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 Rules Governing the Listing of Securities on the Stock Exchange (“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 for Securities Transactions by Directors of Listed Issuers (“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 announcement, 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.*