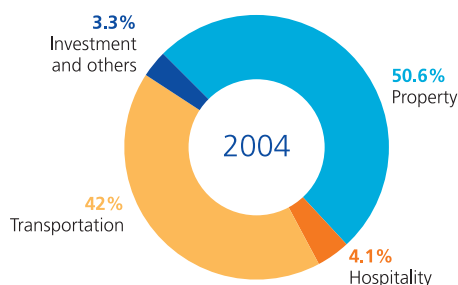
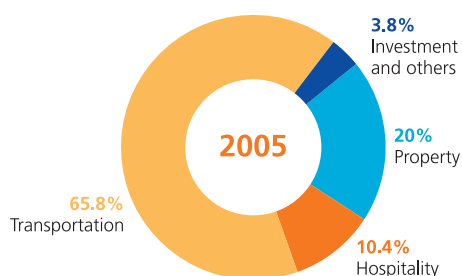


Turnover Analysis

TURNOVER BY DIVISION



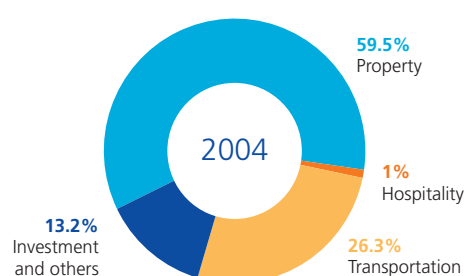
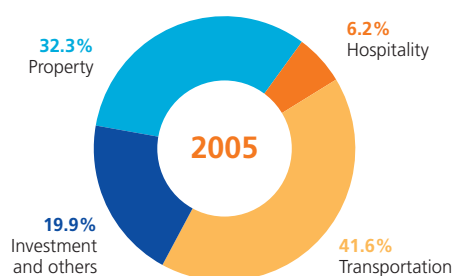
(HK\$ million)	2005	2004	Variance	%	Remarks
Transportation	1,638	1,577	61	4	The rise was primarily due to growth in passenger volume resulting from robust tourism growth in Macau.
Property	497	1,896	(1,399)	(74)	The drop was mainly due to the declining number of residential units available for sale. At Liberté, all the units were sold in prior years and at The Belcher's, only few units remained to be sold.
Hospitality	258	153	105	69	The phenomenal increase was mainly due to the substantial growth in revenue from travel agency services.
Investment and others	96	123	(27)	(22)	The variance was mainly due to the amount recognised for STDM dividend.
Total	2,489	3,749	(1,260)	(34)	

TURNOVER BY GEOGRAPHICAL AREA

(HK\$ million)	2005	2004	Variance	%	Remarks
Hong Kong	1,450	2,785	(1,335)	(48)	The decrease was mainly the combined result of the drop in revenue from sales of residential units for the Group's Hong Kong properties and the rise in ticket revenue for its transportation division.
Macau	886	844	42	5	The rise was mainly the combined result of the increase in both the ticket revenue for transportation division and revenue from travel agency services moderated by the decrease in amount recognised for STDM dividend.
Others	153	120	33	28	The increase mainly represented the rise of ticket revenue for the Hong Kong - Shenzhen route and the increase in revenue from travel agency services.
Total	2,489	3,749	(1,260)	(34)	

Profit and Loss Analysis

OPERATING PROFIT BY DIVISION



(HK\$ million)	2005	(Restated) 2004	Variance	%	Remarks
Transportation	188	243	(55)	(23)	The decline was largely attributable to rise in fuel prices despite growth in passenger volume.
Property	146	551	(405)	(74)	The decrease was mainly due to the drop in revenue from sales of the remaining residential units at The Belcher's.
Hospitality	28	9	19	211	The favourable variance was mainly attributable to the rise in travel agency commission income, aided mainly by the surge of visitors to Macau.
Investment and others	90	122	(32)	(26)	The variance was mainly due to the amount recognised for STDN dividend.
Unallocated net income/(expenses)	21	(49)	70	143	The favourable variance was largely due to increase in bank interest income.
Fair value changes on investment properties	135	—	135	—	The newly adopted financial reporting standard, HKAS 40, prescribes for fair value assessment on investment properties.
Operating profit	608	876	(268)	(31)	
Finance costs	(34)	(13)	(21)	(162)	The rise was principally due to rising interest rates.
Investment loss	—	(48)	48	100	The loss for 2004 mainly represented the impairments in investment and goodwill.
Share of results of associates	71	65	6	9	Contribution from Mandarin Oriental Macau and the Westin Resort continued to record improvement. The contribution in 2004 included one-off contribution from Nova Taipa Garden project as a result of its disposal of Phase IV development rights.
Share of results of jointly controlled entities	(1)	(3)	2	67	The improvement was mainly attributable to the contribution from the TurboJET Sea Express service operation between Hong Kong International Airport and key Pearl River Delta destinations.
Profit before taxation	644	877	(233)	(27)	
Taxation	(63)	(79)	16	20	
Profit after taxation	581	798	(217)	(27)	
Profit attributable to minority interests	(217)	(318)	101	(32)	This mainly represented the interests of minority shareholders in The Belcher's and the transportation division.
Profit attributable to equity holders of the Company	364	480	(116)	(24)	

Profit and Loss Analysis (Continued)**OPERATING PROFIT BY GEOGRAPHICAL AREA**

(HK\$ million)	2005	(Restated) 2004	Variance	%	Remarks
Hong Kong	349	602	(253)	(42)	The variance was mainly the combined result of reduced profit from both The Belcher's and the Liberté offset by favourable fair value changes on investment properties.
Macau	216	257	(41)	(16)	The variance was mainly attributable to the decrease in profit from transportation division and dividend recognised for STD.M.
Others	43	17	26	153	The increase was largely due to improved result from investments.
Total	608	876	(268)	(31)	

Analysis on Share of Results of Associates

(HK\$ million)	2005	(Restated) 2004	Variance	%	Remarks
Property	12	39	(27)	(69)	The decrease was mainly due to the one-off contribution from Nova Taipa Garden project as a result of its disposal of Phase IV development rights in 2004. Although the pre-sale for Stage 1 of "Nova City" has been well-received during the year, new accounting rules do not allow for recognition of property sales until the planned completion in 2006.
Hospitality	57	24	33	138	Mandarin Oriental Macau and the Westin Resort continued to record favourable operating results.
Investment and others	2	2	—	—	
Total	71	65	6	9	

Liquidity, Financial Resources and Capital Structure

At 31 December 2005, the Group's total net assets increased by 5% over last year to HK\$8,963 million. Cash flow and liquidity position remains strong and healthy. During the year, net cash generated from operating activities amounted to HK\$348 million. The cash inflow from investing activities was mainly attributable to HK\$698 million received from repayments of mortgage loans. Major cash outflow for financing activities consisted of HK\$1,115 million for repayments of loans.

Cash Flow Variance Analysis

(HK\$ million)	2005	2004	Variance
Operating activities	348	2,761	(2,413)
Investing activities	597	779	(182)
Financing activities	(998)	(1,188)	190
Net (decrease)/increase in cash and cash equivalents	(53)	2,352	(2,405)

The bank balances and deposits amounted to HK\$3,864 million at 31 December 2005, representing a decrease of HK\$9 million from last year end date.

At 31 December 2005, total loan facilities and other financing available to the Group amounted to HK\$3,715 million, of which HK\$2,693 million remained undrawn. The facilities outstanding at the year end comprised HK\$1,017 million in bank loans and HK\$5 million in other loan.

It is the Group's policy to secure adequate funding to match with cash flows required for working capital and investing activities. The maturity profile of the Group's borrowings as at 31 December 2005 is set out below:

Maturity Profile

	Within 1 year	1-2 years	2-5 years	Total
	17%	19%	64%	100%

Based on a net cash surplus of HK\$2,842 million at the year end, the Group's gearing ratio (expressed as a ratio of net borrowings to equity attributable to equity holders of the Company) was nil (2004: nil). The Group will continue with its financial strategy of maintaining a prudent gearing ratio and consider steps to reduce its finance costs.

During the year, 5,000,000 new shares were issued upon exercise of share options and 3,008,000 shares were repurchased and cancelled.

Pledge of Assets

At the year end, certain assets of the Group with an aggregate carrying value of HK\$465 million (2004: HK\$515 million) were pledged with banks for loan facilities.

Contingent Liabilities

There was no material contingent liabilities under the Group at the year end.

Financial Risk

The Group adopts a conservative policy in financial risk management with minimal exposure to currency and interest rate risks. It is the Group's policy not to engage in any speculative trading activity. The funds raised by the Group are on a floating rate basis. None of the Group's outstanding borrowings was denominated in foreign currency at the year end. The Group's principal operations are primarily conducted and recorded in Hong Kong dollars so that the exposure to foreign exchange fluctuations is minimal. The Group engages in fuel hedging activities to minimise its exposure to fluctuations in fuel prices in accordance with the Group's approved treasury policies.

Human Resources

The Group, including subsidiaries but excluding associates and jointly controlled entities, employed approximately 2,300 employees at the year end. The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on performance. Social activities are organised to foster team spirit amongst staff. Staff are encouraged to attend training classes that are related to the Group's businesses.