

Chairman & CEO's Statement



2005 is another rewarding year for Melco. Expiry of the four-decade gaming monopoly in Macau has ignited the evolution of the city's gaming industry and generated tremendous growth opportunities for us. Thanks to the Macau Government's support of the tourist industry, the number of visitors to Macau from the Asia Pacific Region has rocketed. In 2005, accumulative arrivals in Macau hit 18.7 million, an increase of 12.3% as compared with 2004.

Against this favorable backdrop, the Group has achieved remarkable growth in both turnover and profit in 2005.

As the only Chinese city in which casinos are legal, Macau is rapidly developing into the world's largest gaming center. The establishment of leisure and entertainment facilities in Macau will also see the city evolving into a top-notch international leisure and entertainment destination. With a vision to expand gaming business in Asia, Melco partnered with PBL, Australia's largest media and gaming conglomerate, to capitalize on the rising opportunities in the gaming market. During the review year, the Melco PBL joint venture introduced a plan to build "The City of Dreams" a premium integrated entertainment resort the first of its kind in Asia. Together with Crown Macau and Mocha Slots, catering to the high rollers and the grind market respectively, the Group's gaming assets will cover all facets of the market.

As the Chairman and CEO of Melco, I am delighted about Melco PBL's acquisition of Macau's last casino subconcession in March 2006 and the subsequent agreement with Sociedade de Jogos de Macau, S.A. to amicably terminate the existing slot halls service agreements. Upon the government's approval of the acquisition, Melco PBL will have direct control on and hence greater flexibility in operating Crown Macau, The City of Dreams and Mocha Slots to achieve higher operational efficiency. The new arrangement will enhance the profitability of the Group and deliver significant returns to our shareholders. With a winning combination of local expertise, world-class management and superior branding, Melco PBL is in a strong position to thrive in the fast growing and competitive gaming market of Macau.

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Based on our solid foundation in Macau, we have also been examining possibilities to gradually penetrate the region. Convinced by Macau's economic success in recent years, an increasing number of Asian countries are considering legalizing their gaming markets. There are great prospects for the gaming industry in Asia. We will strive to seize the lucrative opportunities in the Asian gaming markets in the years to come.

Looking ahead, Mocha Slots, The City of Dreams and Crown Macau will remain the local focus of Melco PBL. I am confident that, together with PBL, Melco will become one of the largest and most profitable gaming groups in Asia delivering substantial shareholder value within the next few years.

I wish to take this opportunity to express my heartfelt gratitude to our employees for their quality work and commitment, without which the Group would not have gotten where we are today.

By Order of the Board,
Ho, Lawrence Yau Lung
Chairman & Chief Executive Officer
Hong Kong
31 March 2006

