

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 2004.

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 98 to 99.

The analysis of the principal activities and geographical locations of the operations of the Group during the financial year are shown in note 30 to the financial statements on pages 95 to 97.

Group Financial Statements

The profit of the Group for the year ended 31 December 2004 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 99.

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 98 to 99.

Dividends

An interim dividend of HK 4.5 cents per share was paid in October 2004. The directors now recommend the declaration of a final dividend of HK 6.5 cents per share in respect of the year ended 31 December 2004 payable to shareholders on the record on 14 June 2005.

Fixed Assets

The movements in fixed assets of the Group during the year are shown in note 11 to the financial statements on pages 73 to 75.

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 20 to the financial statements on page 81.

Convertible Guaranteed Bonds

Details of the convertible guaranteed bonds of the Group are shown in note 23 to the financial statements on pages 86 to 87.

Reserves

The movements in reserves during the year are shown in note 22 to the financial statements on pages 84 to 85.

Donations

During the year, the Group made donations for charitable and community purposes amounted to HK\$70,000 (2003: HK\$375,350).

Group Borrowings

Details of borrowings repayable within one year and long-term loans are shown in notes 23 and 24 to the financial statements on pages 86 to 87.

Finance Costs Capitalised

Finance costs capitalised by the Group during the year amounted to HK\$1,503,000 (2003: HK\$36,968,000).

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. 57% of the Group's purchases was attributable to the Group's five largest suppliers combined, with the largest supplier accounting for 26% of the Group's total purchases.

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Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung, Mrs. Mok Ho Yuen Wing, Louise, Ms. Pansy Ho and Mr. David Shum 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 during the year, in the Group's five largest customers or suppliers.

Directors

The directors of the Company are listed on page 2.

Dr. Stanley Ho, Ms. Pansy Ho, Mr. Andrew Tse, Mr. Anthony Chan and Mr. Norman Ho 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.

The Company has received independent confirmations from the independent non-executive directors, namely Sir Roger Lobo, Mr. Robert Kwan and Mr. Norman Ho, and considers them to be independent.

Directors' Interests in Contracts and Connected Transactions

1. Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung, Mrs. Mok Ho Yuen Wing, Louise and Ms. Pansy Ho are directors of, and have beneficial interests in, STDM. Mr. David Shum has 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 one of three gaming concessionaires which have been granted a concession by the Macau government to operate casinos in Macau and STDM is a substantial shareholder of the Company.

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

- i. The Group received total fee of HK\$30.9 million from STDM for managing hotels owned by STDM.
- ii. Shun Tak-China Travel Shipping Investments Limited (ST-CTSI), a non-wholly-owned subsidiary of the Company, purchased HK\$126.1 million of fuel from the STDM Group during the year for its Macau shipping operations. Such fueling arrangement has been in place since 1997.

In compliance with the new Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the Listing Rules) which came into effect on 31 March 2004, a new Fuel Arrangement Agreement was entered into between ST-CTSI and STDM on 23 December 2004 to further document the fueling arrangement since it was formally announced in 1997. ST-CTSI is beneficially owned as to 42.6% by the Company, 28.4% by STDM and 29% by China Travel International Investment Hong Kong Limited (CTII). Pursuant to the agreement, STDM will supply and load fuel into the vessels of ST-CTSI at the Macau Outer Harbour Terminal. The cost of fuel is market price of the fuel plus a small handling charge. The Fuel Arrangement Agreement will be in force for an initial period of 3 years commencing on 1 January 2005 and renewable for further 3 years unless terminated by either party giving a specified period of notice to the other party.

- iii. Under an agency agreement between ST-CTSI and STDM (the STDM Agency Agreement), ST-CTSI will pay STDM a commission on the TurboJET tickets sold by STDM acting as agent. It will also grant a discount on the tickets purchased by STDM for its own use.

During the year, HK\$474 million of TurboJET tickets were sold to STDM. A 5% discount, totalling HK\$23.7 million, was granted on such bulk purchases. STDM also received HK\$15.7 million of commission on tickets it sold as agent for ST-CTSI. Both the commission rate and the discount rate for STDM are within the ranges of commission rates and discount rates granted by ST-CTSI to other sales agents and bulk purchasers respectively.

On 14 December 2004, ST-CTSI and STDM signed an amendment to the STDM Agency Agreement to renew the agency relationship. Under the amended STDM Agency Agreement, STDM will continue to act as the agent of ST-CTSI for the sale of ferry tickets. ST-CTSI will pay a commission to STDM calculated at 5% on the total net ticket sales generated by STDM as agent (less any discounts and concessions on ferry tickets agreed by ST-CTSI, and any taxes, fees or levies paid thereon to any government or ferry terminal operator). ST-CTSI will continue to grant a discount of up to a maximum of 12% (varying depending on the volume of the bulk purchases) on tickets sold to STDM for its own use. The amended STDM Agency Agreement will be in force for an initial period of 36 months commencing on 1 January 2005 and renewable for further 36 months unless terminated by either party giving a specified period of notice to the other party.

- iv. The Group received total fee of HK\$7.7 million from STDM relating to the operation and property management of the Macau Tower Convention & Entertainment Centre owned by STDM.

- v. On 24 November 2004, Goldman (Hong Kong) Limited (Goldman), a wholly-owned subsidiary of the Company, received a letter from SJM (Confirmation Letter) confirming that, subject to obtaining the approval of the Gaming Inspection and Coordination Bureau of Macau, it will lease approximately 20,000 square metres at the development complex (as mentioned in item 7 below) from the Group for the operation of a casino with not less than 180 gaming tables.

According to the Confirmation Letter and proposed lease arrangement, the term of the lease will be for a period from the commencement of business of the development complex to the expiry of the concession granted to SJM to operate casinos in Macau. SJM will pay monthly rental to Goldman in an amount equivalent to (a) 40% of the gross monthly revenue of the casino generated in respect of the first 60 gaming tables and (b) such percentage, being not less than 30%, to be further agreed between Goldman and SJM, of the gross monthly revenue generated from the remaining gaming tables.

- 2. On 7 March 2003, ST-CTSI entered into an agreement with New World First Holdings Limited (NWFH), a 50% owned jointly controlled entity of New World Development Company Limited (NWD). NWD is a substantial shareholder of Ranex Investments Limited (Ranex), a 51% subsidiary of the Company. 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.

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In particular, the provisions of the agreement provide that:

- i. the ST-CTSI Operators will operate the Hong Kong Ferry Service between the Hong Kong 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 payable by the operator requesting for the entrustment arrangements;
- 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 the 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 in the amount of HK\$30 million. No entrusting charge or referral fee was received or paid.

3. During the year, ST-CTSI paid commissions of HK\$27.9 million to China Travel Service (Hong Kong) Limited (CTSHK) as a general sales agent of ST-CTSI for sale of ferry tickets. CTSHK is a subsidiary of CTII which is a substantial shareholder of ST-CTSI.
4. On 1 October 2004, Wincent Limited (Wincent), a wholly-owned subsidiary of the Company, entered into a general sales agency agreement with ST-CTSI, which appointed Wincent as a non-exclusive general sales agent for the sale of ferry tickets for ferry services operated by ST-CTSI. Wincent will, at its own cost, promote and market the ferry services provided by ST-CTSI.

In consideration for the sales agency and business development services provided by Wincent, ST-CTSI will pay a commission monthly based on a market rate of 2% of the total net ticket sales received on all routes of ST-CTSI (less any discounts and concessions on ferry tickets agreed by ST-CTSI, and any taxes, fees or levies paid thereon to any government or ferry terminal operator). During the year, ST-CTSI paid HK\$7.1 million for such commission.

The agency agreement will be in force for an initial period of 36 months commencing on 1 October 2004 and renewable for further 36 months unless terminated by either party giving a specified period of notice to the other party.

5. For the management of Shun Tak Centre, a commercial property and shopping mall in Sheung Wan, the Group received HK\$10.7 million comprising property management, leasing agency and administration fees. One of the owners is Shun Tak Centre Limited (STC), a company beneficially owned by Dr. Stanley Ho, STDN and NWD. During the same period, the Group paid HK\$4.1 million consultancy fee to the NWD Group in relation to its property management of Shun Tak Centre.

As ST-CTSI operates at the Hong Kong Macau Ferry Terminal in Shun Tak Centre, it paid HK\$4.2 million of rental and related expenses to STC for the year.

6. Ranex paid sales commission of HK\$6.7 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.
7. On 11 November 2004, Pat Soi, Limitada, a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Sai Wu Investimento Limitada (Sai Wu), a company beneficially owned as to 60% by Dr. Stanley Ho and 40% by other independent third parties, to purchase the entire issued share capitals of the companies that will hold, at the time of completion of the transaction, the land development right in respect of the property sites adjoining the Macau Tower site in Nam Van, Macau with a total gross site area of approximately 39,800 square metres and will, at the time of completion of the transaction, have a total developable gross floor area of not less than 2,700,000 square feet for mixed-use property development.

The consideration for the acquisition is HK\$1,500 million. HK\$750 million will be satisfied in cash, and the balance will be satisfied by the issue of 148,883,374 new shares of the Company at the issue price of approximately HK\$5.04 per share. These new shares will be issued to Alpha Davis Investments Limited, as nominated by Sai Wu, and which is owned as to 47% by Dr. Stanley Ho and 53% by a company jointly held by Ms. Pansy Ho, Ms. Daisy Ho and Ms. Maisy Ho.

The independent non-executive directors have confirmed that the continuing connected transactions mentioned in items 1(i) to (iv) and 2 to 6 above have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms;

(c) in accordance with the relevant agreements governing such transactions, or where there are no such agreements, on terms no less favourable than terms available to or from independent third parties; and

(d) on terms that are fair and reasonable so far as the shareholders of the Company are concerned.

The auditors of the Company have confirmed that the continuing connected transactions mentioned in items 1(i) to (iv) and 2 to 6:

(a) have been approved by the board of directors;

(b) were in accordance with the pricing policies of the Group if the transactions involved provision of goods and services by the Group;

(c) have been entered into in accordance with the relevant agreements governing such transactions, or where there are no such agreements, on terms no less favourable than terms available to or from independent third parties; and

(d) have not exceeded the caps stated in the relevant announcements.

8. The Group granted financial assistance to several companies in previous years in which it is a shareholder together with other connected parties and such financial assistance remained outstanding as at 31 December 2004:

- i. Shun Tak Cultural Centre Limited is owned as to 60% by the Group and 40% by a company beneficially owned by Dr. Stanley Ho. Shareholders' loan of HK\$313 million, in proportion to their respective shareholdings, is on an interest-free basis.

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- ii. Onluck Finance Limited is owned as to 64.56% by the Group and 35.44% by SHK. Shareholders' loan of HK\$171 million, in proportion to their respective shareholdings, is on an interest-free basis.
- iii. Shun Tak Creative Services Group Limited is owned as to 80% by the Group and 20% by STDM. Shareholders' loan of HK\$500 million, in proportion to their respective shareholdings, is on an interest-free basis.

Under Chapter 14A of the Listing Rules, the above transactions constitute connected transactions of the Company and require disclosure in the annual report of the Company.

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:

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, property development and / or hospitality. Mrs. Mok Ho Yuen Wing, Louise and Ms. Pansy Ho are directors and shareholders of STDM. Mr. David Shum is a shareholder of STDM.

Dato' Dr. Cheng Yu Tung is a director of, and / or has beneficial interests in, NWD Group, Chow Tai Fook Enterprises Limited, Melbourne Enterprises Limited, STC and STDM, which are also engaged in the businesses of property investment, property 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.

The above-mentioned competing businesses are managed by separate entities with independent management and administration. The Board of Directors of the Company is of the view that the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of these entities. When making decisions, the relevant directors, in performance of their duties as directors of the Company, have acted and will continue to act in the best interests of the Group.

Disclosure of Interests

As at 31 December 2004, 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 Issuers, 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	Corporate Interests	
Stanley Ho	(i)	245,513,460	39,021,590	13.68%
Sir Roger Lobo		—	—	—
Robert Kwan		—	—	—
Norman Ho		—	—	—
Cheng Yu Tung		—	—	—
Mok Ho Yuen Wing, Louise		323,627	—	0.02%
Pansy Ho	(ii)	45,745,344	97,820,707	6.90%
Daisy Ho	(iii)	44,959,551	97,820,707	6.86%
Ambrose So	(iv)	30,563,990	—	1.47%
Patrick Huen	(v)	10,141,370	5,994,849	0.78%
Andrew Tse	(vi)	12,403,870	—	0.60%
Anthony Chan	(vii)	16,610,120	—	0.80%
Maisy Ho	(viii)	21,788,175	23,066,918	2.16%
David Shum	(ix)	5,000,000	—	0.24%

Notes:

- (i) The personal interest of Dr. Stanley Ho represents the interest in 243,926,160 shares and interest in 1,587,300 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 Dr. Stanley Ho represents the interest in 11,446,536 shares of the Company held by Sharikat Investments Limited (SIL), 24,838,987 shares of the Company held by Dareset Limited (DL) and 2,736,067 shares of the Company held by Lanceford Company Limited (LCL). SIL, DL and LCL are wholly-owned by Dr. Stanley Ho.
- (ii) The personal interest of Ms. Pansy Ho represents the interest in 15,152,821 shares and interest in 30,592,523 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 14,367,028 shares and interest in 30,592,523 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.

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- (iv) The personal interest of Dr. Ambrose So represents the interest in 10,406,250 shares and interest in 20,157,740 underlying shares in respect of the share options granted by the Company, the details of which are stated in section (d) "Share options".
- (v) The personal interest of Mr. Patrick Huen represents the interest in 62,500 shares and interest in 10,078,870 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 Mr. Patrick Huen represents the interest in 5,994,849 shares of the Company held by Enhance Gain Investments Limited (EGIL). EGIL is wholly-owned by Mr. Patrick Huen.
- (vi) The personal interest of Mr. Andrew Tse represents the interest in 2,325,000 shares and interest in 10,078,870 underlying shares in respect of the share options granted by the Company, the details of which are stated in section (d) "Share options".
- (vii) The personal interest of Mr. Anthony Chan represents the interest in 6,531,250 shares and interest in 10,078,870 underlying shares in respect of the share options granted by the Company, the details of which are stated in section (d) "Share options".
- (viii) The personal interest of Ms. Maisy Ho represents the interest in 1,630,435 shares and interest in 20,157,740 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.
- (ix) The personal interest of Mr. David Shum represents the interest in 5,000,000 underlying shares in respect of the share options granted by the Company, the details of which are stated in section (d) "Share options".

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%

Note: Certain nominee shares in subsidiaries were held by Ms. Pansy Ho, Ms. Daisy Ho, Dr. Ambrose So, Mr. Patrick Huen, Mr. Andrew Tse and Ms. Maisy Ho 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 in sections (a) to (c) above represent long position in the shares or underlying shares of the Company or its associated corporations.

Save as disclosed above, none of the directors or any of their associates had or were deemed to have 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 2004.

d) Share options

As at 31 December 2004, details of share options granted to directors or employees under the 1993 and 2002 share option schemes (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 2004	As at 31 December 2004
Stanley Ho	25 May 2004	25 May 2004 to 24 May 2014	HK\$3.15	—	1,587,300
Pansy Ho	24 March 1995	24 March 1995 to 23 March 2005	HK\$3.35	2,597,015	—
	3 January 2000	3 January 2000 to 2 January 2010	HK\$1.15	10,434,783	10,434,783
	25 May 2004	25 May 2004 to 24 May 2014	HK\$3.15	—	20,157,740
Daisy Ho	24 March 1995	24 March 1995 to 23 March 2005	HK\$3.35	2,804,776	—
	3 January 2000	3 January 2000 to 2 January 2010	HK\$1.15	10,434,783	10,434,783
	25 May 2004	25 May 2004 to 24 May 2014	HK\$3.15	—	20,157,740
Ambrose So	25 May 2004	25 May 2004 to 24 May 2014	HK\$3.15	—	20,157,740
Patrick Huen	25 May 2004	25 May 2004 to 24 May 2014	HK\$3.15	—	10,078,870
Andrew Tse	25 May 2004	25 May 2004 to 24 May 2014	HK\$3.15	—	10,078,870
Anthony Chan	25 May 2004	25 May 2004 to 24 May 2014	HK\$3.15	—	10,078,870
Maisy Ho	3 January 2000	3 January 2000 to 2 January 2010	HK\$1.15	3,130,435	—
	25 May 2004	25 May 2004 to 24 May 2014	HK\$3.15	—	20,157,740

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Grantee	Date of Grant	Exercise/ Vesting Period	Exercise Price per Share	Number of Share Options	
				As at 1 January 2004	As at 31 December 2004
David Shum	22 September 2004	22 September 2004 to 21 September 2014	HK\$4.20	—	5,000,000
Aggregate total of employees	3 January 2000	3 January 2000 to 2 January 2005	HK\$1.15	1,669,564	—
	8 July 2004	8 July 2004 to 7 July 2009	HK\$3.95	—	918,800

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 no further options could be offered but the outstanding options granted shall continue to be valid and exercisable in accordance with its provisions. A new share option scheme was adopted on 31 May 2002 (the 2002 share option scheme).
- (ii) During the year ended 31 December 2004, three lots of 112,454,870, 918,800 and 5,000,000 options to subscribe for ordinary shares in the Company were granted under the 2002 share option scheme on 25 May 2004, 8 July 2004 and 22 September 2004. The closing prices of the shares of the Company immediately before such dates were HK\$3.15, HK\$3.975 and HK\$4.075 respectively.
- (iii) 2,597,015 share options of Ms. Pansy Ho, 2,804,776 share options of Ms. Daisy Ho, 3,130,435 share options of Ms. Maisy Ho and 1,669,564 share options of employees, all of which were granted under the 1993 share option scheme, were exercised during the year ended 31 December 2004. The weighted average closing prices of the shares of the Company immediately before the dates on which the options were exercised were HK\$4.10, HK\$4.10, HK\$2.60 and HK\$4.927 respectively.
- (iv) No share option was cancelled or lapsed during the year ended 31 December 2004.
- (v) The directors consider that it is not appropriate to disclose the value of options granted during the year ended 31 December 2004, since any valuation of the options would be subject to a number of assumptions that would be subjective and uncertain. The directors believe that the valuation of options based upon speculative assumptions would not be meaningful and would be misleading to shareholders.
- (vi) The accounting policy adopted for share options is set out in note 1(v) to the financial statements.

(vii) 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 so as 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 2004	194,243,391 shares (9.34%)	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

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	The 2002 Share Option Scheme	The 1993 Share Option Scheme
6) The minimum period for which an option must be held before it can be exercised	N/A	N/A
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"> (a) the closing price of the shares on the date of offer; (b) the average closing prices of the existing shares for the 5 trading days immediately preceding the date of offer; and (c) the nominal value thereof 	The exercise price is determined by the directors and being not less than the greater of: <ul style="list-style-type: none"> (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 (b) the nominal value thereof
9) The remaining life of the share option schemes	The scheme remains in force until 31 May 2012	The scheme was terminated on 31 May 2002

e) Substantial shareholders

As at 31 December 2004, the register of interests or short positions in shares kept under Section 336 of the SFO shows 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	14.81%
Sociedade de Turismo e Diversões de Macau, S.A.R.L. (STDM) and its subsidiary	263,667,107	12.68%

Notes:

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

(ii) Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung, Mrs. Mok Ho Yuen Wing, Louise and Ms. Pansy Ho have beneficial interests in and are directors of STDM. Mr. David Shum has 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 (other than the directors of the Company) 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 2004.

Purchase, Sale or Redemption of Listed Securities

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 2004.

Directors' Right to Acquire Shares or Debentures

Except for the above mentioned share option schemes and shares to be issued to Alpha Davis Investments Limited as stated in item 7 of Connected Transactions on page 35, 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 or any of their spouses or children under the age of 18 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 Listing Rules 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 as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association of the Company.

The accounts for the year have been reviewed by the Audit Committee of the Company. The Audit Committee was established in March 1999. The members of the Audit Committee are Mr. Robert Kwan (Chairman), Sir Roger Lobo, Mrs. Mok Ho Yuen Wing, Louise and Mr. Norman Ho. 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.

Code for Securities Transactions by Directors

During the year, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions (the Code). Based on specific enquiry of the directors of the Company, the directors have complied with the required standard as set out in the Code.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

Report of the Directors

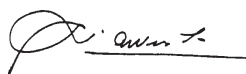
Summary of the Results, Assets and Liabilities

A summary of the results, assets and liabilities of the Group for the last five financial years is shown on pages 100 to 101.

Auditors

The financial statements for the year were audited by H.C. Watt & Company Limited. A resolution will be put to the forthcoming annual general meeting to re-appoint H.C. Watt & Company Limited as auditors of the Company.

By order of the Board



Stanley Ho

Group Executive Chairman

21 April 2005