

Chairman's Statement



The Group achieved an impressive growth in profit in 2004 by capturing the opportunities presented by the remarkable tourism growth in Macau and the strong economic recovery of both Hong Kong and Macau during the year.

In 2004, tourist arrivals in Macau increased by 40% over 2003 to more than 16.6 million people. More than half of these arrivals were from mainland China as a result of its liberalization of travel restrictions on individuals since the latter half of 2003. This encouraging trend accelerated during 2004 and early 2005 with the extension of the relaxed travel policy to more mainland cities. The economies of both Hong Kong and Macau prospered during 2004, with a growth in gross domestic product of 8.1% and 28% in Hong Kong and Macau respectively.

The Group's profit attributable to shareholders for the year ended 31 December 2004 was HK\$503.2 million, an increase of 53.8% over 2003 profit of HK\$327.2 million. Basic earnings per share were HK 24.8 cents (2003: HK 16.8 cents).

Subject to approval by our shareholders at the Annual General Meeting on 14 June 2005, the Directors recommend a final dividend of HK 6.5 cents per share (2003: HK 3.5 cents per share). In addition to the interim dividend of HK 4.5 cents per share previously paid (2003: HK 1.5 cents), the total dividend for the year amounted to HK 11.0 cents per share (2003: HK 5.0 cents).

The transportation division achieved record-high turnover and operating profit in 2004 since the formation of its TurboJET operation in mid-1999.

During the year, the TurboJET operation also recorded the highest number of passengers in its history on its Hong Kong Island-Macau and Shenzhen-Macau routes, with an increase in passenger numbers of 14% and 132%, respectively, over 2003. The Group's shipping operation has been the longstanding market leader on the Hong Kong-Macau passenger ferry route. With the launch of the TurboJET Sea Express Service to link up the Hong Kong International Airport with Macau and Shenzhen in September 2003, a new multi-modal transportation services link was offered to a wider traveler base in the region. The service has been well-received by travelers and extends the operation in a new and positive direction.

The Group's hotel investments, Mandarin Oriental Macau and Westin Resort Macau, benefited from the continuing growth in Macau tourism and recorded increased profits in 2004. Both hotels reported increased average room rates and occupancy rates for the year.

The Macau Tower Convention & Entertainment Centre, which the Group manages, attracted a record number of tourists last year and was cited by a public opinion survey as the most favored tourist spot for visitors to Macau. Macau Tower is expected to benefit from the increasing popularity of Macau as a destination for regional and

international events such as business conventions and trade exhibitions.

As a result of the boost in tourism to Macau during the year, there was encouraging growth in the Group's dividend from its strategic investment in Sociedade de Turismo e Diversões de Macau, S.A.R.L. (STDM), the largest operator in Macau's leisure and tourism sector.

The performance of the Group's property division was outstanding during the year, reporting an increase in operating profit of HK\$175.8 million to HK\$550.3 million. All residential units in Liberté and most units in The Belcher's were sold by the end of 2004. In Macau, all saleable units in Phase I of Nova Taipa Gardens were sold and superstructure work for Phase II began in July.

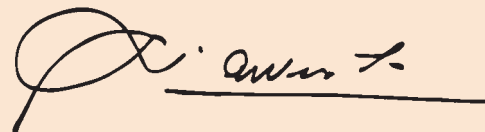
The property management division currently holds an extensive portfolio of more than 10 million square feet of residential, commercial and retail property in Hong Kong and Macau. The division also provides value-added property services to a wide range of multi-functional developments. Given the demand for the quality services in which the division excels, the Group anticipates that property management services will continue to be an increasing source of revenue.

In line with our long-term strategy to further explore and develop promising expansion opportunities in Macau, the Group agreed in November 2004 to acquire the development rights of a property site in Nam Van, adjacent to the Macau Tower, 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. The Group believes that the property will become a prime site for property development in Macau and will create mutual synergies with Macau Tower to provide a new business and commercial district. The Group also

plans to develop a site located in Taipa with a total developable gross floor area of over 2.1 million square feet with a 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 board believes that these developments will further strengthen the leading position of the Group in the Macau property and hospitality sectors.

During the year, property sales generated significant cashflow for the Group with a net cash surplus of approximately HK\$2.6 billion as at 31 December 2004. The Group's financial position was further strengthened with the full conversion of convertible bonds by July 2004. To capitalize on its solid financial position and established transportation and hospitality network, the Group will continue to pursue investment opportunities that are synergistic with its core businesses and offer long term growth potential, particularly in Macau. The Group is committed to achieve continued business growth and is confident that it will benefit from Macau's transformation into a world-class leisure, entertainment and convention destination.

I take this opportunity to thank the Group's staff, management and other partners for their dedication and efforts that resulted in another year of solid performance and growth, one in which we can all take pride.



Stanley Ho

Group Executive Chairman

21 April 2005