



Shun Tak Holdings Limited

(Incorporated in Hong Kong with limited liability)

CONNECTED TRANSACTION

Chartering of passenger ferries: renewal agreement

By announcement dated 30th June 2000, the Company announced that FEH would charter to STDM two passenger ferries and operate on its behalf a low-fare passenger ferry service between the China Ferry Terminal in Kowloon and the New Macau Maritime Ferry Terminal in Macau. Pursuant to the agreement, FEH operated the charter service for a period of 12 months commencing on 1st July 2000 for hire charges of approximately HK\$92 million. The agreement expired on 30th June 2001. By announcement dated 20th July 2001, the Company announced that FEH and STDM had signed a renewal agreement for a six-month term effective on 1st July 2001 for hire charges of approximately HK\$50.1 million during the term. By an announcement dated 3rd January 2002, the Company announced that FEH and STDM had entered into a renewal agreement for a one-year term effective on 1st January 2002 for hire charges of approximately HK\$106.7 million during the term.

On 7th January 2003, FEH and STDM (through its wholly-owned subsidiary Gandiage) signed a renewal agreement for a one-year term, effective on 1st January 2003, on the basis of 17 ferry trips daily between the China Ferry Terminal in Kowloon and the New Macau Maritime Ferry Terminal in Macau for hire charges of approximately HK\$106.7 million during the term.

As STDM is considered to be a connected person by virtue of the interests in STDM of Dr. Stanley Ho (the Group Executive Chairman) and Dr. Cheng Yu Tung (the non-executive director of the Company), the renewal agreement constitutes a connected transaction under the Listing Rules. Details of the agreement will be included in the next annual report of the Company.

RENEWAL OF CHARTER SERVICE AGREEMENT DATED 7TH JANUARY 2003 RELATING TO THE OPERATION OF PASSENGER FERRIES (THE "RENEWAL AGREEMENT")

1. Parties to the Renewal Agreement:

Charterer: Far East Hydrofoil Company, Limited ("FEH"), a subsidiary of Shun Tak Holdings Limited (the "Company"), and together with its subsidiaries, the "Group").

Hirer: Gandiage Company Limited ("Gandiage"), a wholly-owned subsidiary of Sociedade de Turismo e Diversoes de Macau, S.A.R.L. ("STDM").

2. Operations under the Renewal Agreement

FEH is principally engaged in the provision of jetfoil services between Hong Kong and Macau. Pursuant to an agreement dated 30th June 2000 ("the Agreement"), FEH provided a charter service ("the Charter Service") to STDM by leasing to STDM two passenger ferries and operating on STDM's behalf a ferry route between the China Ferry Terminal in Tsimshatsui, Kowloon and the New Macau Maritime Ferry Terminal in Macau ("the Kowloon-Macau Route"). FEH provided the vessels and operated the Charter Service under the Agreement for a term of 12 months commencing on 1st July 2000 ("the Original Term") and provided on a daily basis either 14 single trips or 17 single trips in stages as requested by STDM. The services provided by FEH under the Charter Service included comprehensive operational, staffing, tickets sales and other related management services. Tickets for the Charter Service were marketed by STDM to the public in Hong Kong and Macau. FEH and STDM renewed the Agreement on 20th July 2001 for a six-month term (the "First Renewal") effective on 1st July 2001. The Agreement was further renewed on 3rd January 2002 for a one-year term (the "Second Renewal") effective on 1st January 2002. The Charter Service was provided to STDM on the basis of 17 single trips daily on the Kowloon-Macau Route during the First Renewal and the Second Renewal.

On 7th January 2003, FEH and STDM, through its wholly-owned subsidiary Gandiage, agreed to renew the Agreement for a one-year term effective on 1st January 2003 on the basis of 17 ferry trips daily on the Kowloon-Macau Route.

3. Basis of the charter fees under the Agreement

Under the Original Term, the consideration for the Charter Service ("the Freight Charges") was distinct for two stages. Stage 1 involved the provision by FEH of 14 single trips per day ("Stage 1 Service") and stage 2 involved the provision by FEH of 17 single trips per day ("Stage 2 Service"). The aggregate Freight Charges payable to FEH during the Original Term were approximately HK\$92 million. FEH provided to STDM the Stage 2 Service during the First Renewal and the Second Renewal for Freight Charges of approximately HK\$50.1 million and HK\$106.7 million respectively. Revenues generated from the sale of tickets for the Charter Service were paid to STDM following deduction of the Freight Charges.

Under the Renewal Agreement, FEH will provide to Gandiage the Stage 2 Service for Freight Charges of approximately HK\$106.7 million.

The Freight Charges have been agreed between the parties following arm's length negotiations based on the operating costs of the service together with a profit margin thereon.

4. Reason for the Renewal Agreement

The Group is principally engaged in the provision of passenger shipping services, hospitality and property development. The shipping services offered by FEH include passenger ferry services between the Hong Kong Macau Ferry Terminal in Hong Kong and the New Macau Maritime Ferry Terminal in Macau as well as the Kowloon-Macau Route. In an effort to further promote tourism to Macau, STDM requested FEH to operate the Charter Service on its behalf to ensure a low ticket fare to passengers on the Kowloon-Macau Route. With the commencement of the Charter Service, FEH ceased operating the Kowloon-Macau Route for its own account. The directors of the Company ("the Directors") consider that the Charter Service allowed the Group to capitalise on management expertise in the provision of ferry services whilst allowing the Group to receive stable operating income on the Kowloon-Macau Route. The Directors (including the independent non-executive Directors), which had approved the Agreement and the First and Second Renewals, also consider the terms of the Renewal Agreement are based on normal commercial terms and are fair and reasonable as far as the shareholders of the Company are concerned and is in the interest of the Company as a whole.

5. Compliance with the Listing Rules

Dr. Stanley Ho ("Dr. Ho"), the Group Executive Chairman and Dr. Cheng Yu Tung ("Dr. Cheng"), a non-executive Director of the Company (Dr. Ho together with Dr. Cheng, the "Connected Persons"), have interests in STDM such that STDM is considered as an associate of the Connected Persons under the Rules Governing the Listing of Securities ("the Listing Rules") on the Stock Exchange. The Connected Persons are also directors of STDM. By virtue of their interests in STDM, STDM constitutes a connected person of the Company under the Listing Rules. Besides the Connected Persons' interests in STDM, the Company also has a 11.48 per cent. effective interest in the equity of STDM.

Under the Listing Rules, the Charter Service pursuant to the Renewal Agreement constitutes a connected transaction. Pursuant to Rule 14.25(1) of the Listing Rules, the Charter Service under the Renewal Agreement fall under the de-minimis provisions of the Listing Rules and, accordingly, is required to be disclosed by way of a press notice. Details of the Charter Service will also be included in the next published annual report of the Company.

By Order of the Board
Dr. Ambrose So
Director and Company Secretary