



Against the backdrop of Macau's emergence as a world-class leisure and convention hub, the Group achieved significant milestones in 2005 toward achieving its position as the leading property developer and provider of travel and hospitality services in the Pearl River Delta region.

The Group's profit attributable to shareholders for the year ended 31 December 2005 was HK\$364.4 million (2004: HK\$480.3 million). Basic earnings per share were HK 17.5 cents (2004: HK 23.7 cents).

Subject to approval by our shareholders at the Annual General Meeting on 13 June 2006, the Directors recommend a final dividend of HK 4.5 cents per share (2004: HK 6.5 cents per share). In addition to the interim dividend of HK 2.5 cents per share previously paid (2004: HK 4.5 cents), the total dividend for the year amounted to HK 7.0 cents per share (2004: HK 11.0 cents).

Contributing factors to the transportation division's record high turnover in 2005 were the effects of mainland China's continued liberalization of restrictions on individual travel and the growing number of attractions and facilities drawing visitors to Macau. The division's well-received TurboJET Sea Express service, launched two years ago to link Hong Kong International Airport with Macau and Shenzhen, also recorded a remarkable increase of 70% in passenger volume over 2004.

The transportation division's network of services now extends to sea, land and air, as a result of some important developments. The Group formed a joint venture in June 2005 to operate coach service in Macau and cross-boundary coach service between Macau and major Pearl River Delta

destinations. The coach service extends the division's catchment area into Guangdong Province, linking Guangzhou and other cities neighboring Macau. In another major new venture, the Group announced in January 2006 an investment in Macau Asia Express Limited, a new Macau-based air carrier that will serve new routes to mainland China and other parts of Asia. Other partners of this investment are China National Aviation Company Limited and Air Macau Company Limited, the enclave's flagship carrier.

The Group believes that this multi-modal transit platform will offer travelers to and within the Pearl River Delta region unmatched convenience and access to Macau. It augments and complements the division's well-established shipping operation and extends its market leadership in new directions offering tremendous potential.

The pre-sale of Nova City, the Group's property project in Taipa, Macau, was launched in September 2005 to favourable response and over 90% of residential units had been sold by year-end.

The Group's hotel investments, Mandarin Oriental Macau and Westin Resort Macau also benefited from the continuing upswing in Macau tourism and recorded higher profits in 2005.

The encouraging performance of Nova City and the hotels reflects the remarkable growth in the hospitality industry and property market of Macau. The Group expects this trend

will be long-term and will translate into strong demand for high-quality hospitality facilities and properties in the future.

Capitalizing on the brilliant opportunities in these sectors and our leading status in Macau, the Group is expanding its hospitality and property investments in Macau at an unprecedented pace. It announced two new joint developments there that will include hotels. With its partner Sociedade de Turismo e Diversões de Macau, S.A. (STDM), the Group will develop a site in Cotai zoned for hospitality and entertainment uses. In September, the Group announced the formation of a joint venture with Hongkong Land Holdings Limited to develop a prime site located on the Macau NAPE waterfront, adjacent to the MGM Grand Macau complex under construction. Located in the centre of Macau, the site will be developed into residential and serviced apartments, an upscale retail arcade and a luxury hotel.

The Group's flagship Nam Van development will cover approximately 3.8 million square feet of developable gross floor area, subject to approval by Macau SAR Government. The development will be pushed forward at full throttle and will include residential towers, a shopping mall, office building, hotel and casino.

With the completion of the recently announced development projects and the Nam Van site, the Group's Macau hotel portfolio will comprise five luxury business and resort hotels.

The Group's strategic investment in STDM continued to generate substantial dividends in 2005. STDM is the largest operator in Macau's leisure and tourism sector. The Group believes that its various ventures with STDM, including its recently announced Cotai development project, will strengthen its leadership role in serving Macau's visitors and residents.

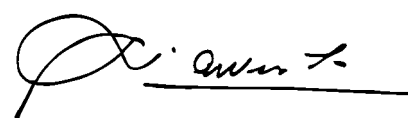
As at 31 December 2005, the Group had a net cash surplus of approximately HK\$2.8 billion. In March 2006, the Group entered into a HK\$5 billion syndicated loan facility agreement with 20 top financial institutions. The syndicate is led by The Hongkong and Shanghai Banking Corporation Limited and has a well-balanced mix of major global banks. The facility is structured as a two-tier clean loan comprising a 5-year revolving credit line and a 7-year term loan. It is the largest syndicated loan ever formed to fund developments in Macau and carries the most favourable pricing ever extended to a Macau operation on a 7-year term. The successful completion of this loan offers further solid proof of the Group's leadership status in the market. Proceeds will be used mainly to finance the Group's planned property projects, including the Nam Van and NAPE developments. The Group is fully confident that its various business expansions can be comfortably accommodated.

Looking forward, the Group is optimistic that tourism to Macau and the greater Pearl River Delta region will

continue to grow given new attractions and accommodations on the horizon, improving infrastructure and mainland China's extension of its relaxed restrictions on individual travelers. With Macau's promising economic growth and the vibrancy of its growing entertainment business, the Group is well-positioned to benefit substantially from its investments in Macau and to achieve continuing business growth.

The Group's achievements and acquisitions in 2005 are part of a comprehensive strategy to solidify its conglomerate position as the leading property developer and provider of travel and hospitality services in the Pearl River Delta region. From its base of an established travel and hospitality network extending in new directions, coupled with its strong financial position, the Group will continue to seek premium investment opportunities, particularly in Macau, that complement its core businesses.

I would like to thank the Group's staff and management for their dedicated efforts that enable the Group to maintain and build on its leadership position in contributing to the continued prosperity and growth of the region.



**Stanley Ho**  
Group Executive Chairman  
24 April 2006