

# Report of the Directors

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2003.

## 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 87 to 89.

The analysis of the principal activities and geographical locations of the operations of the Group during the financial year are shown in note 28 to the financial statements on pages 84 to 86.

## Group Financial Statements

The profit of the Group for the year ended 31 December 2003 and the state of affairs of the Company and of the Group at that date are shown in the financial statements on pages 42 to 89.

## 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 87 to 89.

## Dividends

An interim dividend of 1.5 HK cents per share was paid in October 2003. The directors now recommend the declaration of a final dividend of 3.5 HK cents per share in respect of the year ended 31 December 2003 payable to shareholders on the record on 3 June 2004.

## Fixed Assets

The movements in fixed assets of the Group during the year are shown in note 10 to the financial statements on pages 67 to 69.

## Particulars of Properties

Particulars regarding the properties held by the Group for own use, investment, development and sale are shown on pages 24 to 25.

## Share Capital

The movements in share capital of the Company during the year are shown in note 19 to the financial statements on page 74.

## Convertible Guaranteed Bonds

Details of the convertible guaranteed bonds of the Group are shown in note 21 to the financial statements on pages 77 to 78.

## Reserves

The movements in reserves during the year are shown in note 20 to the financial statements on pages 75 to 76.

## Donations

During the year, the Group made donations for charitable and community purposes amounting to HK\$375,350 (2002: HK\$70,000).

## Group Borrowings

Details of borrowings repayable within one year and long-term loans are shown in notes 21 and 22 to the financial statements on pages 77 to 78.

## Finance Costs Capitalised

Finance costs capitalised by the Group during the year amounted to HK\$36,968,000 (2002: HK\$80,163,000).

## 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. 55% of the Group's purchases was attributable to the Group's five largest suppliers combined with the largest supplier accounting for 25% of the Group's total purchases.

Dr. Stanley Ho, Dr. Cheng Yu Tung, Mrs. Mok Ho Yuen Wing, Louise and Ms. Pansy Ho have beneficial 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. STDM is a substantial shareholder of the Company. 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 2.

Mr. Robert Kwan, Ms. Daisy Ho, Dr. Ambrose So and Mr. David Shum are due to retire in the forthcoming annual general meeting in accordance with Articles 73, 77 and 79 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, Mrs. Mok Ho Yuen Wing, Louise and Ms. Pansy Ho are directors of, and have beneficial interests in, STDM. Dr. Ambrose So is a director of, and has beneficial interests in, Sociedade de Jogos de Macau, S.A. (SJM). SJM, a subsidiary of STDM, is a franchised holder of casinos in Macau and STDM is also a substantial shareholder of the Company.

During the year, the Group had the following transactions with the STDM Group:

i. The Group received management and incentive fees of HK\$24.1 million from STDM for managing hotels owned by STDM.

- ii. The Group purchased fuel for its Macau shipping operations amounting to HK\$78.5 million from the STDM Group, which also loaded the fuel into the vessels. The Group received reimbursements of HK\$1.2 million for technical services rendered to the STDM Group in relation to the loading of fuel.
- iii. During the year, TurboJET tickets in the aggregate amount of HK\$401.5 million were sold by the Group to the STDM Group. In return, discount and commission charges in the aggregate amount of HK\$32.1 million were paid by the Group to the STDM Group in respect of the TurboJET tickets sold by the STDM Group acting as agent or purchased by the STDM Group for its own account.
- iv. During the year, the Group continued to reimburse the STDM Group amounting to HK\$126.9 million on a dollar for dollar basis for payments made by the STDM Group on behalf of the Group in settlement of expenses incurred in connection with the operations of the Macau wharf and the provision of wharf services for the TurboJET operations.
- v. The Group chartered passenger ferries to the STDM Group and operated on its behalf a low-fare passenger ferry service between the China Ferry Terminal in Kowloon and Macau until 28 February 2003. Hire charges in the aggregate amount of HK\$20.2 million were received by the Group during the period.
- vi. The Group received management and incentive fees totalling HK\$7.2 million relating to the operation and property management of the Macau Tower Convention & Entertainment Centre owned by STDM.
- vii. The Group maintained certain current and savings accounts with Seng Heng Bank Limited, a wholly-owned subsidiary of STDM. As at 31 December 2003, the total balance amounted to HK\$1.4 million.

viii. On 30 January 2003, the Group disposed of a 20% interest in Shun Tak Creative Services Group Limited (STCSG) to STD M, whose sole asset comprises the development rights of a 99,000 square metre hotel and commercial site in Taipa, Macau. The consideration comprised cash payments by STD M to the Group of (i) MOP200,000 (HK\$194,000) for the 20% equity interest in STCSG and (ii) HK\$100 million for the assignment by the Group to STD M of 20% (by value) of the outstanding shareholder loan owed by STCSG to the Group totalling HK\$500 million.

2. On 7 March 2003, Shun Tak-China Travel Shipping Investments Limited (ST-CTSI), a subsidiary of the Group entered into an agreement with New World First Holdings Limited (NWFH), a subsidiary of New World Development Company Limited (NWD). NWD is a substantial shareholder of Ranex Investments Limited (Ranex), a 51% subsidiary of the Group. Under the terms of the agreement, ST-CTSI and NWFH have agreed to cooperate and coordinate with each other in providing, through their subsidiaries and operators (the ST-CTSI Operators and NWFH Operators respectively), ferry services between Hong Kong and Macau.

In particular, the provisions of the agreement provide that:

i. the ST-CTSI Operators will operate the Hong Kong Ferry Service between the Macau Ferry Terminal and Macau for themselves and on behalf of the NWFH Operators pursuant to the Vessel Entrustment Arrangement if the entrustment arrangements are requested by the NWFH Operators; and the NWFH Operators will operate the Kowloon Ferry Service between the China Ferry Terminal and Macau for themselves and on behalf of the ST-CTSI Operators pursuant to the Vessel Entrustment Arrangement if the entrustment arrangements are requested by the ST-CTSI Operators. If the Vessel Entrustment Arrangement is utilised, there will be an

entrusting charge comprising a ticket handling fee of HK\$30 per passenger ticket.

ii. the ST-CTSI Operators will make arrangements to refer their customers who wish to travel on the Kowloon Ferry Service to the NWFH Operators; and the NWFH Operators will make arrangements to refer their customers who wish to travel on the Hong Kong Ferry Service to the ST-CTSI Operators. A referral fee of HK\$10 per passenger referred will be paid to the referring operators; and

iii. if the need arises, transferring of vessels by ST-CTSI to NWFH if mutually satisfactory terms are agreed.

In consideration for entering into an agreement, NWFH will pay to ST-CTSI an annual fee of HK\$30 million per annum for the duration of the agreement, being 5 years from 8 March 2003. During the year, the Group received such annual fee on pro-rata basis for part of the commencement year in the amount of HK\$24.2 million. No entrusting charge or referral fee was received or paid.

3. During the year, the Group paid commissions of HK\$22.2 million to China Travel Services (Hong Kong) Limited (CTSHK) as a joint general sales agent of ST-CTSI for sale of ferry tickets. CTSHK is a subsidiary of China Travel International Investment Hong Kong Limited (CTII) which is a substantial shareholder of ST-CTSI.

4. The Group received reimbursements of HK\$41.2 million from Shun Tak Shipping Company, Limited (STS), STD M and its associates for expenses and resources shared by them including staff and other administrative expenses arising from the secondment of staff, or services provided, to them. Dr. Stanley Ho, Dr. Cheng Yu Tung, Ms. Pansy Ho and Ms. Daisy Ho are directors of, and have beneficial interests in, STS. Mrs. Mok Ho Yuen Wing, Louise has beneficial interests in STS. STS is a substantial shareholder of the Company.

5. The Group received rental income and related fee of HK\$0.5 million from Future Bright Property Management Company Limited in which STD M, Dr. Stanley Ho and Dr. Ambrose So have beneficial interests.
6. The Group received property management income of HK\$7.7 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, STD M and NWD. An amount of HK\$3.8 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 Shun Tak Centre. The Group also paid rentals and related expenses to STC of HK\$3.5 million for the rental of terminal space at Shun Tak Centre.
7. Ranex paid sales commission of HK\$9.4 million 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. Iconic Palace Limited (Iconic) and Solar Kingdom Limited, wholly-owned subsidiaries of the Group and SHK respectively (the Developers), are tenants in common of a residential and commercial property development known as the Liberté located in the district of Cheung Sha Wan (the Project). Pursuant to a project management agreement, Iconic as joint developer paid to Sun Hung Kai Real Estate Agency Limited (SHKREA), a wholly-owned subsidiary of SHK, project management fees of HK\$1.4 million. This amount represents Iconic's portion of the fees due to SHKREA. Pursuant to the sales agency agreement, sales commission of HK\$2.9 million was paid to SHKREA. In connection with the setting-up of a sales office and show-suites, the Developers leased certain office and retail units from Kimrose Investment Limited (Kimrose), a subsidiary of SHK. During the year, related charges totalling HK\$2.1 million were paid by the Developers to Kimrose. Pursuant to the shareholders' agreement, the Group received management fees of HK\$2.1 million from Shun Tak Yee Fai Construction JV Limited (STYF), a 50-50 joint venture company owned by the Group and SHK.
9. On 27 February 2003, the Group entered into a sale agreement with Dr. Stanley Ho, his associates and an independent third party to sell its entire 15% attributable interests in the City Center of Shanghai for HK\$342 million. The sale was effected through the sale of the Group's entire 100% interest in a subsidiary, Polycorp Investments Limited (Polycorp). Polycorp held a 42.86% interest in State Properties Limited which in turn held a 35% interest in Shanghai Hua Tian Property Developments Company, Limited (SHTPD). SHTPD, which was beneficially owned as to 50% by Dr. Stanley Ho, 35% by STD M and 15% by the Group, was the owner and developer of the City Center of Shanghai.
10. 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 - Urbanizações, Limitada (NTU) is owned as to 25% by the Group, 25% by STD M and 50% by Hopewell Holdings Limited. All shareholders have extended loans to NTU totalling HK\$1,037.7 million in proportion to their respective shareholdings at the interest rate of 6% per annum.
  - ii. South Light Limited (South Light) is owned as to 40% by the Group, 10% by Dr. Stanley Ho, 20% by STD M and 30% by independent investors. All shareholders have extended loans to South Light totalling HK\$2.7 million in proportion to their respective shareholdings on an interest-free basis.

- iii. Shun Tak Cultural Centre Limited (STCC) is owned as to 60% by the Group and 40% by a company beneficially owned by Dr. Stanley Ho. All shareholders have extended shareholder loans to STCC totalling HK\$342.8 million on an interest-free basis, such loans being in proportion to their respective shareholdings in STCC.
- iv. STYF is owned as to 50% by the Group and 50% by SHK. Pursuant to the shareholders' agreement of STYF, the Group provided a guarantee in respect of liquidated damages and undertook to provide financing to STYF in the ratio of 50% for amounts up to HK\$2 million and 3% of net value of works respectively. For amounts exceeding these thresholds, the Group and SHK shall provide the guarantee and financing in the Developers' proportion, that is 64.56% and 35.44% respectively.
- v. Ranex is owned as to 51% by the Group, 29% by SHK, 10% each by NWD and Liu Chong Hing Investment Limited (LCH). All shareholders have extended shareholder loans to Ranex totalling HK\$1,591.2 million at the interest rate of HIBOR plus 0.58% per annum, such loans being in proportion to their respective shareholdings in Ranex. The interest accrued for the year ended 31 December 2003 to the account of the Group was HK\$19.6 million.
- vi. Treasure Peninsula Limited (TPL) is owned as to 51% by the Group, 29% by SHK, 10% each by NWD and LCH. All shareholders have extended shareholder loans totalling HK\$1,244.2 million on an interest-free basis to TPL, such loans being in proportion to their respective shareholdings in TPL.
- vii. Onluck Finance Limited (OFL) is owned as to 64.56% by the Group and 35.44% by SHK. All shareholders have extended shareholder loans totalling HK\$425 million on an interest-free basis to OFL, such loans being in proportion to their respective shareholdings in OFL.
- viii. DFS Macau Limited (DFS) is owned as to 50% by the Group and 50% by Duty Free Shoppers (Hong Kong) Limited (DFSHK). The Group and DFSHK each extended a shareholder loan of HK\$21 million on an interest-free basis to DFS, such loans being in proportion to their respective shareholdings in DFS. DFSHK is a substantial shareholder of a subsidiary of the Group.
- ix. ST-CTSI is beneficially owned as to 42.6% by the Group, 28.4% by STDM and 29% by CTII. The Group, STDM and CTII provided guarantees to the bankers in respect of the term loan facilities obtained by a subsidiary of ST-CTSI in proportion to their respective shareholdings in ST-CTSI. The term loan facilities were repaid during the year.
- x. STCSG is owned as to 80% by the Group and 20% by STDM. All shareholders have extended shareholder loans totalling HK\$500 million on an interest-free basis to STCSG, such loans being in proportion to their respective shareholdings in STCSG.
- xi. AJ Hackett Macau Tower Limited (AJ Macau) is a non-wholly-owned subsidiary of the Group and is beneficially owned as to 75% by the Group and as to 25% by AJ Hackett Asia Limited (AJ Asia). The Group and AJ Macau entered into a facility letter effective 31 December 2003 whereby the Group agreed to continue its loan to AJ Macau to fund establishment costs and working capital. As at 31 December 2003, a sum of HK\$6.7 million had been advanced. The loan, which bears interest at prime rate, is divided into three tranches. Tranches I and II are unsecured

and repayable upon written demand by the lender while repayment of Tranche III, set for no later than September 2006, is secured by a guarantee given by AJ Asia.

Under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the Stock Exchange), the above transactions constitute connected transactions of the Company and require disclosure in the annual report of the Company.

The Company's independent non-executive directors have reviewed the above transactions and confirmed the transactions were in the ordinary and usual course of business of the Group, on normal commercial terms and fair and reasonable as far as the shareholders of the Company are concerned.

In respect of items 1(ii) to (iv), (vi) & (vii) and 2 to 7, the independent non-executive directors have further confirmed that the transactions were maintained within the amounts and in accordance with the conditions relating to the transactions as agreed with the Stock Exchange.

Save for the transactions aforementioned, no other contract of significance to which the Company or any of its subsidiaries was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## Directors' Interests in Competing Businesses

During the year and up to the date of this report, the following directors are considered to have interests in the following businesses, which compete or are likely to compete, either directly or indirectly, with the businesses of the Group were as follows:

Dr. Stanley Ho is a director of, and has beneficial interests in, Melco International Development Limited, STC and STDM, which are also engaged in the businesses of property investment, development and / or hospitality. Mrs. Mok Ho Yuen Wing, Louise and Ms. Pansy Ho are directors and shareholders of STDM.

Dr. Cheng Yu Tung is a director of, and / or has beneficial interests in, NWD group, Chow Tai Fook Enterprises Limited, Aberdeen Restaurant Enterprises Limited, STC and STDM, which are also engaged in the businesses of property investment, development, ferry services and / or hospitality.

Ms. Pansy Ho, Ms. Daisy Ho, Mr. Andrew Tse and Ms. Maisy Ho are directors of STC, which is also engaged in the business of property investment.

As the Board of Directors of the Company is independent of the boards of these entities, the Group is therefore capable of carrying on such businesses independently of, and at arm's length from, the businesses of these entities.

## Disclosure of Interests

As at 31 December 2003, the interests or short positions of the directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (SFO)) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

**a) Interests of the directors in shares and underlying shares of the Company**

Name of Director	Note	Ordinary shares of HK\$0.25 each			Approximate Percentage of Interests
		Personal Interests	Family Interests	Corporate Interests	
Stanley Ho	(i)	240,517,502	6,144,725	36,285,523	14.57%
Sir Roger Lobo		—	—	—	—
Robert Kwan		—	—	—	—
Cheng Yu Tung		—	—	—	—
Mok Ho Yuen Wing, Louise		323,627	—	—	0.02%
Pansy Ho	(ii)	25,587,604	—	97,820,707	6.35%
Daisy Ho	(iii)	24,801,811	—	97,820,707	6.31%
Ambrose So		10,406,250	—	—	0.54%
Patrick Huen		62,500	—	—	0.01%
Andrew Tse		2,325,000	—	—	0.12%
Anthony Chan		10,031,250	—	—	0.52%
Maisy Ho	(iv)	3,130,435	—	23,066,918	1.35%

Notes:

(i) The family interest of Dr. Stanley Ho is held by his spouse. The corporate interest of Dr. Stanley Ho represents the interest in 11,446,536 shares of the Company held by Sharikat Investments Limited (SIL) and 24,838,987 shares of the Company held by Dareset Limited (DL). SIL and DL are wholly-owned by Dr. Stanley Ho.

(ii) The personal interest of Ms. Pansy Ho represents the interest in 12,555,806 shares and interest in 13,031,798 underlying shares in respect of the share options granted by the Company, the details of which are stated in section (d) "Share options". The corporate interest of Ms. Pansy Ho represents the interest in 97,820,707 shares of the Company held by Beeston Profits Limited (BPL). BPL is wholly-owned by Ms. Pansy Ho.

(iii) The personal interest of Ms. Daisy Ho represents the interest in 11,562,252 shares and interest in 13,239,559 underlying shares in respect of the share options granted by the Company, the details of which are stated in section (d) "Share options". The corporate interest of Ms. Daisy Ho represents the interest in 97,820,707 shares of the Company held by St. Lukes Investments Limited (LIL). LIL is wholly-owned by Ms. Daisy Ho.

(iv) The personal interest of Ms. Maisy Ho represents the interest in 3,130,435 underlying shares in respect of the share options granted by the Company, the details of which are stated in section (d) "Share options". The corporate interest of Ms. Maisy Ho represents the interest in 23,066,918 shares of the Company held by LionKing Offshore Limited (LOL). LOL is wholly-owned by Ms. Maisy Ho.

**b) Interests of the directors in shares and underlying shares of subsidiaries of the Company**

Name of Director	Name of Subsidiary	Corporate Interest	Approximate
			Percentage of Interest
Stanley Ho	Shun Tak Cultural Centre Limited	4 ordinary shares	40.00%

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

### c) Interests of the directors in shares and underlying shares of associates

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

All the interests disclosed above represent long position in the shares or underlying shares of the Company or its associated corporations.

Save as disclosed in sections (a) to (c) above, none of the directors had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations as at 31 December 2003.

### d) Share options

As at 31 December 2003, details of share options granted to directors or employees under the 1993 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 2003	As at 31 December 2003
Stanley Ho	10 June 1993	10 June 1993 to 9 June 2003	HK\$4.98	31,204,819	—
Pansy Ho	24 March 1995	24 March 1995 to 23 March 2005	HK\$3.35	2,597,015	2,597,015
	3 January 2000	3 January 2000 to 2 January 2010	HK\$1.15	10,434,783	10,434,783
Daisy Ho	24 March 1995	24 March 1995 to 23 March 2005	HK\$3.35	2,804,776	2,804,776
	3 January 2000	3 January 2000 to 2 January 2010	HK\$1.15	10,434,783	10,434,783
Maisy Ho	3 January 2000	3 January 2000 to 2 January 2010	HK\$1.15	3,130,435	3,130,435
Aggregate total of employees	3 January 2000	3 January 2000 to 2 January 2005	HK\$1.15	1,669,564	1,669,564

Notes:

- (i) The share option scheme of the Company adopted on 18 May 1993 (the 1993 share option scheme) was terminated on 31 May 2002 and a new share option scheme was adopted on 31 May 2002 (the 2002 share option scheme). During the year ended 31 December 2003, no options to subscribe for ordinary shares in the Company were granted under the 2002 share option scheme.
- (ii) 31,204,819 share options of Dr. Stanley Ho lapsed during the year ended 31 December 2003.
- (iii) No share option was exercised or cancelled during the year ended 31 December 2003.
- (iv) The accounting policy adopted for share options is set out in note 1(v) to the financial statements.



## Report of the Directors

- (v) Save as described above, as at 31 December 2003, none of the directors or their spouses or children under 18 years of age were granted or exercised any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations.
- (vi) Information on the 2002 and 1993 share option schemes
- Summary of the share option schemes, disclosed in accordance with the Listing Rules was as follows:

	The 2002 Share Option Scheme	The 1993 Share Option Scheme
1) Purpose of the share option schemes	To attract and retain the best quality personnel, to provide additional incentives to participants and to promote the long-term financial success of the Group	As incentive to employees
2) Participants of the share option schemes	<p>(a) any employee or any business related consultant, agent, representative or advisor of the Company or any affiliate;</p> <p>(b) any person who provides goods or services to the Company or any affiliate;</p> <p>(c) any customer of the Company or any affiliate; or</p> <p>(d) any business ally or joint venture partner of the Company or any affiliate</p>	Eligible employees including executive directors
3) Total number of shares available for issue under the share option schemes and % on issued share capital as at 31 December 2003	194,243,391 shares (10%)	N/A
4) Maximum entitlement of each participant under the share option schemes	<p>In any 12-month period:</p> <p>(a) 1% of the issued share capital (excluding substantial shareholders and independent non-executive directors)</p> <p>(b) 0.1% of the issued share capital and not exceed HK\$5 million in aggregate value (for substantial shareholders and independent non-executive directors)</p>	25% of the aggregate of all shares subject to the share option scheme
5) The period within which the shares must be taken up under an option	The board of directors may in its absolute discretion determine save that such period shall not expire later than 10 years from the date of grant	Such period as the Company may in its discretion determine save that such period shall not expire later than 10 years from the date of grant
6) The minimum period for which an option must be held before it can be exercised	N/A	N/A

	The 2002 Share Option Scheme	The 1993 Share Option Scheme
7) The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid	Upon acceptance of the option, the grantee shall inform the Company together with HK\$1 by way of consideration for the grant within 28 days from the date of offer	Upon acceptance of the option, the grantee shall inform the Company together with HK\$1 by way of consideration for the grant within 21 days from the date of offer
8) The basis of determining the exercise price	The exercise price is determined by the directors and being not less than the higher of: <ul style="list-style-type: none"> <li>(a) the closing price of the shares on the date of offer;</li> <li>(b) the average closing prices of the existing shares for the 5 trading days immediately preceding the date of offer; and</li> <li>(c) the nominal value thereof</li> </ul>	The exercise price is determined by the directors and being not less than the greater of: <ul style="list-style-type: none"> <li>(a) 80% of the average closing prices of the shares of the Company on The Stock Exchange of Hong Kong Limited on the 5 trading days immediately preceding the date of offer of such option; and</li> <li>(b) the nominal value thereof</li> </ul>
9) The remaining life of the share option schemes	The scheme remains in force until 31 May 2012	The share option scheme was terminated on 31 May 2002

#### e) Substantial shareholders

As at 31 December 2003, the register of interests in shares or short positions kept under Section 336 of the SFO showed that, other than the interests of directors as set out above, the following shareholders were interested in 5% or more of the issued share capital of the Company:

Name of Shareholder	Ordinary Shares of HK\$0.25 each	Approximate Percentage of Interests
Shun Tak Shipping Company, Limited (STS) and its subsidiaries	308,057,215	15.86%
Sociedade de Turismo e Diversões de Macau, S.A.R.L. (STDM) and its subsidiary	263,667,107	13.57%

Notes:

(i) Dr. Stanley Ho, Dr. Cheng Yu Tung, Mrs. Mok Ho Yuen Wing, Louise, Ms. Pansy Ho and Ms. Daisy Ho have beneficial interests in STS.

(ii) Dr. Stanley Ho, Dr. Cheng Yu Tung, Mrs. Mok Ho Yuen Wing, Louise and Ms. Pansy Ho have beneficial interests in STDM.

(iii) All the interests disclosed above represent long position in the shares of the Company.

(iv) Save as disclosed above, no other person had any interests or short positions in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 December 2003.

### **Purchase, Sale or Redemption of Listed Securities**

During the year, the Group repurchased and cancelled certain of its convertible guaranteed bonds. Details of these are set out in note 21 to the 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 year ended 31 December 2003.

### **Directors' Right to Acquire Shares or Debentures**

Except for the above mentioned share option schemes, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### **Service Contract of Directors**

No director being proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

### **Management Contract**

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

### **Code of Best Practice**

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited throughout the accounting period covered by the annual report except that the independent non-executive directors of the Company are not appointed for specific terms. The Audit Committee was established in March 1999. The members of the Audit Committee are Mr. Robert Kwan (Chairman), Sir Roger Lobo and Mrs. Mok Ho Yuen Wing, Louise. The Audit Committee met twice during the financial year to consider the effectiveness of the systems of internal control and compliance, the nature and scope of audit reviews and the interim and annual reports.

### **Summary of the Results, Assets and Liabilities**

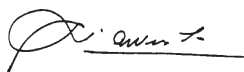
A summary of the results, assets and liabilities of the Group for the last five financial years is shown on pages 90 to 91.

### **Significant Subsequent Event**

Details of significant subsequent event are set out in note 29 to the financial statements.

### **Auditors**

The financial statements for the year were audited by H.C. Watt & Company Limited, who will retire at the conclusion of the forthcoming annual general meeting and, being eligible, will offer themselves for re-appointment.



### **Stanley Ho**

Group Executive Chairman  
2 April 2004