

# Report of Directors

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31st December, 2000.

## Group Activities

The principal activity of the Company is investment holding. The activities of its principal subsidiaries, associates and joint ventures are shown on pages 79 to 80.

## Group Financial Statements

The profit of the Group for the year ended 31st December, 2000 and the state of affairs of the Company and of the Group at that date are shown in the financial statements on pages 46 to 80.

## Turnover and Contribution by Segment

The consolidated turnover and contribution by segment are shown in Group Financial Review Section on pages 32 to 35.

## Particulars of Principal Subsidiaries, Associates and Joint Ventures

Particulars regarding the principal subsidiaries, associates and joint ventures of the Company and of the Group are shown on pages 79 to 80.

## Dividends

An interim dividend of 2 cents per share was paid in October 2000. The directors now recommend the declaration of a final dividend of 3 cents per share in respect of the year ended 31st December, 2000 payable to shareholders on the record on 13th June, 2001.

## Fixed Assets

The movements in fixed assets of the Group during the year are shown in note 9 to the financial statements on pages 62 to 63.

## Particulars of Properties

Particulars regarding the properties held by the Group for own use, investment, development and sale are shown on pages 21 to 22 .

## Share Capital

The movements in share capital of the Company during the year are shown in note 16 to the financial statements on page 66.

## Convertible Guaranteed Bonds

Details of the convertible guaranteed bonds of the Group are shown in note 18 to the financial statements on pages 68 to 69.

## Share Option Scheme

Details of the Company's share option scheme are shown in note 16 to the financial statements on page 66.

## Reserves

The movements in reserves during the year are shown in note 17 to the financial statements on pages 67 to 68.

## Donations

During the year, the Group made donations for charitable and community purposes amounted to HK\$121,000 (1999: HK\$48,000)

## Group Borrowings

Details of borrowings repayable within one year and long-term loans are shown in notes 18 and 20 to the financial statements on pages 68 to 70.

## Finance Costs Capitalised

Interest and other finance costs capitalised by the Group during the year amounted to HK\$601,516,000 and HK\$35,405,000 respectively (1999: HK\$532,586,000 and HK\$31,005,000).

## Major Customers and Suppliers

It is the policy of the Group to have several suppliers for any item of materials required so as to avoid over-reliance on a single source of supply. The Group maintains good relationships with its major suppliers and has not experienced any significant difficulties in sourcing essential materials.

During the year, the Group's turnover attributable to the Group's five largest customers accounted for less than 30% of the Group's total turnover. 81% of the Group's purchases was attributable to the Group's five largest suppliers combined with the largest supplier accounting for 63% of the Group's total purchases.

Dr. Stanley Ho, Dr. Cheng Yu Tung and Madam Winnie Ho Yuen Ki have interests in Sociedade de Turismo e Diversões de Macau, S.A.R.L. (STDM), one of the five largest customers and suppliers of the Group. Save as disclosed, no other directors, their associates or shareholders (which to the knowledge of the directors own more than 5% of the Company's issued share capital) were interested at any time in the year in the Group's five largest customers or suppliers.

## Directors

The directors of the Company are listed on page 1. Madam Winnie Ho Yuen Ki, Mr. David Hill, Ms. Pansy Ho and Ms. Daisy Ho are due to retire in accordance with Article 77 of the Company's Articles of Association, and being eligible, offer themselves for re-election.

## Directors' Interests in Contracts and Connected Transactions

1. Dr. Stanley Ho, Dr. Cheng Yu Tung and Madam Winnie Ho Yuen Ki were directors of STDM, the franchised holder of all casinos in Macau.

During the year, the Group had the following transactions with STDM which were subject to the disclosure requirements:-

- i. The Group received management and incentive fees of HK\$17.8 million from STDM for managing hotels owned by STDM.
- ii. On 27th December, 2000, the Group placed a deposit in the amount of HK\$150.0 million with Seng Heng Bank Limited, a wholly owned subsidiary of STDM for a period of one month and earning interest at the rate of 7.31% per annum.

# Report of Directors

Directors' Interests in Contracts and Connected Transactions (Continued)

- iii. The Group purchased fuel for its Macau shipping operations amounting to HK\$83.9 million from STD M, which also loaded the fuel into the vessels. The Group received reimbursements of HK\$0.7 million for technical services rendered to STD M in relation to the loading of fuel.
  - iv. During the year, TurboJET tickets in the aggregate amount of HK\$334.3 million were sold by the Group to STD M. In return, discount and commission charges in the aggregate amount of HK\$57.5 million were paid by the Group to STD M in respect of the TurboJET tickets sold by STD M acting as agent or purchased by STD M for its own account.
  - v. During the year, the Group continued to reimburse STD M amounting to HK\$150.6 million on a dollar to dollar basis for payments made by STD M on behalf of the Group in settlement of expenses incurred in connection with the operation of the Macau wharf and the provision of wharf services at the Macau wharf to the TurboJET operations.
  - vi. The Group chartered two passenger ferries to STD M and operated on its behalf a low-fare passenger ferry service between the China Ferry Terminal in Kowloon and Macau. Pursuant to an agreement, the Group operated the charter service for a period of 12 months commencing 1st July, 2000 with 14 or 17 ferry trips daily. Hire charges in the aggregate amount of HK\$45.7 million were received by the Group during the year.
2. During the year, the Group paid commissions of HK\$25.7 million to China Travel Services (Hong Kong) Limited (CTSHK) as a joint general sales agent of Shun Tak-China Travel Shipping Investments Ltd. (ST-CTS) for sale of ferry tickets. CTSHK is a fellow subsidiary of China Travel International Investment Hong Kong Limited (CTII) which is a substantial shareholder of ST-CTS, a 71% owned subsidiary of the Group.
3. The Group received reimbursements of HK\$36.9 million from Shun Tak Shipping Company, Limited (STS) for expenses and resources shared by STS including staff and other administrative expenses arising from the secondment of staff, or services provided, to STS and its associates. Dr. Stanley Ho, Dr. Cheng Yu Tung and Madam Winnie Ho Yuen Ki were directors of STS. Together with Mrs. Mok Ho Yuen Wing, Louise, they also had beneficial interests in STS. STS is a substantial shareholder of the Company.
  4. The Group received rental income and related fees of HK\$4.9 million from Future Bright Property Management Limited (FBP) in which STD M, Dr. Stanley Ho, Madam Winnie Ho Yuen Ki and Mr. Ambrose So had beneficial interests. Madam Winnie Ho Yuen Ki was also a director of FBP.

5. The Group received property management income of HK\$7.0 million from the owners of a commercial property known as Shun Tak Centre in Sheung Wan. One of the owners was Shun Tak Centre Limited (STC), a company beneficially owned by Dr. Stanley Ho, STDM and New World Development Company Limited (NWD). An amount of HK\$3.5 million was paid by the Group to a NWD Group company by way of consultancy fees. The Group also received HK\$1.2 million from STC for management of the shopping mall at the Shun Tak Centre owned by STC. The Group also paid rentals and related expenses to STC of HK\$3.2 million for the rental of terminal space at Shun Tak Centre.
6. The Group, through its subsidiary, Duty Free Shoppers Macau Limited (DFSM), sold duty free alcohol and tobacco products on TurboJET vessels during sailings between Hong Kong and Macau. DFSM sourced its supply of goods sold from Duty Free Shoppers (Hong Kong) Limited (DFSHK), a substantial shareholder of DFSM. The purchases from DFSHK amounted to HK\$0.5 million.
7. During the year, Ranex Investments Limited (Ranex), a 51% subsidiary of the Group, paid rentals in the aggregate amount of HK\$5.4 million to STC for office and retail units leased for use as sales office and show-suites for the sale of residential units in The Belcher's. Ranex also accrued sales commissions of HK\$2.9 million due to a subsidiary of Sun Hung Kai Properties Limited (SHK), a substantial shareholder of Ranex, for the sale of residential units in The Belcher's .
8. The Group and SHK entered into a project management agreement and a sales agency agreement in relation to the Cheung Sha Wan Shipyards Redevelopment Project. Pursuant to the project management agreement, Sun Hung Kai Real Estate Agency Limited (SHKREA), a wholly owned subsidiary of SHK, has been appointed as the project manager and will be entitled to a project management fee of 0.5% of the project construction costs. Pursuant to the sales agency agreement, SHKREA and Shun Tak Real Estate Limited, a subsidiary of the Group, have been appointed as the joint sales agents and will be entitled to a commission at the rate of 0.5% each of the gross sales proceeds of the sale of the units in the project.
9. The Group granted financial assistance to several companies or ventures in which it is a shareholder or equity participant together with other connected parties:
- i. Nova Taipa Urbanizacoes Limitada (NTU) is owned as to 25% by the Group, 25% by STDM and 50% by Hopewell Holdings Limited. During the year, the Group extended a further loan of HK\$ 10.0 million in addition to previous shareholder loans of HK\$249.4 million, such loans being in proportion to its shareholding in NTU. All shareholders received 9.5% interest per annum on their respective loans. The interest accrued for the year ended 31st December, 2000 to the account of the Group was HK\$24.3 million.