住宅

Residential

The Great Hill, Hong Kong

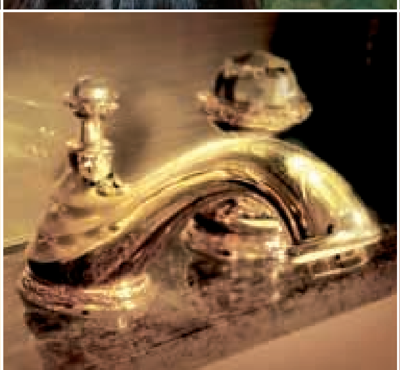
Featuring prime location, superb design and exceptional layouts,
The Great Hill signifies the Group's commitment to offering high quality products to customers

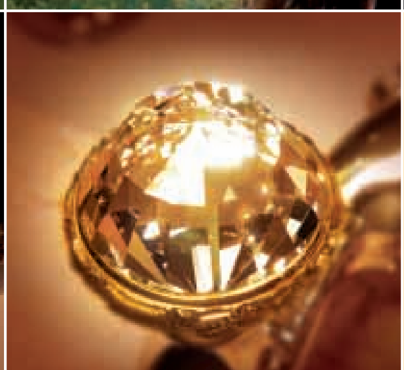
The Great Hill comprises eight detached houses and 114 residential apartments, with areas ranging between 2,600 and 6,000 square feet

THE GREAT HILL 嘉 御 山

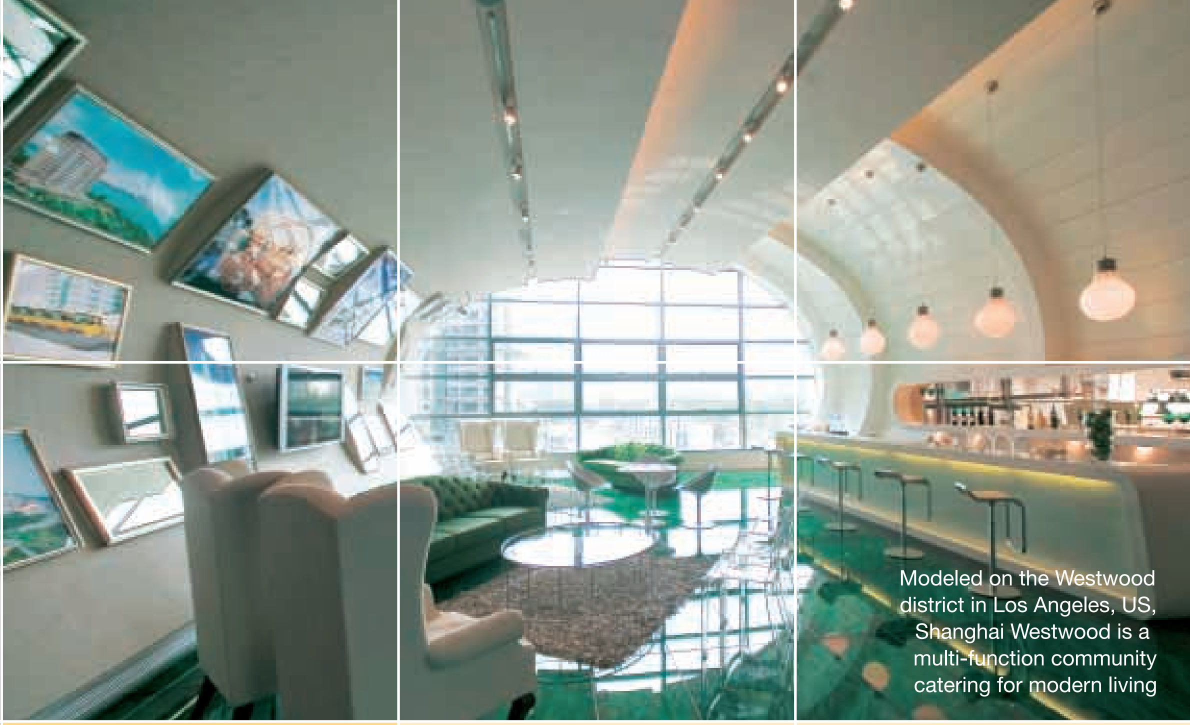
沙 田 南 半 山　複 式 大 宅

The Great Hill has drawn tremendous market response and achieved overwhelming sales



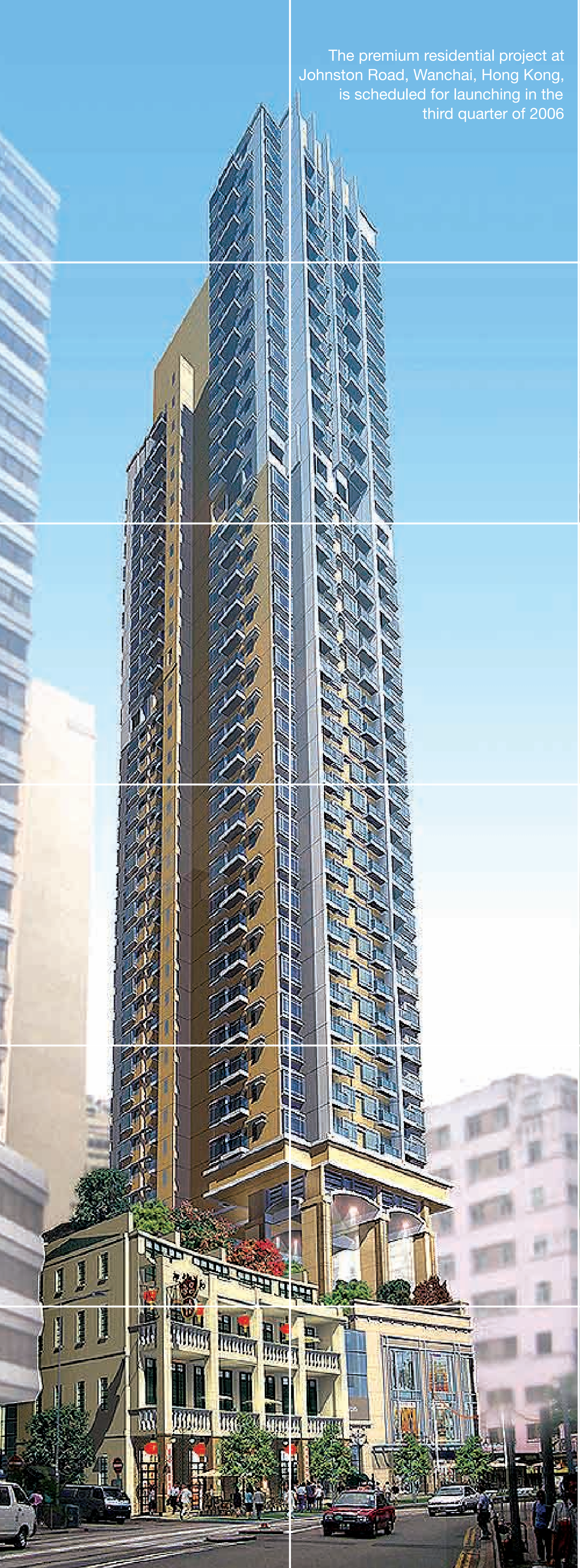


Shanghai
Westwood



Modeled on the Westwood district in Los Angeles, US, Shanghai Westwood is a multi-function community catering for modern living

Shanghai Westwood is situated on a 150,000 square metres site at Da Ning International Community, the largest land transportation hub in Shanghai



The premium residential project at Johnston Road, Wanchai, Hong Kong, is scheduled for launching in the third quarter of 2006

Baoland East Garden, Yangpu District, Shanghai, a JV project with Shanghai Baosteel

Jianguo Xi Road Project, Xuhui District, Shanghai

Yanjiazhai Project, Jingan District, Shanghai

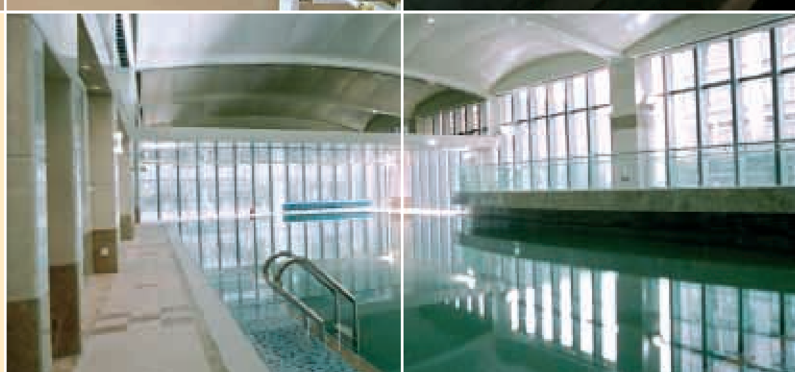
Baoland Green Garden City, Baoshan District, Shanghai, a JV project with Shanghai Baosteel

Shanghai K. Wah Centre

商業 Commercial

Located on Huaihai Zhong Road, Shanghai K. Wah Centre is a landmark and
one of the most sophisticated commercial buildings in downtown Shanghai, with 100% occupancy

Shanghai K. Wah Centre, a Grade-A office building, is equipped with an advanced security management system and a full spectrum of amenities including a gymnasium and indoor swimming pool



娛樂休閒

Entertainment & Leisure

StarWorld Hotel & Casino, a flagship project of Galaxy Entertainment Group scheduled for launching in the fourth quarter of 2006, will become the tallest hotel in Macau

Galaxy Cotai Mega Resort, which is targeted to commence operation in 2008, will be a one-stop destination for gaming, entertainment, shopping and dining

Galaxy staff participated in the “Walk for A Million” in Macau

REVIEW OF PERFORMANCE

The year of 2005 witnessed the successful acquisition of Galaxy Casino (88.1% voting and 97.9% economic interest) ("*Acquisition*") by GEG. Following the Acquisition, GEG is no longer a subsidiary, and upon the distribution of one GEG share for every ten shares of the Company by way of special interim dividend to Shareholders in September 2005, the Group no longer equity accounts for the results and performance of GEG.

Profit attributable to Shareholders for the 2005 financial year has increased by HK$3,403 million to HK$3,644 million (an increase of 1,411%), as compared to the restated profit of last year. Earnings per share also increased from HK$0.12 for the previous year to HK$1.58 for the year under review. This comes by mainly as a result of the combined effect amounting to HK$3.5 billion due to the operating performance of GEG before it ceased to be accounted for in the Group's results and performance and the deemed profit for the Company arising out of GEG's top-up placement of 146 million new shares and its further issuing of 1,840,519,798 new shares for the Acquisition, all at HK$8 per share.

Turnover for the 2005 financial year decreased to HK$289 million, a 31% decrease as compared to the restated turnover for the 2004 financial year. During 2005, although turnover of the Group's property development segment decreased as compared to 2004, property rental and profits attributable to leasing activities have increased as a result of which the gross profit for 2005 was higher than that of the previous year.

This is the Group's first financial report under the new Hong Kong Financial Reporting Standards. The changes in accounting policies did not have any material effect on the financial statements under review other than certain presentation changes with the comparative figures being realigned. The changes, however, can affect the Group's future results on, particularly, revenue recognition for development properties.

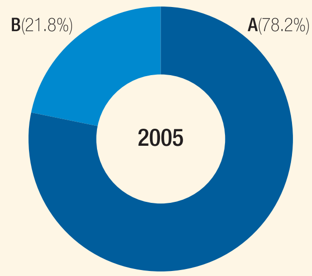
Set out below are the segmental analysis of the Group's continuing operations for the year ended 31st December 2005.

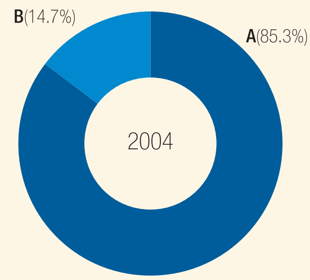
By Division

	Properties HK$'000	**Trading** HK$'000	**Unallocated** HK$'000	**Total** HK$'000
Turnover	226,330	62,977	—	289,307
Cost of sales	(102,786)	(55,360)	—	(158,146)
	123,544	7,617	—	131,161
Other revenues	2,609	8	2,681	5,298
Other operating income	53,637	162	447	54,246
Administrative expenses	(71,202)	(7,166)	(13,534)	(91,902)
Other operating expenses	(62,155)	(69)	(3,017)	(65,241)
Operating profit/(loss)	46,433	552	(13,423)	33,562

Turnover by Division

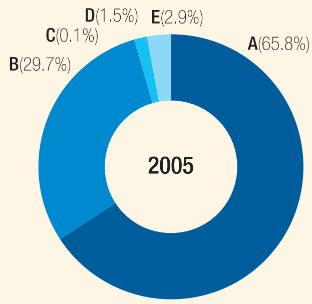
	2005 HK$'000	2004 HK$'000
A Properties	**226,330**	356,671
B Trading	**62,977**	61,586
	289,307	418,257

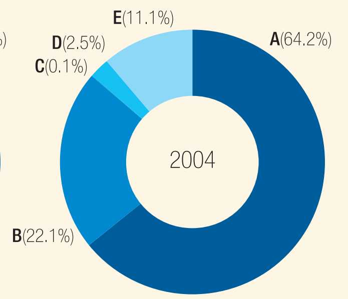




Employment of Gross Assets

	2005 HK$'000	2004 HK$'000
A Properties	**5,955,417**	4,504,428
B Construction materials	**2,690,556**	1,547,260
C Trading	**10,659**	9,498
D Central services	**136,537**	171,382
E Cash & Bank balances	**255,206**	781,306
	9,048,375	7,013,874



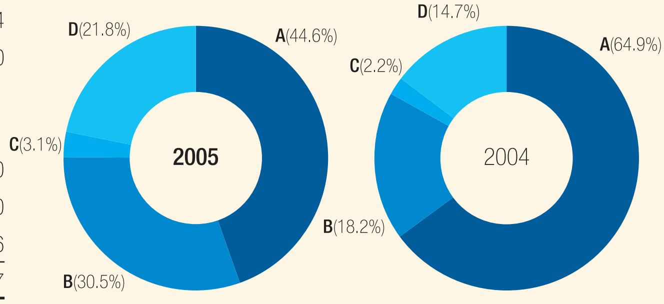


By Geographical Spread

	Hong Kong HK$'000	Mainland China HK$'000	Singapore HK$'000	Japan HK$'000	Total HK$'000
Turnover	129,115	88,275	8,940	62,977	289,307
Cost of sales	(63,694)	(35,596)	(3,496)	(55,360)	(158,146)
	65,421	52,679	5,444	7,617	131,161
Other revenues	4,595	682	13	8	5,298
Other operating income	1,936	53,784	(1,636)	162	54,246
Administrative expenses	(51,831)	(31,103)	(1,802)	(7,166)	(91,902)
Other operating expenses	(28,883)	(36,287)	(2)	(69)	(65,241)
Operating (loss)/profit	(8,762)	39,755	2,017	552	33,562

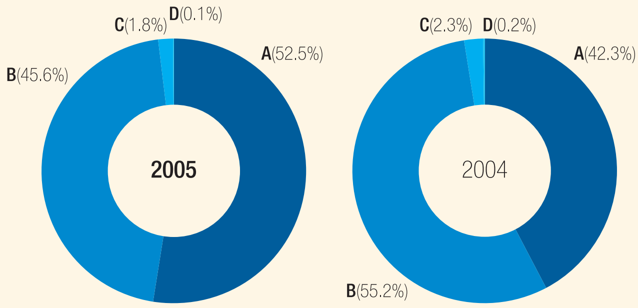
Turnover by Geographical Spread

	2005 HK$'000	2004 HK$'000
A Hong Kong	**129,115**	271,591
B Mainland China	**88,275**	75,890
C Singapore	**8,940**	9,190
D Japan	**62,977**	61,586
	289,307	418,257



Gross Assets by Geographical Spread

	2005 HK$'000	2004 HK$'000
A Hong Kong	**4,745,909**	2,964,374
B Mainland China	**4,126,776**	3,871,412
C Singapore	**162,374**	166,075
D Japan	**13,316**	12,013
	9,048,375	7,013,874



REVIEW OF OPERATION

Separation of GEG from the Group brings clarity to the business objective, and enables management of the Group and GEG to focus on their respective core competence. Core business of the Group is property development and property investment, principally in Hong Kong and Mainland China. The Group is fully committed to building its brand as a quality developer with excellence in architectural design, functionality, up-market facilities, and customer-oriented after sales services.

Hong Kong

The 2005 Hong Kong property market was punctuated by interest rate increase. Home prices in Hong Kong consolidated in the 2nd half of 2005. Not many new residential projects by other developers went on pre-sale last year. The Group adjusted sales programs to time market turnaround, and fewer properties were sold in 2005 than previously. Hong Kong office leasing market has been performing well in 2005. The Group achieved satisfactory occupancy with its investment properties.

(A) *Current Major Development Properties*

(i) *The Great Hill, Tung Lo Wan Hill Road (100% owned)*

The project has a site area of approximately 11,000 square metres and the gross floor area of approximately 24,000 square metres for low-density development. Pre-sale marketing of the project's 114 apartments and 8 detached town houses was launched in March 2006 and construction of the superstructure is well underway. We expect completion of the development by 2007.

(ii) *Inland Lot 8997, Johnston Road, Wan Chai*

This is a joint development project with the Urban Renewal Authority ("*URA*"). The site area is approximately 2,000 square metres and the gross floor area approximately 19,000 square metres. Construction works is in progress. We expect completion by 2007.

(B) *Other Major Properties (all 100% owned)*

(i) *Skyline Commercial Centre, Wing Lok Street, Sheung Wan*

This is a 24-storey commercial building comprising approximately 3,900 square metres of office space and ground floor shops. The property is held for long-term investment purpose. It enjoys almost full occupancy and contributes a steady rental income to the Group.

(ii) *Kingsfield Centre, Shell Street, North Point*

This is a 26-storey commercial building with approximately 1,900 square metres of office space. The property is held for sale and is currently leased for rental. Occupancy is satisfactory.

Mainland China

The year of 2005 saw Mainland China property market punctuated by austerity measures of the Central Government, and housing price suffered a bumpy ride. The Group adjusted its pre-sale program for the Shanghai Westwood (a luxurious residential project in Shanghai), to avoid the falling market, and this accounts in part for the decrease in the results of the property development segment for financial year 2005.

(A) *Current Major Development Properties*
(Total gross floor area of approximately 2,000,000 square metres)

(i) *Shanghai Westwood, No. 701 Guangzhong Road, Da Ning International Community, Shanghai (100% owned)*

The total gross floor area of this project is approximately 380,000 square metres. Modeled on the Los Angeles Westwood in US, the Shanghai Westwood is a luxurious condominium with full amenities. We develop Shanghai Westwood by three development phases. We have started pre-sale of the 1st phase (with gross floor area of about 140,000 square metres) in mid-2005. Handover is expected for April 2007. We will commence development on the 2nd and 3rd phase (with gross floor area of approximately 140,000 square metres and 100,000 square metres) in 2006 and 2007 respectively.

(ii) *Lot A&B No.68 Jianguo Xi Road, Xuhui District, Shanghai (100% owned)*

The land in this project is one of the last sizable pieces of land in the heritage area of Xuhui District. The project is located in Shanghai's traditional up-scale residential area, which is always scarce in land supply. We plan to develop this premium site (total gross floor area of approximately 140,000 square metres) into a residential landmark in this prestigious area of the city. Designed with heavy French savour, this development is set to enhance the heritage of this prestigious location. Demolition work is in progress and construction work will commence in 2006.

(iii) *Phase III, Yanjiazhai, Jingan District, Shanghai (99% owned)*

The project is located at Urumqi Road Jingan District close to the prosperous central business district of the Nanjing West Road. We will turn this prime location into a luxurious residential development with a total gross floor area of approximately 100,000 square metres. The site measures 450 metres from East to West. We design all the units to have a south-facing orientation, which guarantees an unobstructed view of the Nanjing West Road and the Yan On Highway. Demolition work is in progress and construction work will commence in 2006.

(iv) *Xinhua Zhen, Hua Dou City, Guangzhou (99.99% owned)*

The Group's 2 pieces of land at Xinhua Zhen, Hua Dou City — total permissible buildable floor area of approximately 1,400,000 square metres — are held as land bank for future development. Currently, they are at preliminary planning stage.

(B) *Investment Property*

Shanghai K. Wah Centre, Huaihai Zhong Road, Shanghai ("Shanghai K. Wah Centre" — 35.75% owned)

The Group completed the Shanghai K. Wah Centre in 2005. This flagship investment property is a joint venture of which the Group (as the single largest shareholder) holds an effective 35.75% equity interest. The other joint-venture parties are SVA Electron Co., Ltd. (30%), Tidefull Investment Ltd. (15.4%), Shanghai Xu Fang (Group) Co., Ltd. (15%) and Nissho Iwai Hong Kong Corporation Ltd. (3.85%). The Group is also the project manager of this development.

Located in the inner ring area of Shanghai and in the heart of the thriving downtown Huaihai Road commercial area, the development comprises a Grade A office tower and two ancillary buildings of a total of approximately 72,000 square metres. Soon upon its completion in early 2005, this flagship property has already achieved full occupancy, counting Fortune-500 and household local corporations as its anchor tenants, and a Shanghai grade-A benchmarking rental of approximately US$1 per square metre per day. Good leasing activities at the Shanghai K. Wah Centre contributes to an increase of property rental revenue and profits attributable to leasing activities. The management believes that premium grade office leasing market at Shanghai will continue to perform.

New Joint Venture Company in Mainland China — Shanghai Baoland Co., Ltd.

In 2005, the Group has invested in an equity joint venture, namely, the Shanghai Baoland Co., Ltd. ("*Baoland*") by taking an equity interest of 41.5% therein. The other joint venture partners are the Shanghai Baosteel Group (41.5%), Mitsubishi Corporation (15%) and Tokyu Land Corporation (2%). One of the principal assets held by Baoland is a piece of composite land in Yangpu district, Shanghai, with total gross floor area of approximately 300,000 square metres, of which 200,000 square metres are for residential use and 100,000 square metres for commercial use. Baoland started pre-sale of the residential project in latter part of 2005. So far, about 160 units of the residential property have been pre-sold.

Major Properties in Singapore

San Centre, Chin Swee Road (100% owned)

This property comprises approximately 5,800 square metres of office space inside a 12-storey building with carparks. Approximately 3,700 square metres of the development is held for long-term investment purpose and the remaining area is held for sale. The property has maintained satisfactory occupancy with a stable income contribution to the Group.

Macau

Following the Acquisition and the distribution, which saw the Group's interest in GEG came down from 65.8% (pre-Acquisition) to 18.7% (post-distribution), GEG is no longer a subsidiary and has now become a long term investment (classified, accordingly, as an "available-for-sale financial asset" in the financial statements) of the Group. Although the Group no longer accounts for the operating results of GEG, this 18.7% holding still remains an important investment asset of the Group, and represents the gateway for shareholders to share in the success of the booming Macau economy.

OUTLOOK

Into 2006, the Hong Kong residential market is likely to return to the upward trend. Supply for newly completed flats remains tight, and demand remains strong. General expectation is that interest cycle will peak out in 2006, and market sentiment has improved in the first quarter of 2006. To capture this market opportunity, the Group has already launched pre-sale marketing of The Great Hill (attracting strong purchase interest), and will launch later this year its other luxurious residential projects at Johnston Road. The Group will continue to participate in land sale program of the Hong Kong Government, the tender program of the KCR Corporation, the MTR Corporation and the URA, and if suitable opportunities arise, make private acquisitions as well, to replenish its Hong Kong land bank.

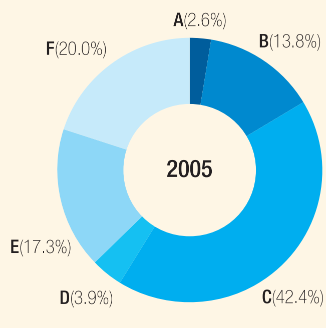
For Mainland China, the Group is optimistic about the long-term prospect of her property market. To date, the Group has accumulated development rights over two million square metres of land in Shanghai and Guangzhou. Into 2006, the Group will re-launch the Shanghai Westwood when the Shanghai property market conditions become favorable in order to maximize profits. In 2006, the Group will also be pushing ahead with demolition and construction planning for its other two top-of-the-range residential projects at Jianguo Xi Road (Xuhui District) and Yanjiazhai (Jingan District).

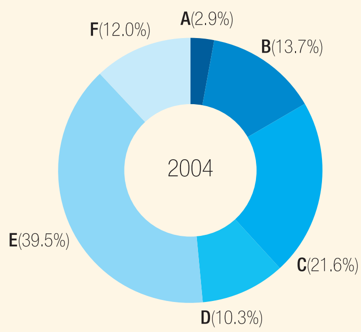
Going forward, the Group counts Mainland China's trade conflict with US and Europe and her political tension with Taiwan as uncertainties, as deterioration in trade prospect can dent her economic growth and affect the Group's business prospect there. Any further property market rectification measures by the Central Government can also be unpredictable for our business in Mainland China. While in the first quarter of 2006, there have been signs of price recovering in cities like Guangzhou and Beijing, the Group will continue with a prudent and cautious approach on its business strategy in Mainland China commensurate with changing market situation.

REVIEW OF FINANCE

Sources of Funding

	2005 HK$'000	2004 HK$'000
A Share capital	**237,792**	201,564
B Other reserves	**1,245,281**	959,950
C Revenue reserves	**3,833,597**	1,511,240
D Minority interests	**355,968**	723,354
E Borrowings	**1,567,857**	2,773,224
F Current portion of borrowings	**1,807,880**	844,542
	9,048,375	7,013,874





(1) Financial Position

Total funds employed at 31st December 2005 was HK$9 billion, an increase of 29% compared with HK$7 billion at 31st December 2004.

Number of the issued shares of the Company increased as a result of conversion of convertible bonds and exercise of share options during the year. The dilution effect, however, was offset by the profit earned for the year.

(2) Group Liquidity, Financial Resources and Gearing Ratio

The liquidity position of the Group was maintained at a satisfactory level during the year. Cash and bank balances at 31st December 2005 amounted to HK$255 million.

The total long-term bank borrowings at 31st December 2005 amounted to HK$2,492 million as compared to HK$2,619 million at 31st December 2004. Out of the total long-term bank borrowings, over 55% of these borrowings matures over a period of one year and above.

The gearing ratio, defined as the ratio of total loans outstanding less cash balances to total assets, was maintained at a healthy level of 31% at the year ended 31st December 2005 as compared to 36% for last year.

In addition to the aggregate cash balances, the total un-drawn banking facilities of the Group at 31st December 2005 amounted to over HK$1.6 billion.

The Group's liquidity position and gearing ratio stayed at a healthy level and the Group has sufficient funds to meet its commitments and operational requirements.

As at 30th March 2006, the total face value of remaining outstanding convertible bonds (due 2009) was HK$68 million representing 7.9% of the total face value of the same.

(3) Treasury Policies

The Group continues to adopt a conservative approach regarding foreign exchange exposure, which is managed to minimize risk. The majority of the Group's borrowings are in Hong Kong Dollars. Forward foreign exchange contracts are utilized when suitable opportunities arise and when considered appropriate, to hedge against foreign exchange exposures. Interest rate swap contracts are also utilized when considered appropriate to avoid the impact of any undue interest rate fluctuation on the operation. The Group has not engaged in the use of derivative products.

(4) Charges on Group Assets

As of 31st December 2005, investment properties and land and buildings with carrying values of HK$2,016,387,000 (2004: HK$261,298,000) and

HK$111,586,000 (2004: HK$287,050,000) respectively were pledged to banks to secure the Group's borrowing facilities.

(5) Contingent Liabilities

The Company has executed guarantees in favor of banks and financial institutions in respect of facilities granted to certain subsidiaries amounting to HK$3,571,683,000 (2004: HK$3,844,074,000) of which HK$2,078,682,000 (2004: HK$1,903,793,000) have been utilized.

The Company has executed guarantees in respect of the convertible bonds issued by a subsidiary amounting to HK$104,000,000 (2004: HK$864,260,000).

The Company has executed a guarantee in favor of the Government of the HKSAR in respect of the performance by an investee's obligation under a contract with the Government of the HKSAR.

EMPLOYEES AND REMUNERATION POLICY

At 31st December 2005, the Group, excluding associated companies and jointly controlled entities, employs 283 employees in Hong Kong and the Mainland. Employee costs, excluding Directors' emoluments, amounted to HK$147 million for 2005.

The Group believes its success and long-term growth and development depends upon the quality, performance and commitment of its employees. The Group's remuneration policy aims to attract, retain and motivate competent individuals based on merits and development potentials. The Group believes the remuneration we offer to our employees is fair and competitive in relation to comparable organizations in the areas in which the Group operates its principal business.

Following approval by the shareholders in 1989, the Group has put in place a share option scheme for executives for the purpose of providing competitive remuneration package and long term retention of management talents. Likewise in Mainland China, employees' remuneration is commensurate with market pay levels and the Group puts emphasis on provision of training and development opportunities.

TRAINING AND DEVELOPMENT

Human talent is the driving force of the Group, and continuous education is a key part in enhancement of the core competence of the Group's work force. To this end, the Group supports a suite of training and development programmes for its employees at various levels.

This year, the Group enters into its 19th Anniversary of its Annual Corporate Seminar, the theme of which is "Risk Management". Several professional consultants and keynote speakers spoke at the forum to share with the Group's executives their knowledge, experience and practices on risk assessment and management. The interactive workshop focused on the application of risk management principles and practices to businesses/operations and the skillset in turning risks into opportunities, which are essential for the long term success of the Group.

Besides, the Group is committed to providing staff with training initiatives to enhance their management capabilities and up-date their technical know-how. We sponsor staff to attend external job-related courses/workshops in Hong Kong and Mainland China which are being organized by the accredited educational institutions and professional bodies. These training and development programs cover executives management courses, leadership and management skills, business strategies, communication, language, customer services, finance, taxation, laws, human resources, computer software applications, etc.

To support the long-term growth and development of the Group's business in Mainland China, we have re-launched the Management Trainee Programme in Shanghai. We recruit and develop high potential graduates from leading universities. Through our structured training programme headed by management staff of various functions, we prepare these promising individuals to become our managers and leaders of the future.