

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2002.

#### 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 76 to 77.

The analysis of the principal activities and geographical locations of the operations of the Group during the financial year are shown in note 27 to the financial statements on pages 73 to 75.

#### GROUP FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2002 and the state of affairs of the Company and of the Group at that date are shown in the financial statements on pages 41 to 77.

#### 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 76 to 77.

#### DIVIDENDS

An interim dividend of 3.5 HK cents per share was paid in October 2002. 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 2002 payable to shareholders on the record on 11 June 2003.

#### FIXED ASSETS

The movements in fixed assets of the Group during the year are shown in note 10 to the financial statements on pages 59 to 60.

#### 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 18 to the financial statements on page 64.

#### CONVERTIBLE GUARANTEED BONDS

Details of the convertible guaranteed bonds of the Group are shown in note 20 to the financial statements on page 67.

#### RESERVES

The movements in reserves during the year are shown in note 19 to the financial statements on pages 65 and 66.

#### DONATIONS

During the year, the Group made donations for charitable and community purposes amounted to HK\$70,000 (2001: HK\$133,800).

#### GROUP BORROWINGS

Details of borrowings repayable within one year and long-term loans are shown in notes 20 and 21 to the financial statements on pages 67 and 68.

#### FINANCE COSTS CAPITALISED

Finance costs capitalised by the Group during the year amounted to HK\$80,163,000 (2001: HK\$322,393,000).

#### 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. 62% of the Group's purchases was attributable to the Group's five largest suppliers combined with the largest supplier accounting for 35% of the Group's total purchases.

Dr. Stanley Ho and Dr. Cheng Yu Tung 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. 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.

Sir Roger Lobo, Dr. Cheng Yu Tung and Mr. Patrick Huen are due to retire in accordance with Article 77 of the Company's Articles of Association, and being eligible, offer themselves for re-election.

## DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

1. Dr. Stanley Ho, Dr. Cheng Yu Tung, Mrs. Mok Ho Yuen Wing, Louise and Ms. Pansy Ho are directors of STDM.

Dr. Stanley Ho and Dr. Cheng Yu Tung have beneficial interests in STDM and Sociedade de Jogos de Macau S.A. (SJM).

Dr. Ambrose So is a director of and has beneficial interest in SJM. SJM, a subsidiary of STDM, is a franchised holder of casinos in Macau.

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

- i. The Group received management and incentive fees of HK\$21.7 million from STDM for managing hotels owned by STDM.
- ii. The Group purchased fuel for its Macau shipping operations amounting to HK\$80.5 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\$344.1 million were sold by the Group to the STDM Group. In return, discount and commission charges in the aggregate amount of HK\$43.1 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\$149.9 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.

**DIRECTORS' INTERESTS IN  
CONTRACTS AND CONNECTED  
TRANSACTIONS** *(continued)*

- v. The Group chartered passenger ferries to STD M and operated on its behalf a low-fare passenger ferry service between the China Ferry Terminal in Kowloon and Macau. Hire charges in the aggregate amount of HK\$106.7 million were received by the Group during the year.
  - vi. The Group received management and incentive fees totalling HK\$2.9 million relating to the operational and property management of the Macau Tower Convention & Entertainment Centre owned by STD M.
  - vii. The Group maintained certain current and savings accounts with Seng Heng Bank Limited, a wholly owned subsidiary of STD M. As at 31 December 2002, the total balance amounted to HK\$6.9 million.
  - viii. The Group and STD M subscribed for 60% and 40% of the issued share capital of Interdragon Limited (Interdragon) respectively. The consideration comprised the transfer by the Group to Interdragon of its 71% issued share capital of Shun Tak-China Travel Shipping Investments Limited (ST-CTSI) and the transfer by STD M to Interdragon of 10.8% of the issued share capital of STD M.
  - ix. On 14 November 2002, the Group entered into a conditional agreement with STD M for the sale to STD M of its 20% interest in a subsidiary, 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 the subsidiary 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 the subsidiary to the Group totalling HK\$500 million.
2. During the year, the Group paid commissions of HK\$25.2 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, a subsidiary of the Group.
  3. The Group received reimbursements of HK\$37.7 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 were directors of STS. Dr. Stanley Ho, Dr. Cheng Yu Tung and Mrs. Mok Ho Yuen Wing, Louise have beneficial interests in STS. STS is a substantial shareholder of the Company.
  4. The Group received rental income and related fee of HK\$4.7 million from Future Bright Property Management Company Limited in which STD M, Dr. Stanley Ho and Dr. Ambrose So have beneficial interests.
  5. The Group received property management income of HK\$7.8 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