

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2005.

Group Activities

The principal activity of the Company is investment holding. The activities of its principal subsidiaries, associates and joint ventures are shown on pages 129 to 130.

The analysis of the principal activities and geographical locations of the operations of the Group during the financial year are shown in note 37 to the financial statements.

Group Financial Statements

The profit of the Group for the year ended 31 December 2005 and the state of affairs of the Company and of the Group at that date are shown in the financial statements on pages 54 to 130.

Particulars of Principal Subsidiaries, Associates and Joint Ventures

Particulars regarding the principal subsidiaries, associates and joint ventures of the Company and of the Group are shown on pages 129 to 130.

Dividends

An interim dividend of 2.5 HK cents per share was paid in October 2005. The Directors now recommend the declaration of a final dividend of 4.5 HK cents per share in respect of the year ended 31 December 2005 payable to registered shareholders on the record date of 13 June 2006.

Property, Plant and Equipment

The movements in property, plant and equipment of the Company and of the Group during the year are shown in note 13 to the financial statements.

Particulars of Properties

Particulars regarding the properties held by the Group for own use, investment, development and sale are shown on pages 30 to 31.

Share Capital

The movements in share capital of the Company during the year are shown in note 33 to the financial statements.

Reserves

The movements in reserves of the Company and of the Group during the year are shown in note 35 to the financial statements.

Donations

During the year, the Group made donations for charitable and community purposes amounted to HK\$1,000 (2004: HK\$70,000).

Group Borrowings

Details of borrowings repayable within one year and long-term loans are shown in notes 29 and 32 to the financial statements.

Finance Costs Capitalised

Finance costs capitalised by the Group during the year amounted to HK\$260,000 (2004: HK\$1,503,000).

Major Customers and Suppliers

It is the policy of the Group to have several suppliers for any item of materials required so as to avoid over-reliance on a single source of supply. The Group maintains good relationships with its major suppliers and has not experienced any significant difficulties in sourcing essential materials.

During the year, 33% of the Group's turnover was attributable to the Group's five largest customers combined, with the largest customer accounting for 20% of the Group's total turnover. 50% of the Group's purchases was attributable to the Group's five largest suppliers combined, with the largest supplier accounting for 25% of the Group's total purchases.

Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung, Mrs. Mok Ho Yuen Wing, Louise, Ms. Pansy Ho and Mr. David Shum have beneficial interests in Sociedade de Turismo e Diversões de Macau, S.A. (STDM), one of the five largest customers and suppliers of the Group. STDM is a substantial shareholder of the Company. Save as disclosed, no other Directors, their associates or shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) were interested, at any time during the year, in the Group's five largest customers or suppliers.

Events After the Balance Sheet Date

Details of the significant events after the balance sheet date of the Group are shown in note 43 to the financial statements.

Directors

The Directors of the Company are listed on page 1.

With respect to re-election of Board members, all of the Company's Directors (including non-executive Directors) are subject to retirement by rotation at least once every three years and non-executive Directors are appointed for a specific term, which is in accordance with the Company's Articles of Association as amended during the reporting period. Sir Roger Lobo, Dato' Dr. Cheng Yu Tung, Mrs. Mok Ho Yuen Wing, Louise, Mr. Patrick Huen and Ms. Maisy Ho will retire and will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received confirmations of independence from the independent non-executive Directors, namely Sir Roger Lobo, Mr. Robert Kwan and Mr. Norman Ho, and considers them to be independent.

Corporate Governance

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Report on Corporate Governance Practices on pages 48 to 52.

Directors' Interests in Contracts and Connected Transactions

1. Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung (appointed representative of a corporate director), Mrs. Mok Ho Yuen Wing, Louise, Ms. Pansy Ho and Mr. David Shum are directors of, and have beneficial interests in, STDM, which is a substantial shareholder of the Company. Dr. Stanley Ho and Dr. Ambrose So are directors of, and have beneficial interests in, Sociedade de Jogos de Macau, S.A. (SJM). SJM is a subsidiary of STDM and one of three gaming concessionaires which have been granted a concession by the Macau government to operate casinos in Macau.

During the year, the Group had the following transactions with the STDM Group:

- i. The Group received total fees of HK\$29.2 million from STDM for managing hotels owned by STDM.
- ii. Shun Tak-China Travel Shipping Investments Limited (ST-CTSI), a non-wholly-owned subsidiary of the Company, purchased HK\$189.3 million of fuel from the STDM Group during the year for its Macau shipping operations. ST-CTSI is beneficially owned as to 42.6% by the Company, 28.4% by STDM and 29% by China Travel International Investment Hong Kong Limited (CTII). Under this arrangement, STDM supplies and loads fuel into the vessels of ST-CTSI at the Macau Outer Harbour Terminal. The cost of fuel is its market price plus a small handling charge. The Fuel Arrangement Agreement has been in force for an initial period of 3 years commencing 1 January 2005 and renewable for further 3 years unless terminated by either party giving notice to the other party. As approved in the extraordinary general meeting held on 8 November 2005, the annual caps for this fuel arrangement were revised upward due to rising fuel prices during the first half of 2005.

- iii. Under an agency agreement between ST-CTSI and STD M (the STD M Agency Agreement), STD M acted as the agent of ST-CTSI for sale of ferry tickets for which it received HK\$15.4 million of commission. The commission was calculated at 5% on the total net ticket sales generated by STD M as agent (less any discounts and concessions on ferry tickets agreed by ST-CTSI and any tax, fees or levies paid thereon to any government or ferry terminal operator).

During the year, HK\$474.1 million of TurboJET tickets were sold to STD M for its own use. A discount of 5%, up to a maximum of 12% (varying depending on the volume of the bulk purchases), totalling HK\$23.6 million was granted on such bulk purchases.

The commission and discount rates for STD M are within the range of commission and discount rates granted by ST-CTSI to other sales agents and bulk purchasers respectively. The STD M Agency Agreement has been in force for an initial period of 36 months commencing 1 January 2005 and renewable for further 36 months unless terminated by either party giving notice to the other party.

- iv. The Group received total fees of HK\$7.9 million from STD M relating to the operation and property management of the Macau Tower Convention & Entertainment Centre owned by STD M.
2. On 7 March 2003, ST-CTSI entered into an agreement with New World First Holdings Limited (NWFH), a 50% owned jointly controlled entity of New World Development Company Limited (NWD). NWD is a substantial shareholder of Ranex Investments Limited, a 51% subsidiary of the Company. Under the terms of the agreement, ST-CTSI and NWFH have agreed to cooperate and coordinate with each other in providing, through their subsidiaries and operators (ST-CTSI Operators and NWFH Operators respectively), ferry services between Hong Kong and Macau.

In particular, the provisions of the agreement provide that:

- i. ST-CTSI Operators will operate the Hong Kong Ferry Service between the Hong Kong Macau Ferry Terminal and Macau for themselves and on behalf of NWFH Operators pursuant to the Vessel Entrustment Arrangement if requested by NWFH Operators; and NWFH Operators will operate the Kowloon Ferry Service between the China Ferry Terminal and Macau for themselves and on behalf of ST-CTSI Operators pursuant to the Vessel Entrustment Arrangement if requested by ST-CTSI Operators. If the Vessel Entrustment Arrangement is utilised, there would be an entrusting charge comprising a ticket handling fee of HK\$30 per passenger ticket payable by the requesting operator;
- ii. ST-CTSI Operators will make arrangements to refer their customers who wish to travel on the Kowloon Ferry Service to NWFH Operators; and NWFH Operators will make arrangements to refer their customers who wish to travel on the Hong Kong Ferry Service to ST-CTSI Operators. A fee of HK\$10 per passenger referred is payable to the referring operator; and
- iii. if the need arises, transferring of vessels by ST-CTSI to NWFH if mutually satisfactory terms are agreed.

In consideration for entering into the agreement, NWFH pays to ST-CTSI an annual fee of HK\$30 million for the duration of the agreement, being 5 years from 8 March 2003. During the year, the Group received such annual fee in the amount of HK\$30 million. No entrusting charge or referral fee was received or paid.

3. During the year, ST-CTSI paid commissions of HK\$28.7 million to China Travel Service (Hong Kong) Limited (CTSHK) as a general sales agent of ST-CTSI for sale of ferry tickets. CTSHK is a subsidiary of CTII which is a substantial shareholder of ST-CTSI.

4. On 1 October 2004, Wincent Limited (Wincent), a wholly-owned subsidiary of the Company, entered into a general sales agency agreement with ST-CTSI, which appointed Wincent as a non-exclusive general sales agent for the sale of ferry tickets for ferry services operated by ST-CTSI. Wincent promotes and markets at its own cost the ferry services provided by ST-CTSI.

In consideration for the sales agency and business development services provided by Wincent, ST-CTSI pays a commission monthly based on a market rate of 2% of the total net ticket sales received on all routes of ST-CTSI (less any discounts and concessions on ferry tickets agreed by ST-CTSI, and any taxes, fees or levies paid thereon to any government or ferry terminal operator). During the year, ST-CTSI paid commissions of HK\$28.7 million.

The agency agreement has been in force for an initial period of 36 months commencing 1 October 2004 and renewable for further 36 months unless terminated by either party giving notice to the other party.

5. For the management of Shun Tak Centre, a commercial property and shopping mall in Sheung Wan, the Group received HK\$12.9 million comprising property management, leasing agency and administration fees. One of the owners is Shun Tak Centre Limited (STC), a company beneficially owned by Dr. Stanley Ho, STDM and NWD. During the same period, the Group paid HK\$4.4 million consultancy fee to the NWD Group in relation to its property management of Shun Tak Centre.

As ST-CTSI operates from the Hong Kong Macau Ferry Terminal which is located in Shun Tak Centre, it paid HK\$3.9 million of rental and related expenses to STC for the year.

6. On 29 September 2005, Right City International Limited (Right City), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement (S&P) with Classic Time Development Limited (Classic Time), a company wholly-owned by Ms. Pansy Ho, who is a substantial shareholder and a director of the Company, to acquire the entire issued share capital of Built City Investments Limited (Built City) whose

principal asset at the time the set condition of the S&P is satisfied will be a 51% interest in Basecity Investments Limited (Basecity). Properties Sub F, Limited, a company indirectly and wholly-owned by Basecity, has the right of a land concession in respect of the property site in NAPE district, Macau, with a total site area of approximately 197,660 square feet for mixed-used property development.

The consideration for the acquisition is estimated at HK\$664.6 million, to be satisfied in new shares of the Company (Consideration Shares) and cash to Classic Time upon publication of the Land Concession Contract in the Macau Gazette. The estimated number of Consideration Shares is based upon the Intended Development Gross Floor Area (GFA), which allows for adjustment of no more than 3% upwards and 8% downwards, to be determined according to the Land Concession Contract GFA. The difference between the Final Development GFA and the Land Concession Contract GFA (if any) would be settled by cash consideration.

On 7 December 2005, the entire issued share capitals of Built City was transferred to Right City. As at the date of this report, the Consideration Shares have not been issued to Classic Time.

The independent non-executive Directors have confirmed that the continuing connected transactions mentioned in items 1 to 5 above have been entered into:

- (a) in the ordinary and usual course of business of the Group;
- (b) on normal commercial terms;
- (c) in accordance with the relevant agreements governing such transactions, or where there are no such agreements, on terms no less favourable than terms available to or from independent third parties; and
- (d) on terms that are fair and reasonable so far as the shareholders of the Company are concerned.

The auditors of the Company have confirmed that the continuing connected transactions mentioned in items 1 to 5:

- (a) have been approved by the board of directors;
- (b) were in accordance with the pricing policies of the Group if the transactions involved provision of goods and services by the Group;
- (c) have been entered into in accordance with the relevant agreements governing such transactions, or where there are no such agreements, on terms no less favourable than terms available to or from independent third parties; and
- (d) have not exceeded the caps stated in the relevant announcements.

7. The Group granted financial assistance to several companies in previous years in which it is a shareholder together with other connected parties and such financial assistance remained outstanding as at 31 December 2005:

- i. Shun Tak Cultural Centre Limited is owned as to 60% by the Group and 40% by a company beneficially owned by Dr. Stanley Ho. Shareholders' loan of HK\$295 million, in proportion to their respective shareholdings, is on an interest-free basis.
- ii. Onluck Finance Limited is owned as to 64.56% by the Group and 35.44% by Sun Hung Kai Properties Limited. Shareholders' loan of HK\$64 million, in proportion to their respective shareholdings, is on an interest-free basis.
- iii. Shun Tak Creative Services Group Limited is owned as to 80% by the Group and 20% by STDM. Shareholders' loan of HK\$501 million, in proportion to their respective shareholdings, is on an interest-free basis.

Under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the Listing Rules), the above transactions constitute connected transactions of the Company and require disclosure in the annual report of the Company.

Save as disclosed above, details of significant related party transactions that did not constitute connected transactions entered into during the year were disclosed in note 38 to the financial statements.

Save for the transactions aforementioned, no other contract of significance to which the Company or any of its subsidiaries was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interests in Competing Businesses

During the year and up to the date of this report, the following Directors are considered to have interests in the following businesses, which compete or are likely to compete, either directly or indirectly, with the businesses of the Group:

Dr. Stanley Ho has beneficial interests in Melco International Development Limited (Melco), STC and STDM, which are also engaged in the businesses of property investment, property development and/or hospitality. Dr. Stanley Ho is the director of STC and STDM and was the director of Melco up to 15 March 2006 when he resigned as the chairman and executive director. Mrs. Mok Ho Yuen Wing, Louise, Ms. Pansy Ho and Mr. David Shum are directors and shareholders of STDM.

Dato' Dr. Cheng Yu Tung is a director of, and/or has beneficial interests in, NWD Group, Chow Tai Fook Enterprises Limited, Melbourne Enterprises Limited, STC and STDM (appointed representative of a corporate director), which are also engaged in the businesses of property investment, property development, ferry services and/or hospitality.

Ms. Pansy Ho, Ms. Daisy Ho, Mr. Andrew Tse and Ms. Maisy Ho are directors of STC, which is also engaged in the business of property investment.

The above-mentioned competing businesses are managed by separate entities with independent management and administration. The Board of Directors of the Company is of the view that the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of these entities. When making decisions, the relevant directors, in performance of their duties as directors of the Company, have acted and will continue to act in the best interests of the Group.

Disclosure of Interests

As at 31 December 2005, the interests or short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (SFO)) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (Model Code) as set out in Appendix 10 to the Listing Rules, were as follows:

a) Interests of the Directors in shares and underlying shares of the Company

Name of Director	Nature of Interest	Ordinary Shares of HK\$0.25 each		Note	Approximate Percentage of Total Issued Shares Note (i)
		Personal Interests	Corporate Interests		
Stanley Ho	Interests in issued shares	250,936,160	39,021,590	(iii)	13.93%
	Interests in unissued shares	—	148,883,374	(iv)	7.15%
	Interests in underlying shares	1,587,300	—	(ii)	0.08%
Roger Lobo		—	—		—
Robert Kwan		—	—		—
Norman Ho		—	—		—
Cheng Yu Tung		—	—		—
Mok Ho Yuen Wing, Louise	Interests in issued shares	323,627	—		0.02%
Pansy Ho	Interests in issued shares	15,152,821	97,820,707	(v)	5.43%
	Interests in unissued shares	—	249,483,374	(vi)	11.98%
	Interests in underlying shares	30,592,523	—	(ii)	1.47%
Daisy Ho	Interests in issued shares	15,367,028	97,820,707	(vii)	5.44%
	Interests in unissued shares	—	148,883,374	(viii)	7.15%
	Interests in underlying shares	30,592,523	—	(ii)	1.47%
Ambrose So	Interests in issued shares	10,406,250	—		0.50%
	Interests in underlying shares	20,157,740	—	(ii)	0.97%
Patrick Huen	Interests in issued shares	62,500	5,994,849	(ix)	0.29%
	Interests in underlying shares	10,078,870	—	(ii)	0.48%
Andrew Tse	Interests in issued shares	2,325,000	—		0.11%
	Interests in underlying shares	10,078,870	—	(ii)	0.48%
Anthony Chan	Interests in issued shares	8,031,250	—		0.39%
	Interests in underlying shares	5,078,870	—	(ii)	0.24%
Maisy Ho	Interests in issued shares	1,630,435	23,066,918	(x)	1.19%
	Interests in underlying shares	20,157,740	—	(ii)	0.97%
David Shum	Interests in underlying shares	5,000,000	—	(ii)	0.24%

Notes:

- (i) As at 31 December 2005, the total number of issued shares of the Company is 2,082,018,240.
- (ii) These represent the interests in underlying shares in respect of share options granted by the Company, the details of which are stated in section (d) "Share options".
- (iii) The 39,021,590 shares of Dr. Stanley Ho comprise 11,446,536 shares held by Sharikat Investments Limited (SIL), 24,838,987 shares held by Dareset Limited (DL) and 2,736,067 shares held by Lanceford Company Limited (LCL). SIL, DL and LCL are wholly-owned by Dr. Stanley Ho.
- (iv) The 148,883,374 unissued shares of Dr. Stanley Ho represent shares to be allotted to Alpha Davis Investments Limited (ADIL) upon completion of the Acquisition as described in the Company's circular dated 17 December 2004. ADIL is owned as to 47% by Innowell Investments Limited, which is wholly-owned by Dr. Stanley Ho.
- (v) The 97,820,707 shares of Ms. Pansy Ho are held by Beeston Profits Limited, which is wholly-owned by Ms. Pansy Ho.
- (vi) The 249,483,374 unissued shares of Ms. Pansy Ho comprise 148,883,374 shares to be allotted to ADIL upon completion of the Acquisition as described in the Company's circular dated 17 December 2004 and 100,600,000 shares (being the estimated maximum number of shares) to be allotted to Classic Time Development Limited (CTDL) upon completion of the Acquisition and the publication of the Land Concession Contract (as defined in the Company's circular dated 21 October 2005) in the Macau Gazette and in the manner as more particularly described therein. ADIL is owned as to 53% by Megaprospere Investments Limited (MIL), which is owned as to 51% by Ms. Pansy Ho. CTDL is wholly-owned by Ms. Pansy Ho.
- (vii) The 97,820,707 shares of Ms. Daisy Ho are held by St. Lukes Investments Limited, which is wholly-owned by Ms. Daisy Ho.
- (viii) The 148,883,374 unissued shares of Ms. Daisy Ho represent shares to be allotted to ADIL upon completion of the Acquisition as described in the Company's circular dated 17 December 2004. ADIL is owned as to 53% by MIL, which is owned as to 39% by Ms. Daisy Ho.
- (ix) The 5,994,849 shares of Mr. Patrick Huen are held by Enhance Gain Investments Limited, which is wholly-owned by Mr. Patrick Huen.
- (x) The 23,066,918 shares of Ms. Maisy Ho are held by LionKing Offshore Limited, which is wholly-owned by Ms. Maisy Ho.
- (xi) The 148,883,374 unissued shares as shown in notes (iv), (vi) and (viii) are the same parcel of shares.

b) Interests of the Directors in shares and underlying shares of subsidiaries of the Company

Name of Director	Name of Subsidiary	Corporate Interest	Percentage of Interest
Stanley Ho	Shun Tak Cultural Centre Limited	4 ordinary shares	40%

Note: Certain nominee shares in subsidiaries were held by Ms. Pansy Ho, Ms. Daisy Ho, Dr. Ambrose So, Mr. Patrick Huen, Mr. Andrew Tse and Ms. Maisy Ho in trust for the Company or its subsidiaries.

c) Interests of the Directors in shares and underlying shares of other associated corporations of the Company

Name of Director	Name of Associated Corporation	Corporate Interest	Percentage of Interest
Pansy Ho	Shun Tak & CITS Coach (Macao) Limited	750 shares	15%

All the interests disclosed in sections (a) to (c) above represent long position in the shares or underlying shares of the Company or its associated corporations.

Save as disclosed above, none of the Directors or any of their associates had or were deemed to have any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations that was required to be recorded under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code as at 31 December 2005.

d) Share options

As at 31 December 2005, details of share options granted to Directors and employees under the 1993 and 2002 share option schemes (as hereinafter defined) of the Company are as follows:

Grantee	Date of Grant	Exercise Period	Exercise Price per Share	Number of Share Options	
				1 January 2005	31 December 2005
Stanley Ho	25 May 2004	25 May 2004 to 24 May 2014	HK\$3.15	1,587,300	1,587,300
Pansy Ho	3 January 2000	3 January 2000 to 2 January 2010	HK\$1.15	10,434,783	10,434,783
	25 May 2004	25 May 2004 to 24 May 2014	HK\$3.15	20,157,740	20,157,740
Daisy Ho	3 January 2000	3 January 2000 to 2 January 2010	HK\$1.15	10,434,783	10,434,783
	25 May 2004	25 May 2004 to 24 May 2014	HK\$3.15	20,157,740	20,157,740
Ambrose So	25 May 2004	25 May 2004 to 24 May 2014	HK\$3.15	20,157,740	20,157,740
Patrick Huen	25 May 2004	25 May 2004 to 24 May 2014	HK\$3.15	10,078,870	10,078,870
Andrew Tse	25 May 2004	25 May 2004 to 24 May 2014	HK\$3.15	10,078,870	10,078,870
Anthony Chan	25 May 2004	25 May 2004 to 24 May 2014	HK\$3.15	10,078,870	5,078,870
Maisy Ho	25 May 2004	25 May 2004 to 24 May 2014	HK\$3.15	20,157,740	20,157,740
David Shum	22 September 2004	22 September 2004 to 21 September 2014	HK\$4.20	5,000,000	5,000,000
Aggregate total of employees	8 July 2004	8 July 2004 to 7 July 2009	HK\$3.95	918,800	918,800

Notes:

- (i) The share option scheme of the Company adopted on 18 May 1993 (the 1993 share option scheme) was terminated on 31 May 2002 and no further options could be offered but the outstanding options granted shall continue to be valid and exercisable in accordance with its provisions. A new share option scheme was adopted on 31 May 2002 (the 2002 share option scheme).
- (ii) 5,000,000 share options of Mr. Anthony Chan granted under the 2002 share option scheme were exercised during the year ended 31 December 2005. The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$7.50.
- (iii) No share option was granted, cancelled or lapsed during the year ended 31 December 2005.

(iv) Save as described above, as at 31 December 2005, none of the Directors or their spouse or children under 18 years of age were granted or exercised any rights to subscribe for any equity or debt

securities of the Company or any of its associated corporations under the share option schemes.

(v) Summary of the share option schemes, disclosed in accordance with the Listing Rules was as follows:

	The 2002 Share Option Scheme	The 1993 Share Option Scheme
1) Purpose of the share option schemes	To attract and retain the best quality personnel, to provide additional incentives to participants so as to promote the long-term financial success of the Group	As incentive to employees
2) Participants of the share option schemes	<p>(a) any employee or any business related consultant, agent, representative or advisor of the Company or any affiliate;</p> <p>(b) any person who provides goods or services to the Company or any affiliate;</p> <p>(c) any customer of the Company or any affiliate; or</p> <p>(d) any business ally or joint venture partner of the Company or any affiliate</p>	Eligible employees including executive directors
3) Total number of shares available for issue under the share option schemes and % on issued share capital as at 31 December 2005	194,243,391 shares (9.33%)	N/A
4) Maximum entitlement of each participant under the share option schemes	<p>In any 12-month period:</p> <p>(a) 1% of the issued share capital (excluding substantial shareholders and independent non-executive directors)</p> <p>(b) 0.1% of the issued share capital and not exceed HK\$5 million in aggregate value (for substantial shareholders and independent non-executive directors)</p>	25% of the aggregate of all shares subject to the share option scheme
5) The period within which the shares must be taken up under an option	The board of directors may in its absolute discretion determine save that such period shall not expire later than 10 years from the date of grant	Such period as the Company may in its discretion determine save that such period shall not expire later than 10 years from the date of grant
6) The minimum period for which an option must be held before it can be exercised	N/A	N/A
7) The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid	Upon acceptance of the option, the grantee shall inform the Company together with HK\$1 by way of consideration for the grant within 28 days from the date of offer	Upon acceptance of the option, the grantee shall inform the Company together with HK\$1 by way of consideration for the grant within 21 days from the date of offer
8) The basis of determining the exercise price	<p>The exercise price is determined by the directors and being not less than the higher of:</p> <p>(a) the closing price of the shares on the date of offer;</p> <p>(b) the average closing prices of the existing shares for the 5 trading days immediately preceding the date of offer; and</p> <p>(c) the nominal value thereof</p>	<p>The exercise price is determined by the directors and being not less than the greater of:</p> <p>(a) 80% of the average closing prices of the shares of the Company on The Stock Exchange of Hong Kong Limited on the 5 trading days immediately preceding the date of offer of such option; and</p> <p>(b) the nominal value thereof</p>
9) The remaining life of the share option schemes	The scheme remains in force until 31 May 2012	The scheme was terminated on 31 May 2002

e) Substantial shareholders

As at 31 December 2005, the register of interests or short positions in shares kept under Section 336 of the SFO shows that, other than the interests of Directors as set out above, the following shareholders were interested in 5% or more of the issued share capital of the Company:

Name of Shareholder	Note	Nature of Interests	Ordinary Shares of HK\$0.25 each	Approximate Percentage of Interests
Shun Tak Shipping Company, Limited (STS) and its subsidiaries	(ii)	Interests in issued shares	308,057,215	14.80%
Sociedade de Turismo e Diversões de Macau, S.A. (STDM) and its subsidiary	(iii)	Interests in issued shares	263,667,107	12.66%
Alpha Davis Investments Limited (ADIL)	(iv)	Interests in unissued shares	148,883,374	7.15%
Innowell Investments Limited (ILL)	(iv)	Interests in unissued shares	148,883,374	7.15%
Megaprosper Investments Limited (MIL)	(iv)	Interests in unissued shares	148,883,374	7.15%

Notes:

(i) As at 31 December 2005, the total number of issued shares of the Company is 2,082,018,240.

(ii) Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung, Ms. Pansy Ho and Ms. Daisy Ho have beneficial interests in and are directors of STS. Mrs. Mok Ho Yuen Wing, Louise has beneficial interests in STS.

(iii) Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung, Mrs. Mok Ho Yuen Wing, Louise, Ms. Pansy Ho and Mr. David Shum have beneficial interests in STDM. Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung (appointed representative of a corporate director), Mrs. Mok Ho Yuen Wing, Louise, Ms. Pansy Ho and Mr. David Shum are directors of STDM.

(iv) ADIL is entitled to interests in 148,883,374 unissued shares of the Company which will be issued upon completion of the Acquisition as described in the Company's circular dated 17 December 2004.

ADIL is owned as to 47% by ILL and 53% by MIL. ILL is wholly-owned by Dr. Stanley Ho. MIL is owned as to 51% by Ms. Pansy Ho, 39% by Ms. Daisy Ho and 10% by Ms. Maisy Ho. Accordingly, the interests of ILL and MIL in the Company duplicate the interests of ADIL in the Company as described above. Dr. Stanley Ho is a director of ADIL and ILL and Ms. Pansy Ho and Ms. Daisy Ho are directors of ADIL, ILL and MIL.

(v) All the interests disclosed above represent long position in the shares of the Company.

(vi) Save as disclosed above, no other person (other than the Directors of the Company) had any interests or short positions in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 December 2005.

Purchase, Sale or Redemption of Listed Securities

In December 2005, the Company repurchased 3,008,000 of its own ordinary shares on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK\$19,654,000. The highest and lowest prices paid per share were HK\$6.60 and HK\$6.40 respectively. The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares.

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries of the Company's listed securities during the year ended 31 December 2005.

Directors' Right to Acquire Shares or Debentures

Except for the above mentioned share option schemes and shares to be issued to Alpha Davis Investments Limited as stated in item 7 of Connected Transactions in the Report of the Directors in the 2004 annual report and shares to be issued to Classic Time Development Limited as stated in item 6 of Connected Transactions in the Report of the Directors in this annual report, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Service Contract of Directors

No Director being proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

Management Contract

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

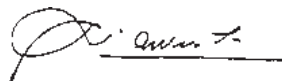
Summary of the Results, Assets and Liabilities

A summary of the results, assets and liabilities of the Group for the last five financial years is shown on pages 131 to 132.

Auditors

The financial statements for the year were audited by H.C. Watt & Company Limited. A resolution will be put to the forthcoming annual general meeting to re-appoint H.C. Watt & Company Limited as auditors of the Company.

By order of the Board



Stanley Ho
Group Executive Chairman
24 April 2006