



Cruising ahead

New passenger routes will capture a more diversified and international traveler market.



Shun Tak-China Travel Shipping Investments Ltd. (STCTS) is one of the largest high-speed ferry operators in Asia. Operating under the name TurboJET, STCTS owns a fleet of 31 vessels and is the only operator of 24-hour ferry services between Hong Kong and Macau. The Group's shipping division has been the market leader on the Hong Kong – Macau route for more than four decades.

Despite the adverse impact of the outbreak of Severe Acute Respiratory Syndrome (SARS), which resulted in an approximate 35% decrease in passengers carried in the second quarter of the year as compared with the corresponding period last year, the business of the shipping division promptly rebounded in the second half of the year. For the year ended 31 December 2003, the shipping division reported an operating profit of HK\$49 million (2002: HK\$192 million), with over 9 million passengers carried.

Faced with the serious impact of SARS, the shipping division took prompt and effective actions, including rationalizing sailing schedules and vessel deployment to improve load factor and contain operating costs. Once the travel advisories to Hong Kong and Guangdong were lifted, STCTS immediately launched a series of promotional programs for the Hong Kong-Macau route in co-operation with the Macau SAR Government. The programs successfully enhanced the rebound of passenger traffic on the route during the latter half of 2003. In addition, the relaxed travel restrictions on individual travelers in major cities in the People's Republic of China (PRC) from July 2003 onwards has boosted passenger arrivals to Macau from mainland China in the second half of 2003. As a result, the overall load factor of STCTS improved gradually during that period and rebounded to pre-SARS level by year-end.

Shipping

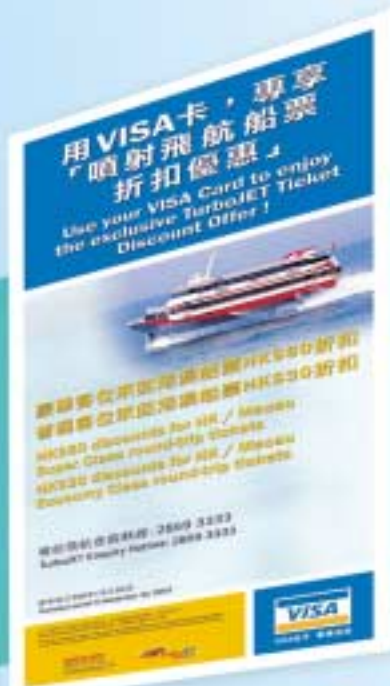
In late September 2003, STCTS successfully launched TurboJET Sea Express, a new passenger ferry service between the Hong Kong International Airport in Chek Lap Kok, and Shenzhen and Macau. The SkyPier cross-boundary passenger ferry terminal at the Hong Kong International Airport relieves transit passengers of Hong Kong customs and immigration formalities for greater convenience. This new air-sea transit service is a milestone for the Group in promoting its shipping network from a regional to an inter-regional traffic

platform for service of international air passengers between major international airports in the Pearl River Delta. The new routes have received a positive response since the launch. In 2004, the division intends to add Guangzhou to the TurboJET Sea Express network. Through this expanding shipping network, the division aims to capture a more diversified and international traveler base.



In April, the Group formed a 42.86%-owned joint venture with Yichang Port Group Company Limited to construct and operate a commuter terminal and a cruise terminal in Yichang of Hubei Province, PRC. The commuter terminal commenced operation in July 2003 and serves ferry routes for major cities along the Yangtze River. The cruise terminal is expected to commence service in late 2004. The establishment of the joint venture will facilitate the Group's strategic engagement in complementary shipping and hospitality businesses.

The shipping division is committed to enhancing its quality of service and operating efficiency. To capitalize on the rapid growth of tourism and business activities in the Pearl River Delta and to capture a wider traveler base, the shipping division intends to further expand its strategic multi-modal shipping network. The division will continue to seek complementary investment opportunities that create synergy with its existing businesses.



Craning higher

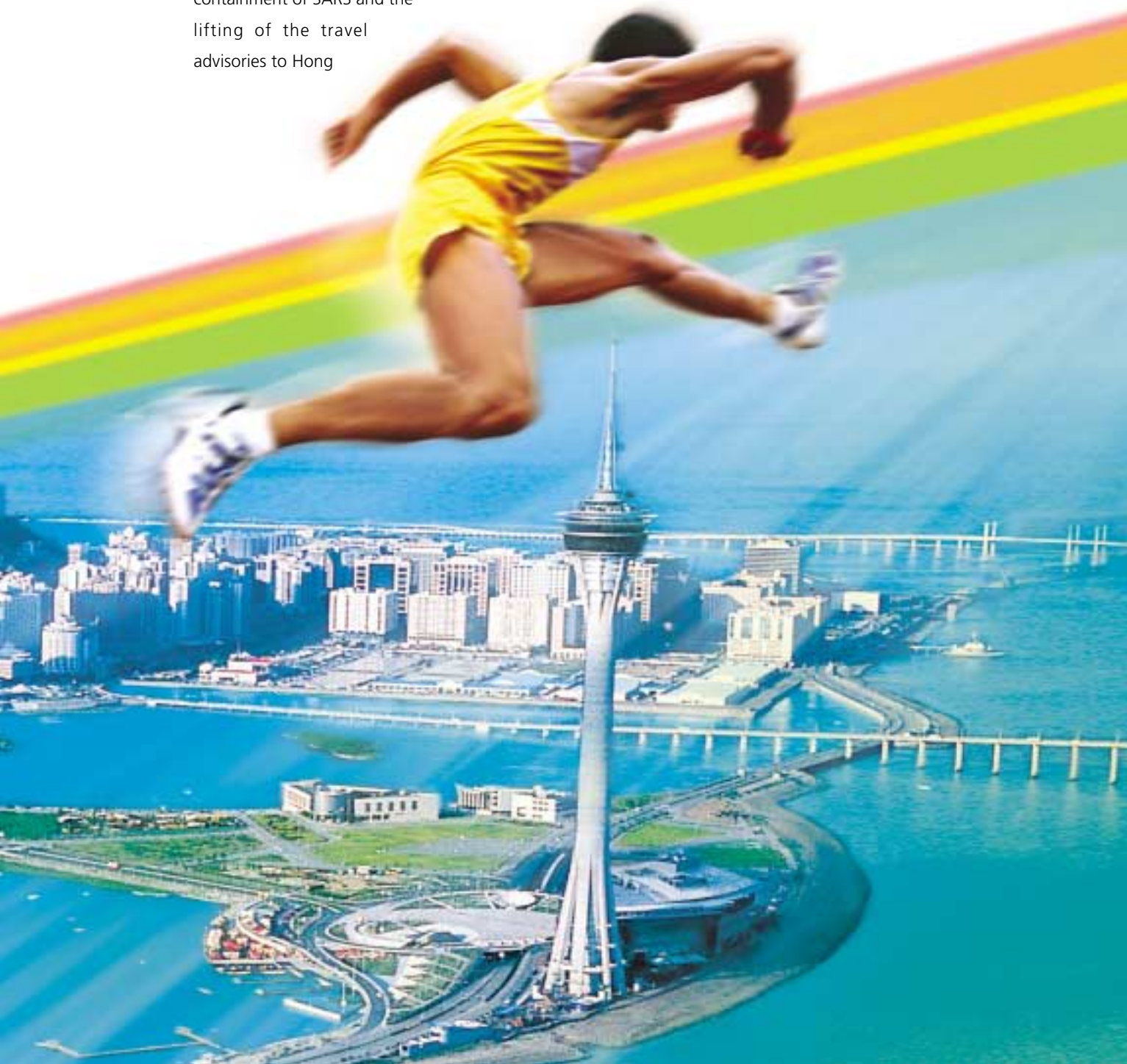
Unique attractions and premier facilities
appeal to adventure-minded travelers.



The Group's hospitality division reported increased profits in 2003 despite the serious impact of SARS in the second quarter of 2003. During that period, the division, like other travel-related operators in the region, was adversely affected by the downturn in visitors to Macau. In response to the adverse impact, the division promptly implemented effective cost-containment measures and introduced pro-active marketing initiatives.

During the latter half of 2003, a significant rebound in visitors to Macau was recorded with the eventual containment of SARS and the lifting of the travel advisories to Hong

Kong and Guangdong. For the year ended 31 December 2003, visitor arrivals to Macau increased by approximately 3% year-on-year, to approximately 11.9 million people. With relaxed travel restrictions on individual travelers from major cities in Guangdong, Shanghai and Beijing in the second half of 2003, visitor arrivals from mainland China to Macau increased significantly by 35% for the year ended 31 December 2003.



Hospitality

The Group's 50%-owned Mandarin Oriental Macau (Mandarin) and 34.9%-owned Westin Resort Macau (Westin) reported satisfactory increases in net profit, attributable to the significant rebound in Macau tourism during the second half of 2003. During that period, both hotels recorded improved average room rates and occupancy rates. For the second half of 2003, the Mandarin recorded a 4.6% increase in average room rate and a 16.1% increase in occupancy rate, while the Westin recorded a 3.8% increase in average room rate and an 11% increase in occupancy rate, as compared with the same period last year. In July 2003, the refurbishment program at the Westin was completed, thereby enhancing the comfort and enjoyment of hotel guests.

The Macau Golf & Country Club (MGCC), Macau's premier golf club and conveniently adjacent to the Westin, also achieved a satisfactory growth in net profit for 2003. The MGCC hosted the Macau Open golf tournament in October for the sixth consecutive year. The Westin, together with the MGCC, is the only resort in Hong Kong and Macau that offers an international standard 18-hole golf facility.

The Group owns an 11.48% attributable interest in Sociedade de Turismo e Diversões de Macau, S.A.R.L. (STDM). Ordinary dividends received from STDM in 2003 were HK\$16.8 million (2002: HK\$18.3 million). STDM owns an 80% equity interest in Sociedade de Jogos de Macau S.A. to which the Macau SAR Government awarded a gaming license in March 2002. In addition, STDM has




Photo courtesy : Ming Pao Weekly

interests in a number of Macau hotels, the Nam Van Lakes reclamation project, Nova Taipa Gardens, the Macau International Airport and Air Macau, the enclave's flag carrier.

Under the Group's professional management since its opening in 2001, the Macau Tower Convention & Entertainment Centre (Macau Tower), which is owned by STDM, has been established as a prominent tourist landmark for major events, conventions and banquets in Macau. In 2003, approximately one million people visited Macau Tower, an approximate increase of 40% over 2002. To promote the tower as an adventurous tourist attraction, the Group has introduced a range of unique activities since 2002. The latest addition is the world's first "Skywalk X" launched in July 2003 for adventurous visitors to stroll around the tower's outer-rim — 233 metres above ground without handrail.

In January 2003, the Group completed an agreement signed in late 2002 to transfer to STDM for approximately HK\$100 million a 20% interest in the development rights of a 99,000-square-metre hotel and commercial site in Taipa, Macau. With this joint venture, the Group intends to further explore and develop expansion opportunities in Macau.

To maximize sales and marketing opportunities, the Group is establishing a sales network to consolidate and synergize sales and marketing efforts. Sales offices were opened in Hong Kong, Macau and other major cities in the PRC to promote various travel and hospitality-related products of the Group, as well as to provide hotel reservation and travel services.

The division is optimistic about the growing popularity of Macau as a destination for leisure and business travelers, particularly with further relaxation of the travel policy for an increasing number of mainland China travelers. The varied hospitality-related activities and investments reflect the division's commitment to pursue opportunities that complement and extend its expertise in travel and tourism, particularly in Macau.



Relaying Forward

**Superior residences and services
characterize a quality property portfolio.**



With continued interest in the Group's major residential developments, Liberté and The Belcher's, and increased demand for quality property management services, the property division contributed satisfactory earnings and cash inflow to the Group. For the year ended 31 December 2003, the property division reported an operating profit of HK\$374 million (2002: HK\$391 million). Due to the significant cash inflow generated from property sales, the Group turned from a gearing of 25.6% at the end of 2002 into a net cash position by 31 December 2003.

Liberté

Liberté in West Kowloon features seven residential towers comprising 2,434 quality units, with a clubhouse, a landscaped garden of over 170,000 square feet and a commercial complex, Liberté Place. Phase I of Liberté comprises five residential towers with 1,834 units and

Phase II comprises two residential towers with 600 units and Liberté Place. Phase I and Phase II were successfully completed in September and December 2003, respectively. Liberté has been well-received with approximately 94% of saleable units sold as at 31 December 2003.

The Belcher's

The Belcher's luxury development in Western Mid-Levels comprises six residential towers. The all-weather resident clubhouse and landscaped gardens of 190,000 square feet are the largest in the Mid-levels. The development, comprising 2,213 luxury residential units, was completed in April 2002. The Belcher's has been well-received by the market, with approximately 88% of saleable units sold as at 31 December 2003.



Property

The Westwood, a large-scale modern commercial podium of over 220,000 square feet, is the largest shopping complex in the Western Mid-levels. The property has generated satisfactory rental and management income for the Group since opening in October 2001.

Other Properties

Nova Taipa Gardens is one of the largest property developments in Macau. Phase I, comprising 13 residential blocks, has been well-received with nearly all saleable units sold as at 31 December 2003. For Phase II, the foundation has been completed and the Group intends to commence superstructure works by mid-2004. Phase II will comprise 13 luxury residential towers, a deluxe clubhouse and landscaped gardens

of over 220,000 square feet. Completion of Phase II is expected by 2008 in stages, with several of the towers to be completed by 2006.

The Shun Tak Business Centre in Guangzhou comprises a 32-storey office tower and a six-storey shopping arcade. With growing interest in the property, the contribution generated from the property has increased during the year.

In order to strategically re-deploy the Group's resources and focus its business development in the Pearl River Delta, the Group disposed of a 15% minority beneficial interest in a non-core property development investment, the City Center of Shanghai, for HK\$342 million with a profit of HK\$29.7 million in April 2003.



Property Services

The Group's property management division provides quality services for a range of multi-functional residential, commercial and industrial properties. During the year, the division was appointed the property manager of Liberté in October 2003. With the addition, the division's portfolio expanded to over 10 million square feet in Hong Kong and Macau. Since the last quarter of 2003, the division has achieved smooth handover of sold units in Liberté to individual homebuyers. Other properties under the division's management include The Belcher's and The Westwood in Hong Kong, and Nova Taipa Gardens Phase I, the Macau Tower and Shun Tak House in Macau.

Living Matters Company Limited, a wholly-owned subsidiary of the Group, which provides lifestyle concept services under the brand name "Living Matters" continues to promote quality living by providing privileged personal services for its clients. During the year, the company also created show flats for The Belcher's and Liberté, which contributed to the successful sale of both properties.

In recognition of the division's active partnership with benevolent societies to organize meaningful charitable programs for residents, Shun Tak Property Management Limited was awarded the Caring Company Award by the Hong Kong Council of Social Services for the second consecutive year in 2003.



Properties for Development and/or Sale

	Approx. Total Gross Floor Area for the Project (Sq.m)	Approx. Total Site Area for the Project (Sq.m)	Primary Use	Group's Interest	Development Progress as of Dec 2003	Estimated Completion Date
Hong Kong						
The Belcher's Phase I	112,619	30,125	Residential	51%	Works completed	–
Phase II	138,162			51%	Works completed	–
Chatham Gardens	–	3,786	–	51%	Under planning	–
Liberté Phase I	118,308	18,912	Residential	64.56%	Works completed	–
Phase II	38,272			64.56%	Works completed	–
124 Pok Fu Lam Road	–	1,684	Residential	100%	Under planning	–
YTM Lots 30 & 31, Yau Tong	–	1,858	–	50%	Land bank	–

Macau

NAPE (Outer Harbour New Reclamations) Lot No. 3 (A2/i)	–	2,916	Hotel/ Commercial	20%	Land bank	–
Nova Taipa Gardens			Residential/ Commercial/ Hotel			
Phase I	292,602	29,555		25%	Works completed	–
Phase II	251,331	29,547		25%	Foundation completed	2008
Phase III	63,279	15,277		25%	Land bank	–
Phase IV	51,220	5,225		25%	Land bank	–
Phase V	151,946	24,829		25%	Land bank	–

Properties Under Planning

	Approx. Total Gross Floor Area (Sq.m)	Approx. Total Site Area (Sq.m)	Primary Use	Group's Interest	Development Progress as of Dec 2003	Year of Lease Expiry
Baia de Nossa Senhora de Esperança, Taipa, Macau	–	99,000	Hotel/ Commercial	80%	Land bank	2049*
Rawai Beach, Phuket, Thailand	–	36,800	Hotel	50%	Land bank	Freehold

Properties Held by the Group for Own Use

Penthouse, 39/F, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong	1,823	–	Office Premises	100%	–	2055 renewable to 2130
83 and 95 Hing Wah Street West, Kowloon	19,320	19,139	Shipyards	42.6%	–	2051
Macau International Centre, Macau 2/F to 4/F (whole floor) and Flats A, B, C of 5/F, Block 12	2,894	–	Staff Quarters	100%	–	2006 renewable to 2049
Flats E of 8-11/F, Block 13	473	–	Staff Quarters	42.6%	–	2006 renewable to 2049

* Subject to issuance of land grant document

Investment and Hotel Properties

	Approx. Total Gross Floor Area (Sq.m)	Approx. Total Site Area (Sq.m)	Primary Use	Group's Interest	Occupancy Rate as of Dec 2003	Monthly Average Rental Rate for 2003	Approx. Lettable Floor Area (Sq.m)	Year of Lease Expiry
The Westwood, 8 Belcher's Street, Hong Kong	20,724	—	Commercial	51%	90.3%	HK\$360 psm	14,682	2030
The Belcher's, 89 Pok Fu Lam Road, Hong Kong	601 motor car parking spaces	—	Carpark	51%	97.7%	HK\$3,200 per carpark per month	—	2030
	33 motorcycle parking spaces	—	Carpark	51%	9.1%	HK\$1,000 per carpark per month	—	2030
Liberté Place, 833 Lai Chi Kok Road, Kowloon	5,600	—	Commercial	64.56%	9.4%	HK\$761 psm	4,078	2049
Liberté, 833 Lai Chi Kok Road, Kowloon	550 motor car parking spaces	—	Carpark	64.56%	35.8%	HK\$1,500 per carpark per month	—	2049
	140 lorry parking spaces	—	Carpark	64.56%	1.4%	HK\$1,800 per carpark per month	—	2049
	45 motorcycle parking spaces	—	Carpark	64.56%	—	HK\$300 per carpark per month	—	2049
Seymour Place, LG/F & G/F, 60 Robinson Road, Hong Kong	974	900	Commercial	100%	100%	HK\$344 psm	822	2858
Seymour Place, G/F, 1/F - 3/F, 60 Robinson Road, Hong Kong	26 parking spaces	—	Carpark	100%	65.4%	HK\$3,150 per carpark per month	—	2858
Monmouth Place, L1 - L4, 9L Kennedy Road, Hong Kong	18 parking spaces	—	Carpark	100%	38.9%	HK\$2,000 to 3,500 per carpark per month	—	2047
Starhouse Plaza, Shop No. 5B on G/F, and portion of Shops in Basement, Star House, excluding shop A, 3 Salisbury Road, Tsimshatsui, Hong Kong	2,643	—	Commercial Shopping Arcade	100%	93.4%	HK\$244 psm	2,643	2863
Mandarin Oriental Macau, Avenida da Amizade, Macau	46,453	8,486	Hotel	50%	—	—	—	2007 renewable to 2032
Extension in the Outer Harbour New Reclamation Zone, Macau	1,327	15,176	Resort	50%	—	—	—	2007 renewable to 2049
Shun Tak House, 11 Largo do Senado, Macau	2,695	—	Commercial	100%	38.7%	HK\$250 psm	2,510	Freehold
The Westin Resort Macau and Macau Golf & Country Club, Hac Sa Beach, Coloane, Macau	46,644 (including carparks)	767,373	Hotel/ Golf Course	34.9%	—	—	—	2013 renewable to 2049
Shun Tak Business Centre, 246 Zhongshan Si Road, Guangzhou, PRC	28,971	—	Office	60%	83%	RMB60 psm	28,971	2045
	5,722	—	Commercial Shopping Arcade	60%	69.6%	RMB66 psm	3,888	2035
	51 parking spaces	—	Carpark	60%	41.2%	RMB800 to 1,000 per carpark per month	—	2035