

Shun Tak Holdings Limited

信德集團有限公司

Interim Report 2002 中期業績報告

The logo for Shun Tak Holdings Limited, featuring a stylized red and white graphic above the company name in gold capital letters.

SHUN TAK

Large, semi-transparent, light blue numbers '2002' overlaid on the background image of the tower and city lights.

2002

GROUP RESULTS

The Group's unaudited profit attributable to shareholders for the six months ended 30 June 2002 amounted to HK\$280.2 million, an increase of 128.4% as compared with the profit of HK\$122.7 million for the corresponding period last year. Earnings per share were 16.1 HK cents (2001: 7.3 HK cents).

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of 3.5 HK cents per share (2001: 2 HK cents) in respect of the six months ended 30 June 2002, payable on 25 October 2002 to shareholders on record as at 18 October 2002.

The Register of Members will be closed from 16 October to 18 October 2002, both dates inclusive. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrar not later than 4:00 p.m. on 15 October 2002.

BUSINESS REVIEW

Shipping

Shun Tak-China Travel Shipping Investments Ltd., the shipping investment arm of the Group, has maintained its market leadership with approximately 90% market share of the Hong Kong-Macau route during the first half of year 2002. For its Shenzhen and Guangzhou routes, total passenger traffic recorded a year on year increase of 21.6% during the first six months. Operating profit of the Group's shipping division increased by 24.2% to HK\$96.6 million (2001: HK\$77.8 million) in the first half of the year through optimal re-allocation of internal resources, continuing cost control efforts and enhancement of operating efficiency.

In line with the Group's strategy of exploring new PRC route expansion and other business development opportunities in the Pearl River Delta, a new route between Shenzhen and Macau was launched on 16 April 2002. In June 2002, the shipping division formed a joint venture with a third party, which entered into a design agreement with the Hong Kong Airport Authority to renovate and upgrade a cross boundary passenger ferry terminal at the Hong Kong International Airport in Chek Lap Kok. The ferry terminal is scheduled to commence operations in the first quarter of 2003 for the purpose of providing passenger ferry services to major cities in the Pearl River Delta.

The charter service agreement with Sociedade de Turismo e Diversões de Macau, S.A.R.L. to provide low fare passenger ferry service between Kowloon and Macau has successfully promoted tourism in Macau and contributed to a stable income for the Group. The agreement has been renewed for one year commencing on 1 January 2002.

Hospitality

Benefiting from the upturn of Macau tourism, the Group's hospitality business in Macau continued to perform satisfactorily during the first half of 2002. The number of visitors to Macau for the first six months ended 30 June 2002 reached 5.5 million, increased by 9.3% as compared with the same period last year.

Mandarin Oriental Macau achieved a significant increase in net profit, as compared to the same period last year due to improvement in operating profit and reduction in interest expenses. Westin Resort Macau recorded a slight increase of 0.8% in average room rate, as compared to the corresponding period in the previous year. As Westin Resort Macau is currently undertaking a refurbishment programme, its occupancy rate was slightly affected by a 2.9% decrease as compared to the corresponding period last year. The programme is scheduled for completion in the second quarter of 2003.

Macau Golf & Country Club, the Group's premier golf club in Macau, has performed satisfactorily during the first half of the year and achieved an increase in net profit as compared to the same period last year.

With the opening of the Macau Tower Convention & Entertainment Centre ("MTCEC") in December 2001, the Group's hospitality management portfolio has added a landmark property and broadened its hospitality network in Macau. The Group was awarded the operational and management agreement for the MTCEC for 20 years and has since brought in a series of exhibitions, trade shows, concerts as well as special events, such as the world acclaimed Chanel Greater China Fashion Show to MTCEC. The Group, together with the world renowned commercial bunjee jump pioneer AJ Hackett, has recently launched an adventure tourism business at the MTCEC, which is AJ Hackett's first and only destination in the Greater China region.

Property

The property division of the Group has achieved satisfactory result during the first half of the year.

Pre-sale of Phase I and Phase II of the Liberté was successfully launched in April 2002 and June 2002, respectively, and was well-received by the market. Phase I, comprising five towers of 1,834 residential units, is scheduled for completion in the third quarter of 2003. Phase II, comprising two towers of 600 residential units and a commercial podium, is scheduled for completion by the end of 2003. The Liberté is conveniently located in the centre of West Kowloon's transportation network and within walking distance to an MTR station.

Phase II of The Belcher's development, comprising three towers of 1,120 residential units, was completed in April 2002 and the sold units were smoothly handed over to the homebuyers as scheduled.

The Group's property management portfolio currently comprises a total gross floor area of approximately 8.5 million square feet in Hong Kong and Macau, including The Belcher's, The Westwood and the MTCEC. In anticipation of the addition of the Liberté upon its completion in 2003, the portfolio will be increased to over 10 million square feet.

PROSPECTS

The directors are confident that the shipping and hospitality businesses of the Group are well-poised to participate in, and benefit from the revival of Macau tourism as well as the fast economic growth of the Pearl River Delta region.

In light of this, the Group continues to review and restructure its existing operations and focus on the business development of its shipping and hospitality divisions. In February 2002, the Group strategically disposed of its 20% equity interest in an air-cargo business, AHK Air Hong Kong Limited. In April 2002, the Group acquired the development rights of a 99,000 square metre hotel and commercial site in Taipa-Macau to further strengthen its interests in hospitality business in Macau. Meanwhile, the Group has taken a conservative and highly prudent approach to make a provision mainly for its technology-related funds and investments during the period in recognition of the global downturn in the technology sector.

In May 2002, the Group successfully raised approximately HK\$388.5 million by way of rights issue for reducing the Group's debt and enhancing its financial position. In addition, sales from its property development projects during the period had generated substantial cash inflow and further improved the gearing position of the Group.

In view of the Group's sound financial position, the Board believes that the Group is well-poised to pursue expansion and new business opportunities, particularly in hospitality-related investments in Macau and the Pearl River Delta region. The Group will continue to focus on creating synergy for its existing operation, in a prudent yet proactive manner and remains confident of the future development and prosperity of its core businesses.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

The cash and cash equivalents were HK\$1,366 million at 30 June 2002, a substantial increase of HK\$779 million from last year end date.

During the period, the Group enlarged its share capital by way of rights issue from a subscription of 388,486,782 shares at HK\$1.00 per share. The net proceeds (after deduction of expenses) from the rights issue of HK\$382 million were applied to reduce the Group's debts.

At 30 June 2002, total loan facilities and other financing available to the Group amounted to HK\$4,730 million, of which HK\$1,250 million remained undrawn.

The facilities outstanding at the period end comprised HK\$3,167 million bank loans, HK\$308 million convertible guaranteed bonds and HK\$5 million other loans. 13% of the outstanding bank loans was secured by charges on certain assets of the Group. 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 2002 is set out below:

Maturity Profile

Within 1 year	1-2 years	2-5 years	Total
12%	23%	65%	100%

Based on a net borrowings of HK\$2,114 million at the period end, the Group's gearing ratio was 20.0% (at 31 December 2001: 31.9%, as restated). The Group will continue with its financial strategy of maintaining a prudent gearing ratio and consider steps to reduce its finance costs.

Financial Risk

The Group adopts a conservative policy in financial risk management with little exposure to foreign exchange and interest rate risks. It is the Group's policy not to engage in any speculative trading activity.

The funds raised by the Group are on a floating rate basis except for the convertible guaranteed bonds which accounted for 10% of our Group's long term borrowings.

Only 19% of the Group's outstanding borrowings is denominated in US dollars. The Group's principal operations are primarily conducted and recorded in Hong Kong dollars so that the exposure to foreign exchange fluctuations is minimal.

Human Resources

The Group, including subsidiaries but excluding associates and jointly controlled entities, employs approximately 2,090 employees at the period end. The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on a performance related basis. Social activities are organised to foster team spirit amongst staff. Staff are encouraged to attend training classes that are related to the Group's businesses.

Condensed Consolidated Profit and Loss Account

For the six months ended 30 June

	Note	(Unaudited) 2002 (HK\$'000)	(Unaudited and restated) 2001 (HK\$'000)
Turnover	2	3,523,823	2,636,603
Other revenues		31,431	53,287
Other income		10,129	12,068
		3,565,383	2,701,958
Cost of properties sold		(2,432,060)	(1,655,526)
Other operating costs		(733,158)	(723,155)
Operating profit	2, 3	400,165	323,277
Finance costs	4	(47,707)	(65,558)
Net investment gain	5	77,828	—
Share of results of associates		4,662	(6,344)
Share of results of jointly controlled entities		(11,962)	(6,002)
Profit before taxation		422,986	245,373
Taxation	6	(13,375)	(33,602)
Profit after taxation		409,611	211,771
Minority interests		(129,421)	(89,086)
Profit attributable to shareholders		280,190	122,685
Interim dividend	7	67,985	31,079
Earnings per share (HK cents)	8		
- basic		16.1	7.3
- diluted		15.7	N/A

Condensed Consolidated Balance Sheet

	Note	(Unaudited) At 30 June 2002 (HK\$'000)	(Audited and restated) At 31 December 2001 (HK\$'000)
Non-current assets			
Fixed assets	9	4,025,071	3,450,594
Associates		945,316	1,024,143
Joint ventures		439,196	422,544
Investments		395,317	482,836
Mortgage loans receivable		1,405,613	651,903
		7,210,513	6,032,020
Current assets			
Properties under development	9	2,272,580	6,621,296
Inventories	9	3,368,424	1,239,122
Sale proceeds of properties held by stakeholders		1,101,666	311,480
Trade & other debtors, deposits and prepayments	10	494,909	1,125,971
Time deposits		1,290,533	523,204
Cash and bank balances		75,265	64,150
		8,603,377	9,885,223
Current liabilities			
Current portion of long-term borrowings		426,336	506,417
Trade & other creditors, deposits and accrued charges	10	1,596,170	717,631
Taxation		94,619	93,373
		2,117,125	1,317,421
Net current assets		6,486,252	8,567,802
Total assets less current liabilities		13,696,765	14,599,822
Non-current liabilities			
Long-term borrowings		3,053,828	3,560,195
Provision for premium on redemption of convertible guaranteed bonds		59,079	86,440
Deferred tax		19,802	58,707
		3,132,709	3,705,342
Minority interests and loans		4,321,679	5,232,648
Net assets		6,242,377	5,661,832
Shareholders' equity			
Share capital	11	485,608	388,486
Reserves		5,688,784	5,226,728
Proposed dividends		67,985	46,618
		6,242,377	5,661,832

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June

	(Unaudited) 2002 (HK\$'000)	(Unaudited and restated) 2001 (HK\$'000)
Net cash from operating activities	3,228,266	766,857
Net cash (used in)/from investing activities	(1,019,987)	33,698
Net cash used in financing activities	(1,429,835)	(1,283,305)
Increase/(decrease) in cash and cash equivalents	778,444	(482,750)
Cash and cash equivalents at 1 January	587,354	872,593
Cash and cash equivalents at 30 June	1,365,798	389,843
Analysis of balances of cash and cash equivalents		
Time deposits	1,290,533	326,939
Cash and bank balances	75,265	62,904
	1,365,798	389,843

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2002 (unaudited)

	Capital			Investment property		Exchange reserve account (HK\$'000)	Profit and loss account (HK\$'000)	Proposed dividends (HK\$'000)	Total (HK\$'000)
	Share capital (HK\$'000)	Share premium account (HK\$'000)	Share redemption reserve account (HK\$'000)	Capital reserve account (HK\$'000)	Revaluation reserve account (HK\$'000)				
At 1 January 2002									
- as originally stated	388,486	3,510,565	5,019	130,302	8,758	4,389	1,590,980	46,618	5,685,117
- effect of adopting SSAP 34	-	-	-	-	-	-	(23,285)	-	(23,285)
- as restated	388,486	3,510,565	5,019	130,302	8,758	4,389	1,567,695	46,618	5,661,832
Shares issued under the rights issue	97,122	-	-	-	-	-	-	-	97,122
Premium on shares issued under the rights issue	-	291,365	-	-	-	-	-	-	291,365
Expenses on issue of shares	-	(6,271)	-	-	-	-	-	-	(6,271)
Profit for the period	-	-	-	-	-	-	280,190	-	280,190
Released upon realisation of assets	-	-	-	(23,588)	-	-	-	-	(23,588)
2001 final dividend for the rights shares	-	-	-	-	-	-	(11,655)	11,655	-
2001 final dividend	-	-	-	-	-	-	-	(58,273)	(58,273)
2002 interim dividend	-	-	-	-	-	-	(67,985)	67,985	-
At 30 June 2002	485,608	3,795,659	5,019	106,714	8,758	4,389	1,768,245	67,985	6,242,377

For the six months ended 30 June 2001 (unaudited)

	Capital			Investment property		Exchange reserve account (HK\$'000)	Profit and loss account (HK\$'000)	Proposed dividends (HK\$'000)	Total (HK\$'000)
	Share capital (HK\$'000)	Share premium account (HK\$'000)	Share redemption reserve account (HK\$'000)	Capital reserve account (HK\$'000)	Revaluation reserve account (HK\$'000)				
At 1 January 2001									
- as originally stated	388,486	3,510,565	5,019	125,569	-	4,294	1,221,591	46,618	5,302,142
- effect of adopting SSAP 18 (revised)	-	-	-	-	-	-	(14,322)	-	(14,322)
SSAP 28	-	-	-	-	-	-	189,837	-	189,837
SSAP 31	-	-	-	4,733	-	-	(4,733)	-	-
SSAP 34	-	-	-	-	-	-	(23,285)	-	(23,285)
- as restated	388,486	3,510,565	5,019	130,302	-	4,294	1,369,088	46,618	5,454,372
Profit for the period	-	-	-	-	-	-	122,685	-	122,685
2000 final dividend	-	-	-	-	-	-	-	(46,618)	(46,618)
2001 interim dividend	-	-	-	-	-	-	(31,079)	31,079	-
At 30 June 2001	388,486	3,510,565	5,019	130,302	-	4,294	1,460,694	31,079	5,530,439

NOTE 1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants (the "HKSA") and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and certain fixed assets.

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2001, except for the adoption of the following SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2002.

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 34	:	Employee benefits

The changes to the Group's accounting policies arising from the adoption of these new or revised SSAPs are set out below:

(a) **SSAP 1 (revised) : Presentation of financial statements**

Certain presentational changes have been made upon the adoption of SSAP 1 (revised).

(b) **SSAP 11 (revised) : Foreign currency translation**

On adoption of SSAP 11 (revised), the profit and loss accounts of subsidiaries, associates and joint ventures established outside Hong Kong, which are expressed in currencies other than Hong Kong dollars, are translated into Hong Kong dollars at the weighted average exchange rates during the period. This is a change in accounting policy from previous years where these were translated at the rates of exchange ruling at the balance sheet date. The new accounting policy has been adopted prospectively and the effects of the change relating to prior periods are not significant.

(c) **SSAP 15 (revised) : Cash flow statements**

In accordance with SSAP 15 (revised), the cash and cash equivalents are presented by means of cash flow statement which classifies cash flows during the period according to operating, investing and financing activities. Condensed cash flow statement for the six months ended 30 June 2001 has been presented on a consistent basis.

NOTE 1 BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

(d) SSAP 34 : Employee benefits

In accordance with SSAP 34, cost of accumulating compensated absences is recognised as an expense and measured based on the additional amount that the Group expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date. This change in accounting policy has been applied retrospectively and accordingly, the retained profits as at 1 January 2002 have been decreased by HK\$23,285,000 and the Group's net assets as at 31 December 2001 have been decreased by HK\$23,285,000. There is no significant impact on the Group's net assets as at 30 June 2002 and its profit attributable to shareholders for both periods presented.

NOTE 2 SEGMENT INFORMATION

An analysis of the Group's turnover and operating profit by business and geographical segments is outlined below:

For the six months ended 30 June

	Turnover		Operating profit	
	2002 (HK\$'000)	(Restated) 2001 (HK\$'000)	2002 (HK\$'000)	(Restated) 2001 (HK\$'000)
By business segment:				
Shipping	698,585	681,081	96,647	77,828
Property	2,769,033	1,910,194	305,438	235,343
Hospitality	37,654	30,860	4,048	(64)
Investments & others	18,551	14,468	16,962	13,395
	3,523,823	2,636,603	423,095	326,502
Unallocated net expenses			(22,930)	(3,225)
			400,165	323,277
By geographical segment:				
Hong Kong	3,152,790	2,272,158	322,467	243,883
Macau	335,400	336,133	74,169	77,983
Others	35,633	28,312	3,529	1,411
	3,523,823	2,636,603	400,165	323,277

NOTE 3 OPERATING PROFIT

For the six months ended 30 June

	2002 (HK\$'000)	(Restated) 2001 (HK\$'000)
After crediting:		
Interest income	15,831	31,648
Less: Amount capitalised in properties under development	(2,635)	(6,648)
	13,196	25,000
Rental income from investment properties	40,996	8,029
Less: Outgoings	(107)	(108)
	40,889	7,921
Dividends from unlisted investments	24,949	14,468
After charging:		
Cost of inventories	2,561,026	1,797,689
Staff costs	250,910	245,939
Amortisation and depreciation	75,845	90,105

NOTE 4 FINANCE COSTS

For the six months ended 30 June

	2002 (HK\$'000)	2001 (HK\$'000)
Total finance costs incurred	113,793	283,297
Less: Amount capitalised in properties under development	(66,086)	(217,739)
Total finance costs expensed during the period	47,707	65,558

NOTE 5 NET INVESTMENT GAIN

Net investment gain comprises profit on disposal of an associate of HK\$177,828,000 (2001: nil) and impairment loss on investment of HK\$100,000,000 (2001: nil).

NOTE 6 TAXATION

For the six months ended 30 June

	2002 (HK\$'000)	2001 (HK\$'000)
Company and subsidiaries		
Hong Kong profits tax	11,845	15,552
Overseas tax	1,264	99
Deferred tax	—	17,440
Associates		
Hong Kong profits tax	53	165
Overseas tax	213	346
	13,375	33,602

Hong Kong profits tax is provided for at the rate of 16% (2001: 16%) on the estimated assessable profits for the period. Overseas taxation is calculated at the rates applicable in their respective jurisdictions.

NOTE 7 INTERIM DIVIDEND

For the six months ended 30 June

	2002 (HK\$'000)	2001 (HK\$'000)
Interim dividend of 3.5 HK cents on 1,942,433,910 shares (2001: 2.0 HK cents on 1,553,947,128 shares)	67,985	31,079

NOTE 8 EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to shareholders of HK\$280,190,000 (2001: HK\$122,685,000, as restated for adopting new and revised SSAPs) and the weighted average number of 1,742,326,635 shares (2001: 1,674,141,933 shares, as restated for the rights issue) in issue during the period. The calculation of diluted earnings per share is based on profit attributable to shareholders of HK\$306,008,000 and the weighted average number of 1,949,941,113 shares in issue after adjusting for the effects of all dilutive potential ordinary shares. For the six months ended 30 June 2001, the diluted earnings per share was not shown as there was no dilutive effect.

A reconciliation of profit attributable to shareholders 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 2002

	Profit attributable to shareholders (HK\$'000)	Weighted average number of shares
Profit/number of shares for the purpose of basic earnings per share	280,190	1,742,326,635
Effect of dilutive potential ordinary shares:		
Share options	—	2,785,844
Convertible guaranteed bonds	25,818	204,828,634
Profit/number of shares for the purpose of diluted earnings per share	306,008	1,949,941,113

NOTE 9 FIXED ASSETS AND INVENTORIES

During the period, additions to fixed assets mainly comprise properties of HK\$147,492,000 (2001: HK\$50,625,000), and site development rights of HK\$500,000,000 (2001: nil). Additions to inventories mainly comprise stocks of properties of HK\$2,134,585,000 (2001: HK\$1,923,710,000).

NOTE 10 TRADE DEBTORS AND CREDITORS - AGEING ANALYSIS

The Group maintains a defined credit policy on its trade debtors. The ageing analysis of trade debtors was as follows:

	30 June 2002 (HK\$'000)	31 December 2001 (HK\$'000)
0 - 30 days	259,145	98,227
31 - 60 days	8,398	16,589
61 - 90 days	3,391	3,983
Over 90 days	68,426	113,691
	339,360	232,490

The ageing analysis of trade creditors was as follows:

	30 June 2002 (HK\$'000)	31 December 2001 (HK\$'000)
0 - 30 days	150,450	314,320
31 - 60 days	41,320	3,063
61 - 90 days	95	491
Over 90 days	399	15,997
	192,264	333,871

NOTE 11 SHARE CAPITAL

	Number of shares	30 June 2002 (HK\$'000)	31 December 2001 (HK\$'000)
Authorised			
Ordinary shares of HK\$0.25 each			
At beginning of the period	2,000,000,000	500,000	500,000
Increase in authorised share capital	2,000,000,000	500,000	—
At end of the period	4,000,000,000	1,000,000	500,000
Issued and fully paid			
Ordinary shares of HK\$0.25 each			
At beginning of the period	1,553,947,128	388,486	388,486
Shares issued under the rights issue	388,486,782	97,122	—
At end of the period	1,942,433,910	485,608	388,486

By an ordinary resolution passed by the shareholders of the Company on 29 April 2002, the authorised share capital of the Company was increased from HK\$500,000,000 to HK\$1,000,000,000 by the creation of 2,000,000,000 new ordinary shares of HK\$0.25 each.

During the period, 388,486,782 ordinary shares were issued under the rights issue at the subscription price of HK\$1.00 per rights share. The net proceeds from the rights issue were used to repay the Group's debts.

NOTE 12 CONVERTIBLE GUARANTEED BONDS

In July 1999, a subsidiary issued US\$70 million convertible guaranteed bonds which carry interest at 4.25% per annum payable annually in arrear. The bonds are guaranteed by the Company and listed on the Luxembourg Stock Exchange. Unless previously purchased and cancelled, redeemed or converted, the bonds will be redeemed on 27 July 2004 at 132.5% of their principal amount plus accrued interest.

During the period, the subsidiary repurchased the convertible guaranteed bonds with an aggregate principal amount of US\$30.25 million (2001: nil) for a total consideration of HK\$271,329,000 and these bonds were then cancelled. The surplus arising from the repurchase and the subsequent cancellation of the bonds has been accounted for in the profit and loss account.

NOTE 13 PLEDGE OF ASSETS

At 30 June 2002, certain assets of the Group with aggregate carrying value of HK\$2,175,615,000 (at 31 December 2001: HK\$9,137,740,000) were pledged to secure bank loan facilities.

NOTE 14 COMMITMENTS

(a) Capital commitments

	30 June 2002 (HK\$'000)	31 December 2001 (HK\$'000)
Contracted but not provided for Capital expenditure	2,074	1,306
Authorised but not contracted for Capital expenditure	12,128	3,469

- (b) At 30 June 2002, the Group had commitments under various contracts, entered into in the normal course of business, to complete property development projects to a total value of approximately HK\$984,057,000 (at 31 December 2001: HK\$1,194,362,000) out of which approximately HK\$902,393,000 (at 31 December 2001: HK\$1,085,276,000) was related to the jointly controlled assets.

NOTE 15 CONTINGENCIES

There have been no material changes in contingent liabilities of the Group since 31 December 2001.

NOTE 16 RELATED PARTY TRANSACTIONS

For the six months ended 30 June

	2002	(Restated)
	(HK\$'000)	2001 (HK\$'000)
Significant transactions with Sociedade de Turismo e Diversões de Macau S.A.R.L. ("STDM")		
Dividend received from STDM	18,331	14,322
Subsidies received from STDM	10,835	12,890
Ship tickets sold to STDM	171,118	174,229
Discount and commission paid to STDM for sale of ship tickets	26,571	29,026
Management and incentive fees received from STDM for management of hotel and Macau Tower Convention & Entertainment Centre ("MTCEC")	11,796	10,011
Fuel purchased from STDM in Macau for shipping operations	36,430	40,347
Income collected by STDM for sale of ship tickets and related services in Macau	141,124	148,982
Amount reimbursed to STDM for expenses incurred in respect of TurbaJET operations in Macau	73,012	75,106
Amount reimbursed by STDM for expenses and resources shared by MTCEC	93,520	—
Gross operating revenue of MTCEC collected for STDM	32,512	—
Bank accounts maintained with Seng Heng Bank Ltd., a subsidiary of STDM	4,478	—
Charter hire income received from STDM	52,924	46,155
Significant transactions with China Travel Services (Hong Kong) Ltd. ("CTSHK")		
Commission paid to CTSHK for sale of ship tickets	12,431	12,447
Net income collected by CTSHK for sale of ship tickets and related services	68,882	75,231
Amount reimbursed by Shun Tak Shipping Co., Ltd. and its associates ("STS") for expenses and resources shared by STS	28,742	18,156
Rental and related service fees for lease of land and buildings received from an associate	2,475	2,475

NOTE 16 RELATED PARTY TRANSACTIONS (Continued)

For the six months ended 30 June

	2002	(Restated)
	(HK\$'000)	2001 (HK\$'000)
Rental and related service fees for lease of land and buildings paid to Shun Tak Centre Ltd.	1,948	3,055
Interest income received from associates	1,078	14,412
Interest expenses paid to minority shareholders of a subsidiary	33,166	83,772
Interest expenses paid to a joint venture partner of a subsidiary	4,123	8,335
Sales commission paid to a minority shareholder of a subsidiary	8,123	19,214
Sales commission paid to a joint venture partner of a subsidiary	10,887	—
Insurance premium paid to an associate	13,427	11,006
Construction cost paid to a joint venture	198,127	47,678

The above transactions were conducted in accordance with the terms as disclosed in the last annual report.

Disclosure of Interests

As at 30 June 2002, the interests of the directors of the Company in the share capital of the Company or its associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") which have been notified to The Stock Exchange of Hong Kong Limited ("the Stock Exchange") and the Company, pursuant to Section 28 of the SDI Ordinance, including interests which they are deemed or taken to have under Section 31 or Part 1 of the schedule of the SDI Ordinance, or which are required pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

a) Interests of directors in the Company

Name of Director	Ordinary Shares of HK\$0.25 each		
	Personal Interests	Family Interests	Corporate Interests
Stanley Ho	240,517,502	6,144,725	36,285,523
Sir Roger Lobo	—	—	—
Robert Kwan	—	—	—
Cheng Yu Tung	—	—	—
Mok Ho Yuen Wing, Louise	323,627	—	—
Pansy Ho	12,555,806	—	97,820,707
Daisy Ho	11,562,252	—	97,820,707
Ambrose So	10,406,250	—	—
Patrick Huen	62,500	—	—
Andrew Tse	2,325,000	—	—
Anthony Chan	10,031,250	—	—
Maisy Ho	—	—	23,066,918

b) Interests of directors in subsidiaries

Name of Director	Name of Subsidiaries	Personal Interests	Corporate Interests
Stanley Ho	Shun Tak Cultural Centre Ltd.	—	4 ordinary shares (or 40%)
	Stabilo Ltd.	560 ordinary shares (or 11.2%)	—
Ambrose So	Stabilo Ltd.	72 ordinary shares (or 1.44%)	—
Patrick Huen	Stabilo Ltd.	68 ordinary shares (or 1.36%)	—
Andrew Tse	Stabilo Ltd.	68 ordinary shares (or 1.36%)	—
Anthony Chan	Stabilo Ltd.	32 ordinary shares (or 0.64%)	—

Disclosure of Interests

Certain nominee shares in subsidiaries were held by Dr. Ambrose So, Mr. Andrew Tse, Mr. Patrick Huen, Ms. Pansy Ho and Ms. Daisy Ho in trust for the Company or its subsidiaries.

c) Interests of directors in an associate

Dr. Stanley Ho owns 1 ordinary share (representing 10% interest) in South Light Ltd. as his personal interest.

d) Share options

As at 30 June 2002, details of share options granted to directors or employees under the old share option scheme (as hereinafter defined) of the Company are as follows:

Grantee	Date of Grant	Exercise / Vesting Period	Exercise Price per Share	Number of Share Options	
				As at 1 January 2002	As at 30 June 2002
Stanley Ho	10 June 1993	10 June 1993 to 9 June 2003	HK\$4.98 (i)	30,000,000	31,204,819 (i)
Pansy Ho	24 March 1995	24 March 1995 to 23 March 2005	HK\$3.35 (i)	2,500,000	2,597,015 (i)
	3 January 2000	3 January 2000 to 2 January 2010	HK\$1.15 (i)	10,000,000	10,434,783 (i)
Daisy Ho	24 March 1995	24 March 1995 to 23 March 2005	HK\$3.35 (i)	2,700,000	2,804,776 (i)
	3 January 2000	3 January 2000 to 2 January 2010	HK\$1.15 (i)	10,000,000	10,434,783 (i)
Maisy Ho	3 January 2000	3 January 2000 to 2 January 2010	HK\$1.15 (i)	3,000,000	3,130,435 (i)
Aggregate total of employees	3 January 2000	3 January 2000 to 2 January 2005	HK\$1.15 (i)	1,600,000	1,669,564 (i)

Notes:

- i) The exercise prices and the numbers of options have been adjusted due to the rights issue of the Company with effect from 21 May 2002 pursuant to the old share option scheme.

- ii) The share option scheme of the Company adopted on 18 May 1993 ("the old share option scheme") was terminated on 31 May 2002 and a new share option scheme was adopted on 31 May 2002. During the six months ended 30 June 2002, no options to subscribe for ordinary shares in the Company were granted under both the old and new share option schemes.
- iii) No share option was exercised during the six months ended 30 June 2002.
- iv) Options granted to directors and employees over the Company's shares are recognised in the balance sheet at the time when the options are exercised. Share capital is credited at par for each share issued upon the exercise of options, with share premium credited at the excess of net proceeds received over total share capital credited.
- v) Save as described above, as at 30 June 2002, none of the directors or their spouse or children under 18 years of age were granted or exercised any right to subscribe for any equity or debt securities of the Company or any of its associated corporations.

e) **Substantial shareholders**

As at 30 June 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that other than Dr. Stanley Ho whose interests are set out above, the following shareholder was interested in 10% or more of the issued share capital of the Company.

Name of Shareholder	No. of Ordinary Shares Held
Shun Tak Shipping Co., Ltd. and its subsidiaries (Note)	598,030,322

Note: Dr. Stanley Ho, Dr. Cheng Yu Tung and Mrs. Mok Ho Yuen Wing, Louise have beneficial interests in Shun Tak Shipping Co., Ltd.

Save as disclosed above, no other person has notified the Company as having any interest representing 10% or more of the Company's issued share capital.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period, the Group repurchased and cancelled certain of its convertible guaranteed bonds. Details of these are set out in note 12 to the condensed financial statements.

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 2002.

REVIEW BY AUDIT COMMITTEE

The unaudited interim financial statements for the six months ended 30 June 2002 have been reviewed by the Audit Committee of the Company. At the request of the directors, the Group's external auditors have carried out a review of the unaudited interim financial statements in accordance with the Statement of Auditing Standard 700 issued by the Hong Kong Society of Accountants.

CODE OF BEST PRACTICE

None of the directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the interim report, in compliance with Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

By order of the Board

Stanley Ho

Group Executive Chairman

Hong Kong, 23 September 2002



Shun Tak Holdings Limited

Penthouse, 39th Floor, West Tower

Shun Tak Centre, 200 Connaught Road Central

Hong Kong

信德集團有限公司

香港中環干諾道中二百號信德中心西座三十九字頂樓