

## Chairman's Statement



*The Group's well-established presence and extensive service network in the Pearl River Delta region were strengthened in the past year by the buoyant economy of Macau where the Group has significant diversified investments. During the year, the Group embarked on insightful initiatives that extended its core businesses in promising long-term directions, with new additions in air travel and retail ventures.*

The Group's profit attributable to shareholders for the year ended 31 December 2006 was HK\$663.9 million (2005: HK\$364.4 million), a year-on-year increase of 82.2%. Basic earnings per share were 31.0 cents (2005: HK 17.5 cents).

Subject to approval by our shareholders at the Annual General Meeting on 14 June 2007, the Directors recommend a final dividend of HK 8.0 cents per share (2005: HK 4.5 cents per share). In addition to the interim dividend of HK 4.5 cents per share previously paid (2005: HK 2.5 cents), the total dividend for the year amounted to HK 12.5 cents per share (2005: HK 7.0 cents).

Stimulated by the catalytic effect of Macau's dynamic transformation into a regional entertainment and business destination, the Group's transportation division achieved a record-high passenger volume of 11 million passengers on its Hong Kong-Macau route since TurboJET's establishment in 1999. The TurboJET Sea Express service connecting Hong Kong International Airport ("HKIA") with air passengers to and from Macau and Shenzhen also reported record-high passenger volumes. In November 2006, a joint venture company under the Group's transportation division signed an agreement with The Airport Authority Hong Kong to provide management services at SkyPier, the HKIA's new permanent cross-boundary ferry terminal. The land transportation arm purchased new coaches to meet passenger demand for its coach services in the Pearl River Delta ("PRD").

In another initiative to expand its transportation and hospitality interests, the Group announced in January an investment in Macau Air Express Limited ("MAX"), a new Macau-based air carrier that will offer travelers regional budget air service. Other strategic partners in this investment are China National Aviation Company Limited and Air Macau Company Limited, the enclave's flagship carrier. Utilizing a highly competitive cost model, MAX will offer individual passengers value-for-money flights on new routes from Macau to mainland China and other Asia destinations.

The Group's multi-modal transportation platform and network in PRD connecting sea, land and air solidifies the Group's leadership in a regional and international transportation network, and positions it to benefit from increasing connectivity and catchment within PRD and internationally.

The growth of Macau's overall economy has stimulated the need for quality housing in prime and convenient locations. The Group's property developments in Macau address this demand, which is expected to remain strong. Market response to the Group's luxurious development on the Macau NAPE waterfront, One Central Residences, has been remarkable. In November, the property division concluded two en bloc sales of the first available units to two institutional investors, followed by the public launch. By December 2006, more than 95% of the total number of residential units had been sold, demonstrating the market's confidence in this development and setting a benchmark for Macau's luxury property sector. One Central Residences is part of the One Central joint-venture development with Hongkong Land Holdings Limited. This project, in which the Group holds a 51% interest, will also include an up-scale retail mall, serviced apartments and a luxurious hotel.

The pre-sale of Nova City Phase II, the Group's property project in Taipa Macau, was launched in May to favourable response. Superstructure works for Nova City Phase III commenced in October. Pre-sale of these units was strategically launched in December and the unit price has increased since then.

Harbour Mile, the Group's flagship Nam Van mixed-use development project adjacent to Macau Tower, is designed to encompass residential towers, serviced apartments, a shopping mall, a hotel and a casino. The Group is in discussion with Macau SAR Government to finalise the development plan. With the neighboring Macau Tower, Harbour Mile is designed to become a vibrant and dominant shopping and entertainment hub along the Macau waterfront.

The Group's acclaimed hotel investments, Mandarin Oriental Macau and Westin Resort Macau, are well-positioned to benefit from Macau's business and leisure visitor growth. In addition to One Central and Harbour Mile in Macau, the Group's hotel investments expanded to Hong Kong with the joint development Hong Kong SkyCity Marriott Hotel, now under construction at HKIA.

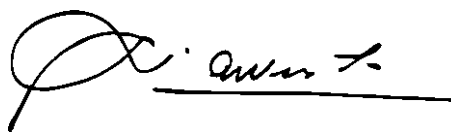
The Group's strategic investment in STDM continued to generate substantial dividends in 2006. The Group believes that its various ventures with STDM will strengthen its leadership role in serving Macau's visitors and residents.

In March 2006, the Group obtained a seven-year, HK\$5 billion syndicated loan facility to finance its One Central and Harbour Mile development projects. The loan issue was over-subscribed with participation by more than 20 major international and local financial institutions. The loan is one of the largest syndicated loans for funding comprehensive property development projects in Macau and is the largest corporate loan in the history of the Group. As at 31 December 2006, the Group had a net cash surplus of approximately HK\$2.6 billion.

Given Macau's rapid economic growth and the promising potential of the Group's activities and investments there, the Group established a Macau corporate office in October 2006. The office serves as the headquarters to support the management, marketing and sales activities of the Group's businesses and developments in Macau.

In the immediate years ahead, the Group will continue to work on the residential, hotel and entertainment facilities that it is now developing in Macau and Hong Kong. These projects are poised to attract residents, visitors and investors. Leveraging its extensive experience in transportation, hospitality and property development, the Group will actively drive economic development in the region, particularly in Macau. The Group is committed to strengthening Macau's connection to mainland China and the world through its core business activities.

The Group's management and staff have demonstrated continuing commitment to improving core businesses and leadership in extending the Group's expertise in new directions. I sincerely thank them for their efforts during the past year, as well as our shareholders and business partners for their strong support.



**Stanley Ho**  
*Group Executive Chairman*  
16 April 2007