



## We Craft the

The new ferry network creates a strategic platform within the Pearl River Delta, providing air-sea transportation service to travelers across the region – The Group's international and multi-faceted transportation system is gradually evolving and expanding.

# TRANSPORTATION

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 providing 24-hour ferry services between Hong Kong and Macau. The Group's shipping operation has been the market leader on the Hong Kong-Macau route for more than four decades.

TurboJET Sea Express service, the transportation division's new ferry service between Hong Kong International Airport (HKIA) and key Pearl River Delta destinations launched in late 2003, enabled the Group's shipping operation to capture a wider and more diverse international traveler base during the year. The TurboJET Sea Express service originates from the SkyPier cross-boundary passenger ferry terminal at HKIA and enables passengers to transit conveniently without going through Hong Kong customs and immigration formalities. With the innovative services provided by TurboJET Sea Express, the transportation division has created a strategic Pearl River Delta platform to meet the demand of regional sea and air travelers and thereby enhanced opportunities for revenue and business growth in the future.



## Review of Operations – Transportation



For the year ended 31 December 2004, with over 10 million passengers carried by STCTS, the transportation division recorded a significant increase in its operating profit to HK\$243 million (2003: HK\$49 million) despite the sharp rise in the price of fuel. The rebound in visitors to Macau following the recovery from SARS and relaxation of travel restrictions on mainland China's individual travelers since mid-2003 contributed to the record passenger volume on TurboJET's Hong Kong Island-Macau and Shenzhen-Macau routes. Passenger volume increased by 14% on the Hong

Kong Island-Macau route during the year and the Shenzhen-Macau route achieved a 132% growth over 2003. The TurboJet Sea Express service at the HKIA has been well-received by international travelers and recorded an encouraging growth in passengers on all routes in 2004.

During the year, the shipping operation introduced free shuttle bus passenger service between the Shenzhen Fu Yong Ferry Terminal and neighbouring cities in order to enhance the traveler base of the Shenzhen routes. In June





2004, the Macau SAR Government launched the Macau Expresslink service which complements the Group's ferry operations by allowing passengers to transit between the Macau Ferry Terminal and Macau International Airport without Macau custom and immigration formalities. The Group is committed to expand such multi-modal transit arrangements toward its goal of building an international transportation network in the Pearl River Delta region.

In anticipation of continuing economic development in the Pearl River Delta region, the transportation division will continue to identify and pursue opportunities and investments which are synergistic with the Group's businesses and offer long-term growth potential.



We Paint the

Feast



The Group operates an exciting and popular spectrum of leisure activities in Macau, the emerging Pearl River Delta entertainment hub – the Group’s hospitality business will continue to grow and benefit from the promising economic development in Macau.

# HOSPITALITY

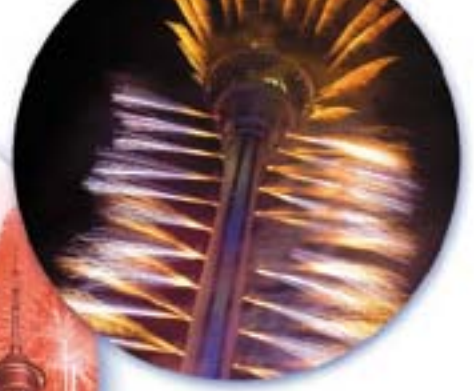
The Group's hospitality division reported an impressive increase in operating profit to HK\$20 million (2003: HK\$6 million) for the year ended 31 December 2004. This was mainly due to the rebound in visitors to Macau after SARS and the relaxation of travel restrictions on individual travelers from mainland China.

For the year ended 31 December 2004, the number of visitors to Macau increased 40% year-on-year, to approximately 16.6 million people. With relaxed travel restrictions on individual travelers from major cities in mainland China (including Guangzhou, Shanghai and Beijing), visitor arrivals to Macau from mainland China reached 9.5 million in 2004, a dramatic increase of 66% year-on-year. The opening of new leisure and entertainment venues in Macau also helped to attract more tourists in 2004.

As a result of the surge in visitors to Macau, the Group's 50%-owned Mandarin Oriental Macau (Mandarin) and 34.9%-owned Westin Resort Macau (Westin) reported increases in profit for the year. The two hotels also recorded improved average room rates and occupancy rates during the year. Mandarin recorded a 4% increase in average room rate and a 18% increase in occupancy rate, as compared with last year. Westin also recorded a 7% increase in average room rate and a 7% increase in occupancy rate over 2003.



## Review of Operations – Hospitality



In order to accommodate a greater variety of activities for its guests, the division plans a major extension of its facilities at the Westin Resort Macau subject to government approval. The extension will include a spa centre, banquet hall, seafront villas and restaurant. In December 2004, the Macau SAR Government granted approval for the preliminary plan of the spa.

The Macau Golf & Country Club (MGCC), Macau's premier golf club conveniently adjacent to the Westin, recorded satisfactory performance during the period. The Westin, together with the MGCC, is the only resort in Hong Kong and Macau that offers an international standard 18-hole golf facility. MGCC hosted the prestigious Macau Open golf tournament in 2004 for the seventh consecutive year.



Under the Group's management, the Macau Tower Convention & Entertainment Centre (Macau Tower) has become a prominent landmark for tourists and a popular venue for major public events, conventions and banquets in Macau. In 2004, Macau Tower recorded a year-on-year increase in visitors of approximately 21% with over 2 million visitors since its opening. In July 2004, a public opinion survey cited Macau Tower as the most favored tourist spot by visitors to Macau. The survey was part of the "Macau Welcomes





You” campaign sponsored by the Macau SAR Government. To meet the increasing demand for high-quality banquet facilities in Macau, Macau Tower opened a new ballroom in December which offers the largest capacity for this type of facility in Macau.

To maximize synergy among the Group’s travel-related services, its sales networks in Hong Kong, Macau and major mainland China cities promote value-added travel packages which offer travelers one-stop service for hotel reservations, local transportation, guide services and shopping assistance. These one-stop services are in increasing demand and are an integral part of the hospitality division’s sales development activities. The Group’s sales teams also help businesses and other organizations to plan conferences and conventions in Macau.

The Group owns an 11.48% effective interest in Sociedade de Turismo e Diversões de Macau,

S.A.R.L. (STDM). Final ordinary dividends for 2002 and 2003 declared by STDM in 2004 amounted to HK\$115.5 million. An interim dividend from STDM for 2002 of HK\$16.8 million was recognized by the Group in 2003. Taking this into account, the Group’s dividend income from STDM would record an increase of 28.4% to HK\$74.4 million in 2004 (2003: HK\$57.9 million). STDM owns an 80% equity interest in Sociedade de Jogos de Macau S.A. (SJM), one of the three gaming concessionaires granted a concession in 2002 by the Macau SAR Government to operate casinos in Macau. STDM also has interests in a number of hotels in Macau, Nova Taipa Gardens, the Macau International Airport and Air Macau, the enclave’s flag carrier.

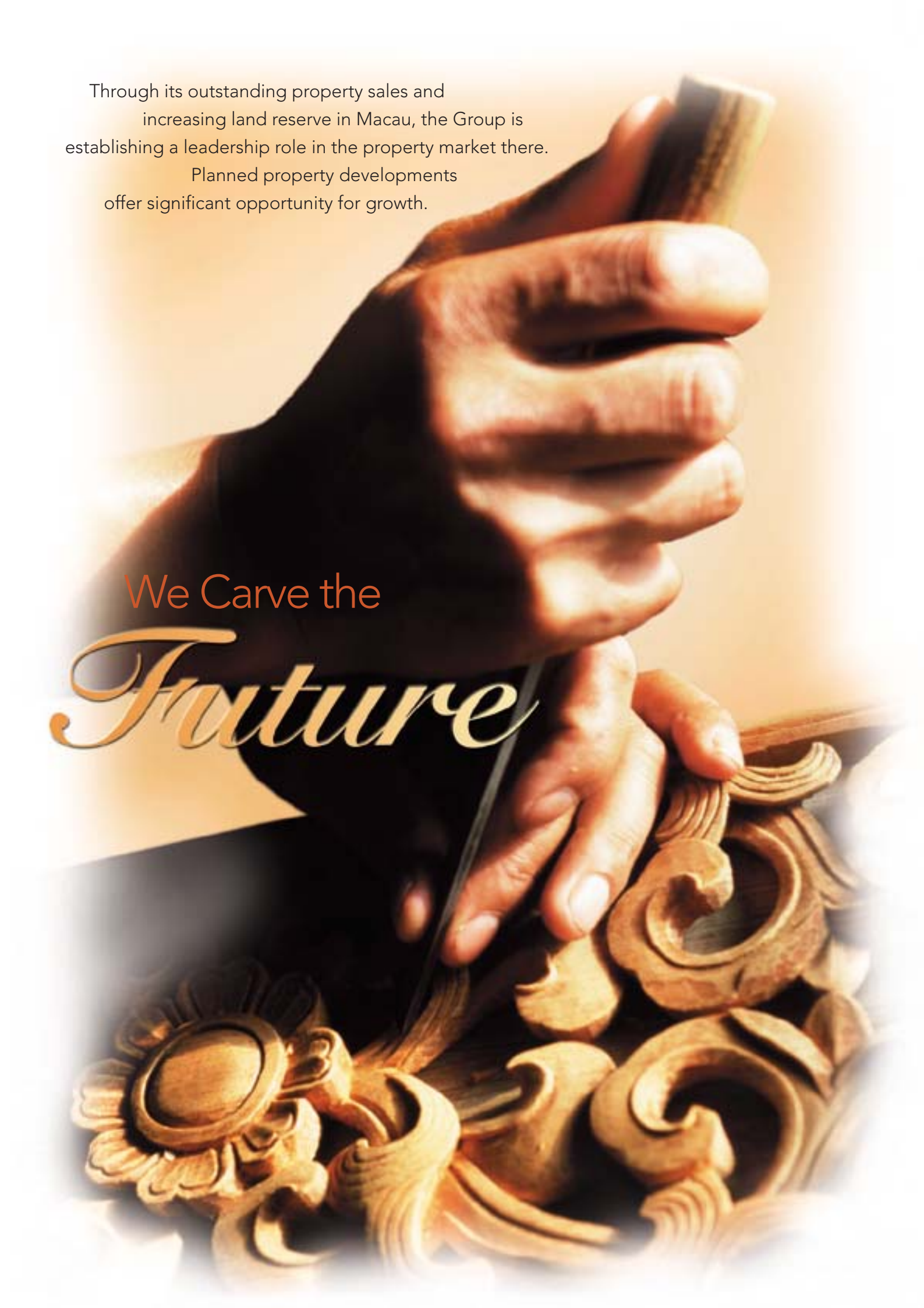
Given Macau’s emergence as the leisure and entertainment hub in the Pearl River Delta region and with the Group’s hospitality interest in Macau, it is expected that the division will continue to benefit from the dynamic economic growth in Macau.



Through its outstanding property sales and increasing land reserve in Macau, the Group is establishing a leadership role in the property market there.

Planned property developments offer significant opportunity for growth.

We Carve the  
*Future*



# PROPERTY

The property division contributed significant earnings and cash inflow to the Group with the popularity of its major residential developments, The Belcher's and Liberté. For the year ended 31 December 2004, the property division reported an operating profit of HK\$550 million (2003: HK\$374 million). The increase is mainly due to the improvement in profit margin recognized from sales of residential units in The Belcher's following the strong revival of the property market, notwithstanding the reduced revenue from sales of the remaining units for The Belcher's and Liberté during the year. The profit included a HK\$88 million gain on conversion of convertible guarantee bonds issued in 1999 primarily to finance the land premium and redevelopment cost of Liberté.

## In Macau

### Nova Taipa Gardens

Nova Taipa Gardens is a major property development in Macau. All saleable units of Phase I, comprising 13 residential blocks, were sold as at 31 December 2004. Phase II comprises 13 luxury residential towers, a deluxe clubhouse and landscaped gardens of over 200,000 square feet and is scheduled for completion in stages with the first five residential towers to be completed by 2006. Phase II superstructure work began in July 2004 with pre-sale of residential units scheduled for the second half of 2005. The associated company which owns the project disposed of its Phase IV development rights to one of the shareholders for a consideration of HK\$200 million.



## Review of Operations – Property

### **Nam Van site**

During the year, the Group entered into an agreement to acquire the development rights of a property site adjacent to the Macau Tower at Nam Van for a consideration of HK\$1,500 million. The site will have a total developable gross floor area of not less than 2.7 million square feet for residential, commercial, retail and hotel uses. Given Macau's robust economic growth, the Group believes that the property will become a prime site for mixed-use development in the future. Subject to approval from the Gaming Inspection and Coordination Bureau of Macau, a portion of the development complex of the Nam Van site will be leased to Sociedade de Jogos de Macau, S.A. (SJM) for operation of a casino.

### **Taipa Site**

The division plans to develop the site located in Taipa with hotel and associated facilities. The development rights of the site were acquired in 2002 and are owned as to 80% by the Group and 20% by STDM. The site has an area of approximately one million square feet with a total developable gross floor area of over 2.1 million square feet.

### **In Hong Kong and mainland China**

#### **The Belcher's**

The Belcher's luxury development in Western Mid-Levels comprises 2,213 luxury residential units. The Belcher's has been well-received by the market and approximately 98% of saleable units were sold as at 31 December 2004.

The Westwood, a large-scale modern commercial podium of over 220,000 square feet at The Belcher's, is the largest shopping complex in the Western Mid-Levels. With its wide variety of retailers and food and beverage outlets, the complex has become increasingly popular in providing one-stop shopping convenience, particularly for shoppers in the area. The property has generated satisfactory rental and management income for the Group since opening.

#### **Liberté**

Liberté in West Kowloon, with 2,434 quality units and a commercial complex named Liberté Place, was completed in 2003. All residential units of Liberté had been sold as at 31 December 2004. Liberté Place also produced satisfactory rental and management income during the year.

#### **124 Pokfulam Road**

The property site at 124 Pokfulam Road with a site area of 18,000 square feet is under planning for a luxury residential development.

### **Shun Tak Business Centre, mainland China**

The Shun Tak Business Centre in Guangzhou comprises a 32-storey office tower and a six-storey shopping arcade. Profit contribution from the property continued to grow satisfactorily during the year.

### **Property Services**

The Group's property management division provides quality services for a diversified range of multi-functional residential, commercial and industrial properties. The division's management portfolio extends to more than 10 million square feet in Hong Kong and Macau, comprising approximately 7 million square feet of residential area. Properties under the division's management include Liberté, The Belcher's, The Westwood and Liberté Place in Hong Kong, and Nova Taipa Gardens Phase I, the Macau Tower and Shun Tak House in Macau.



Living Matters Company Limited is a wholly-owned subsidiary of the Group that provides lifestyle concept services under the brand name "Living Matters." It promotes quality living for its clients through its extensive range of privileged personal services. During the year, Living Matters expanded its interior decoration and floral design services. It also established a new branch office in Macau to capture the business opportunities there.

For the third consecutive year in 2004, Shun Tak Property Management Limited was awarded the Caring Company Award by the Hong Kong Council of Social Services in recognition of its partnership with benevolent societies to organize charitable programs for residents.



## Review of Operations

### 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 2004	Estimated Completion Date
<b>Hong Kong</b>						
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	—
124 Pok Fu Lam Road	—	1,684	Residential	100%	Under planning	—
YTM Lots 30 & 31, Yau Tong	—	1,858	—	50%	Land bank	—
<b>Macau</b>						
Nova Taipa Gardens			Residential/ Commercial/ Hotel			
Phase I	292,602	29,555		25%	Works completed	—
Phase II	252,566	29,547		25%	Substructure works completed	2008
Phase III	63,279	15,277		25%	Land bank	—
Phase V	150,711	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 2004	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 2004	Monthly Average Rental Rate for 2004	Approx. Lettable Floor Area (Sq.m)	Year of Lease Expiry
The Westwood, 8 Belcher's Street, Hong Kong	20,724	—	Commercial	51%	83.3%	HK\$386 psm	14,682	2030
The Belcher's, 89 Pok Fu Lam Road, Hong Kong	571 motor car parking spaces	—	Carpark	51%	99.8%	HK\$3,200 per carpark per month	—	2030
	33 motorcycle parking spaces	—	Carpark	51%	12.1%	HK\$1,000 per carpark per month	—	2030
Liberté Place, 833 Lai Chi Kok Road, Kowloon	5,600	—	Commercial	64.56%	77%	HK\$308 psm	4,083	2049
Liberté, 833 Lai Chi Kok Road, Kowloon	515 motor car parking spaces	—	Carpark	64.56%	96.6%	HK\$1,500 per carpark per month	—	2049
	140 lorry parking spaces	—	Carpark	64.56%	20%	HK\$1,800 per carpark per month	—	2049
	45 motorcycle parking spaces	—	Carpark	64.56%	46.7%	HK\$300 per carpark per month	—	2049
Seymour Place, LG/F & G/F, 60 Robinson Road, Hong Kong	974	900	Commercial	100%	100%	HK\$408 psm	822	2858
Seymour Place, G/F, 1/F - 3/F, 60 Robinson Road, Hong Kong	26 parking spaces	—	Carpark	100%	73.1%	HK\$3,150 per carpark per month	—	2858
Monmouth Place, L1 - L4, 9L Kennedy Road, Hong Kong	18 parking spaces	—	Carpark	100%	33.3%	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%	100%	HK\$307 psm	2,129	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\$269 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	28,453	—	Office	60%	88.6%	RMB61 psm	28,453	2045
	5,801	—	Commercial Shopping Arcade	60%	100%	RMB71 psm	3,966	2035
	51 parking spaces	—	Carpark	60%	43.8%	RMB800 to 1,000 per carpark per month	—	2035