

CHAIRMAN'S STATEMENT

FINANCIAL RESULTS

Golden Resorts Group achieved excellent results in 2005. For the year ended 31 December 2005, the Group's turnover was approximately HK\$372 million, representing a significant increase of 163% as compared with HK\$141 million last year. The increase was mainly due to revenue generated from the Grandview Hotel and Casa Real Hotel in Macau which were both acquired in 2005. The Group's loss attributable to shareholders was approximately HK\$293 million for the year (2004: HK\$11 million), and loss per share for the year was HK 25.58 cents (2004: HK 1.42 cents).

The loss was mainly due to a share-based payment expense of approximately HK\$496.8 million charged to the income statement in accordance with the newly implemented HKFRS 2 issued by the Hong Kong Institute of Certified Public Accountants, which came into effect and was adopted by the Group for the first time in 2005. **This expense was a one-time non-cash extra-ordinary accounting treatment to the books of the Company. The details of this expense are disclosed in Note 7 to the financial statements.**

A net profit of HK\$204 million was recorded if this accounting treatment was not taken up in the books of the Group.

DIVIDENDS

The Board of Directors has resolved not to recommend any dividend for the financial year ended 31 December 2005 (2004: Nil).

2005 BUSINESS OVERVIEW

2005 proved to be an exciting year for the overall Macau tourist and gaming industry. Annual visitor arrivals reached a new high of 18.7 million, a 12.3% increase over 2004. Gross gaming revenues reached approximately HK\$45.8 billion, only a fraction less than the Las Vegas Strip. The opening of new tourist destinations directly benefited our hotels, bringing more visitors into our mass market gaming halls. The evolution of Macau into a world class destination is truly taking off.

Last year was a transformational year for Golden Resorts Group. In March, the Company was officially renamed as "Golden Resorts Group Limited" and in the same month the Group acquired Grandview Hotel. In May, the Group acquired the Casa Real Hotel. After the completion of the acquisitions, both casino hotels have undergone a series of strategic renovations which increased capacity and visitor traffic in the casino areas. Golden Resorts Group has not only successfully entered the Macau gaming market but also established a strong foothold with a recognisable brand, providing superior service paired with customer satisfaction. The exceptional performance in 2005 proved that the decision to transform the core business of Golden Resorts Group into hotel and gaming was correct.

HOTEL AND GAMING BUSINESS

Following the acquisitions of Grandview Hotel and Casa Real Hotel, the Group consolidated the results of these two hotels for the periods starting from the months of April 2005 and June 2005 respectively.

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Although hotel and gaming revenues in each hotel contributed only 9 months and 7 months of operational results respectively, for the year ended 31 December 2005, turnover of the two hotels together recorded approximately HK\$244 million, representing 65% of the Group's total turnover. Of the hotel and gaming revenues, mass market gaming halls accounted for 52.5% of such turnover, VIP room rental income accounted for 12.4% and revenue from the hotel business contributed 35.1%.

The adjusted operating profit before depreciation; amortisation and interest from the hotel and gaming business was approximately HK\$138 million (2004: Nil) after charging an expense of HK\$20 million for one-time non-recurring compensations to certain tenants of Grandview Hotel for the early termination of their leases in order to make room for the casino expansion in the hotel. Following the expansion of the gaming facilities at Grandview Hotel and renovation and refurbishment works of the gaming facilities at Casa Real Hotel, a remarkable increase in gaming income was recorded for both hotels thereafter.

MANUFACTURING AND TRADING OF WATCHES AND WATCHES COMPONENTS

For the year ended 31 December 2005, turnover of the watch business recorded approximately HK\$128 million, representing 35% of the Group's total turnover, and representing a 1.5% increase as compared to approximately HK\$126.2 million of last year. Although the sales remain relatively stable, the Group experienced an increase in operation efficiency through tighter inventories and cost control. Loss for the watch business was approximately HK\$2.1 million compared with a loss of HK\$4.7 million in 2004.

CONTINGENT LIABILITIES

No material contingent liabilities of the Group were noted as at 31 December 2005.

EMPLOYEES

As at 31 December 2005, the Group employed a total of approximately 2,500 staff (2004: 2,000), of which 34 staff (2004: 25) was employed in Hong Kong. The employees' remuneration, promotion and salary adjustment are assessed based on their work performance, working and professional experiences and the prevailing market practice.

PLEDGE OF ASSETS

The Group's leasehold land and buildings in the PRC and Macau with carrying amount of approximately HK\$21 million (2004: HK\$20.7 million) and HK\$2,568 million (2004: Nil) respectively were pledged to banks for banking facilities granted to the Group amounted to approximately HK\$507 million (2004: HK\$8.9 million).

FOREIGN EXCHANGE AND INTEREST RATE EXPOSURE

As the Group's sales are mostly based on United States Dollars ("USD") and Macau Patacas ("MOP"), having considered the exchange rate of USD and MOP are fairly stable, no foreign exchange and interest rate risk management or related hedges were made at present. Proper policy will be in place when the Board considers appropriate.

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LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2005, the Group recorded net current assets of approximately HK\$113 million (2004: HK\$669 million) and shareholders' funds of HK\$2,414 million (2004: HK\$723 million). The financial position of the Group has been significantly strengthened.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS/DISPOSALS

On 31 March 2005 and 31 May 2005, the Group completed the acquisition of Grandview Hotel and Casa Real Hotel respectively. On 10 January 2005, the Group entered into an agreement to dispose of its entire 35% shareholding interest in Starway Management Limited. The details of the disposal were disclosed in the announcement dated 19 January 2005 and in the circulars dated 29 April 2005 and 12 July 2005 respectively. The disposal was duly approved by the independent shareholders at the special general meeting held on 28 July 2005.

There is no other significant investment and material acquisition/disposal made during the reporting period.

FUTURE BUSINESS PROSPECTS AND PLANS

Initial renovations have proved very successful and Golden Resorts Group will continue to upgrade the gaming areas and hotel facilities in Grandview Hotel and Casa Real Hotel to provide quality service to our guests. We have plans to renovate part of the Grandview Hotel into luxury suites to

capture the upscale market segment. Grandview Hotel is located in Taipa, away from the busy Macau Peninsula but still only a 10-minute drive from the Hong Kong – Macau Ferry Terminal. Guests who are looking to get away while experiencing Macau entertainment will find that the new Grandview Hotel has much to offer them.

Together with creating a better ambience at our casino hotels, the Group is taking a very active approach to marketing and promotions in order to increase the flow of visitors into our properties. There are ongoing arrangements with travel agencies to shuttle guests directly to our hotels and gaming facilities. Both hotels will also offer special packages and joint promotions with business partners.

Golden Resorts Group will continue to invigorate the Group's recognizable brand name and build customer loyalty. Promotional efforts will continue with campaigns aimed at the PRC, the majority client base. The Group will uphold a "Golden Standard" for all visitors, and high standards and service excellence will bring customers to repeat their experience at our facilities.

In the future, the Group has plans to expand our market presence. There are active ongoing efforts to co-operate with selected business partners, including travel agencies. Golden Resorts will seek result-driven business collaborations and management is active in looking at investment opportunities. In the future the Group aims to expand its presence in the Asia Pacific region and create value for shareholders.

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CAPITAL STRUCTURE

Pursuant to a special resolution passed on 6 June 2005, a capital reorganisation was undertaken which involved share consolidation on the basis that every 10 issued shares of HK\$0.01 each in the share capital of the Company were consolidated into 1 consolidated share of HK\$0.1 each.

BORROWINGS

As at 31 December 2005, the Group had total borrowings amounted to approximately HK\$514.5 million, as compared to approximately HK\$29 million at last financial year end, of which HK\$0.2 million (2004: HK\$0.1 million) represents obligations under finance leases and hire purchase contracts and the remaining balance of HK\$514.3 million (2004: HK\$28.9 million) represents bank loans and overdrafts. As at 31 December 2005, the Group's net gearing ratio, measured on the basis of total borrowings less bank and cash balances over net assets was approximately 16%.

PURCHASE, SALE OR REDEMPTION OF SHARES

For the year ended 31 December 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

REVIEW BY AUDIT COMMITTEE

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2005.

CORPORATE GOVERNANCE

The Code of Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") became effective on 1 January 2005, the Board has reviewed the corporate governance practices of the Company and has applied the principles of and complied with the applicable code provisions of the CG Code during the year ended 31 December 2005.

By Order of The Board

Golden Resorts Group Limited

Mr. CHU, Nicholas Yuk-yui

Chairman

Hong Kong, 19 April 2006