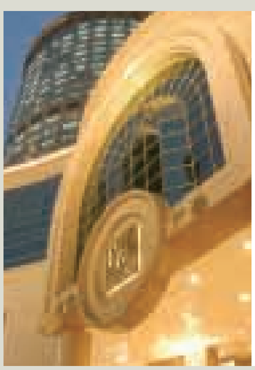
Managing Director's Report

Business Review

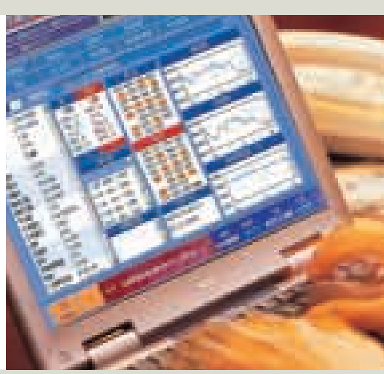

Property

- Harbour City
- Times Square
- Plaza Hollywood
- Property Development



China

- Property
- Marco Polo Hotels
- Modern Terminals

CME

- i-CABLE
- Wharf T&T

Harbour City

Balance Sheet (Extract)
as at December 31, 2005

	HK$M
Properties	45,118
Hotel and club (cost less depreciation)	257*
Net current liabilities	(1,358)
Other non-current liabilities	(586)
**Net business assets (before debt)	43,431

** Including leasehold land*
*** Excluding deferred tax on revaluation of investment properties*

Gross Revenue

	2005 HK$M	2004 HK$M
Retail	**1,287**	1,193
Office	**1,002**	945
Serviced Apartments	**220**	193
Hotel and Club	**823**	730
	3,332	3,061

Operating Profit

	2005 HK$M	2004 HK$M (Restated)
Retail	**997**	881
Office	**843**	775
Serviced Apartments	**155**	120
Hotel and Club	**256**	218
	2,251	1,994

Harbour City

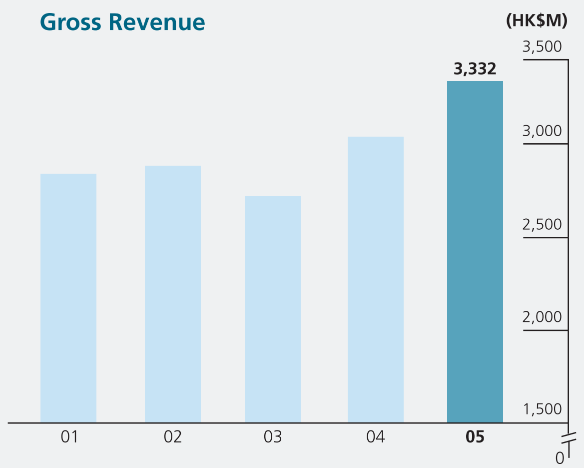
Harbour City, the Group's core investment property asset, turned over HK$3,332 million during 2005, an increase of 9% over 2004.

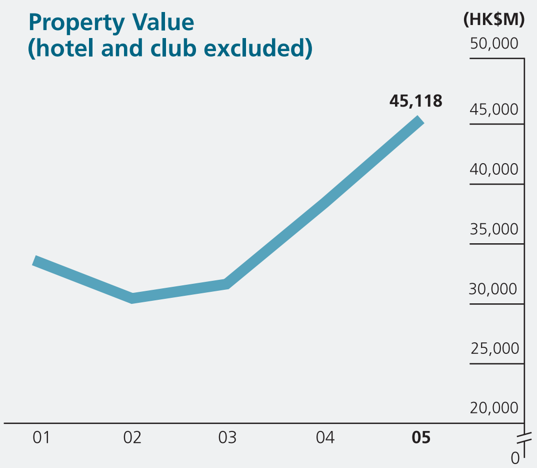
Retail

Underpinned by continual improvement in local sentiment and rising tourist arrivals, Harbour City's retail sector reported a turnover of HK$1,287 million for an increase of 8% over 2004.

The retail market remained buoyant during the year due to a myriad of favourable economic factors. Roll-out of the Individual Traveller Scheme to other Mainland cities continued. The scheme is now offered to residents of 38 Chinese cities. China remained the number one source of visitors to Hong Kong with arrivals reaching 12.5 million in 2005. The expanding number of tourists from the Mainland and other markets will continue to benefit Hong Kong's retail sector.

Harbour City's retail portfolio maintained an average occupancy of 99% throughout 2005 with favourable rental growth for all new leases and renewals. It continued to be the top shopping destination for tourists and locals, which enabled the tenants to report a 17% increase in average sales per square foot during the year and a record high in December to exceed HK$1,200.





Leasing activities at Harbour City remained active. During 2005, a number of top-notch international brand names including Armani Junior, Celine, Michael Kors and Zara signed up. Various new food and beverage outlets were opened during the year, bringing the total number to 53 and offering shoppers a wide array of international and specialty cuisines.

Conversion of the carpark space on Level I of Ocean Centre into 30,000 square feet of lettable retail use to optimise the asset value of the complex is well underway. Phase I is expected to be completed by the second quarter of 2006. Some 94% of the retail space has already been pre-leased to a cluster of upmarket fashion brands such as Anna Sui, Jean Paul Gaultier and Marc Jacobs.

Professional retail management, which emphasises critical-mass building, on-going trade-mix enhancement, well-designed tenant clustering and segmentation, and powerful marketing and promotions, underpins the success of the Group's shopping malls. Amid the competitive retail landscape, Harbour City will continue to channel its efforts in these areas to stay ahead of the competition and ensure loyalty of shoppers and tenants.

Harbour City: Retail Tenant Mix (by Rental and Area)

as at December 31, 2005

	% by Rental	% by Area
Fashion	35.4	24.7
Leather Goods — Shoes, Bags & Related Trades	16.9	7.7
Jewellery, Beauty and Accessories	11.2	6.2
Department Stores, Confectionery Products	9.3	16.4
Restaurant, Fast Food, F&B	8.3	20.2
Sports Wear	5.2	4.3
Children's Wear & Related Trades, Toys	5.1	8.3
Electrical & Audio-visual Equipment	3.2	3.1
Others	5.4	9.1
	100.0	100.0

The continued positive global environment, new tourism attractions and healthy tourism, with the Hong Kong Tourism Board expecting tourist arrivals to further grow by 16% to 27 million in 2006, will continue to fuel retail demand at Harbour City.

Office

Turnover from the office sector rose by 6% to HK$1,002 million on the back of strong rental reversion.

Buoyed by a shortage of new supply, office rents across all sub-markets firmed considerably during the year. Demand for office space continued to be fuelled by expansion and upgrading requirements and a growing trend of decentralisation. This has resulted in a substantial increase in office rental level as well as strong appreciation in capital values.

Average office occupancy at Harbour City climbed steadily from 91% in 2004 to 97% in 2005. Retention rate for tenancies that expired in 2005 reached 84%.

Harbour City's office rentals improved considerably on the back of an upbeat business environment and a shortage of new supply in Grade A office. During 2005, average reversion rental at Harbour City registered an increase of about 30%. Tsim Sha Tsui has become a natural choice as an office location for multinational, Mainland and local enterprises because of its ideal transportation network and Hong Kong's growing reliance on the Mainland market. Located in the heart of Tsim Sha Tsui, Harbour City is poised to benefit from the trend.

Office Occupancy & Rental at Harbour City in 2005

	Gateway II	Gateway I	Others
Total GFA (sq ft)	1,570,000	1,128,000	1,737,000
Occupancy at year end	98.7%	94.9%	94.0%
Rental – average spot rate at the beginning of (HK$) – 2006	33	30	23
– 2005	21	19	16
– 2004	19	16	13

Serviced Apartments

Turnover for the serviced apartments sector registered an increase of 14% to HK$220 million with higher occupancy and considerable rental growth.

Supported by growing demand from expatriate and local residents for accommodation with flexible leasing terms, leasing activities for serviced apartments remained active in 2005. However, competition also grew with new supplies of both premium-type and boutique-type serviced apartments, including conversions from residential and commercial buildings.

Despite keener competition, average occupancy at Gateway Apartments was maintained at 84% throughout 2005, compared with 78% a year ago. A rental growth of 14% was recorded in spite of the soaring supply of new serviced apartments – thanks to its superb location with panoramic views overlooking the Victoria Harbour, reputable brand name and excellent service. Gateway Apartments continued to be a popular choice among senior executives from multinational corporations.

Hotel

Discussion of the performance of the three Marco Polo hotels at Harbour City is covered under the '*Marco Polo Hotels*' section on pages 26 and 27.

Harbour City: Portfolio Information

	Area (sq ft)	Gross Revenue (HK$M)	Average Occupancy (%)	Year-end Valuation (HK$M)	Anchor Tenants
Retail	1,913,000	1,287	99	15,931	Agnès b., Broadway, Burberry, City'Super, Cova, G.O.D., Giga Sports, Gucci, Habitu The Pier, Hugo Boss, Joyce, Lane Crawford, Louis Vuitton, Marks & Spencer, Prada, Salvatore Ferragamo, Toys"R"Us, Ye Shanghai, Yves Saint Laurent, Zara
Office	4,435,000	1,002	97	23,187	AIA, APL, CMG Asia, DuPont, GlaxoSmithKline, Hallmark, Hasbro, Hitachi, JAL, Karstadt Quelle, Marks & Spencer, Mattel, MGA Entertainment, MGB Metro-Group, MLC, Nike, NYK Logistics, Olympus, Prominent Apparel, Prudential, Sears, Simba-Toys, Sony, Zurich Life Insurance
Serviced Apartments	670,000	220	84	6,000	
Hotel and Club (stated at amortised cost in financial statements)	1,360,000	823	89	4,264	

Times Square

Balance Sheet (Extract)

as at December 31, 2005

	HK$M
Properties	17,350
Net current liabilities	(279)
Other non-current liabilities	(264)
*Net business assets (before debt)	16,807

* *Excluding deferred tax on revaluation of investment properties*

Gross Revenue

	2005 HK$M	2004 HK$M
Retail	**630**	600
Office	**256**	237
	886	837

Operating Profit

	2005 HK$M	2004 HK$M
Retail	**531**	508
Office	**213**	187
	744	695

Times Square

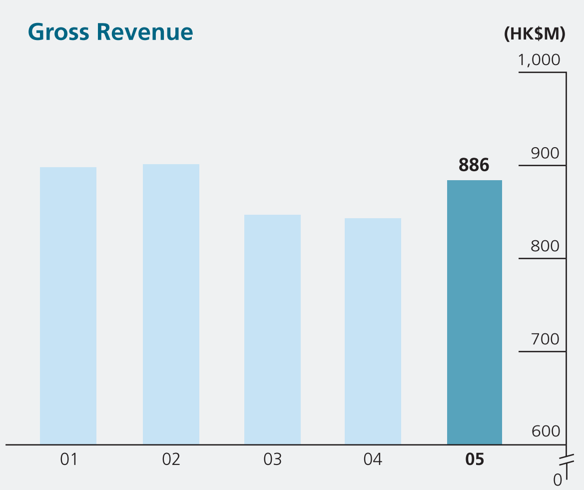
Times Square, another core asset of the Group, turned over HK$886 million in 2005 for an increase of 6% over 2004.

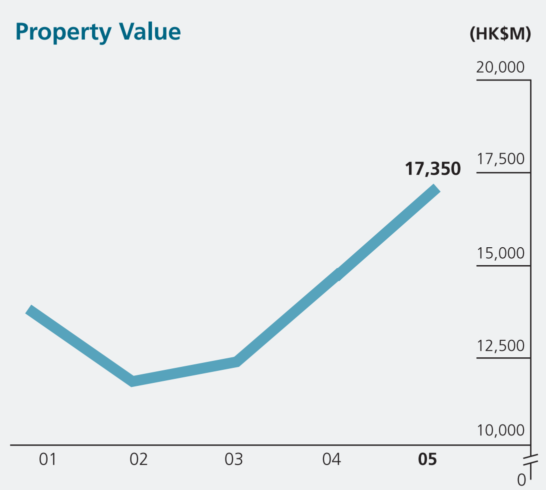
Retail

Times Square's retail sector recorded a revenue growth of 5% to reach HK$630 million.

Aided by robust retail spending and encouraging visitor arrivals, average retail occupancy was maintained at 99% and most retailers recorded double-digit sales growth. All new lettings and renewals registered substantial rental growth.

A series of trade-mix revamp, mostly on fashion tenants, took place in 2005. Zara, a reputable Spanish upmarket fashion retailer, joined Times Square in November and has since been well-received. Marks & Spencer was relocated to the sixth floor with a brand new image while a number of popular brands upgraded their shop image to create additional value.





Further, re-positioning of the ninth floor, with the presence of Page One Bookshop, as a lifestyle and cultural hub, has proved to be successful with noticeable increase of vertical traffic to the upper floors.

The cosmetics cluster on Basement 2 was strengthened to capture the foot traffic from the MTR subway.

During the year, a host of renowned international brands including Agnès b., Coach, Longchamp and Montblanc opened new outlets in Times Square. Cuisine variety at the Food Forum was enhanced. New food and beverage tenants included Little Basil, Tony Roma's and Xiao Nan Guo.

Times Square: Retail Tenant Mix (by Rental and Area)

as at December 31, 2005

	% by Rental	% by Area
Fashion	31.3	18.7
Jewellery, Beauty and Accessories	18.5	9.3
Restaurant, Fast Food, F&B	13.9	26.5
Department Stores, Confectionery Products	13.3	20.6
Electrical & Audio-visual Equipment & Entertainment	11.2	13.8
Sports Wear	7.4	5.2
Others	4.4	5.9
	100.0	100.0

Office

The office sector registered turnover growth of 8% to HK$256 million, resulting from significant improvement in reversionary rentals and higher occupancy.

Limited supply of Grade A offices on the Island, coupled with demand for quality buildings, helped push up occupancy and rental rates.

Times Square remained the preferred location for multinationals engaged in the services or consumer goods sector. Occupancy grew to 96% at the end of 2005. Amid shrinking vacancy and upward momentum in the office sector, Times Square registered an average 30% growth in transacted rentals in the second half of 2005 compared with the first half.

On the back of continuous economic growth, office expansion of major corporate tenants such as Coca-Cola, Giorgio Armani and L'Oreal took place during the year. Retention rate for office tenancies expiring in 2005 was 78%. Renewed multinational tenants included ABN Amro, Apple Computer and Coca-Cola.

Times Square: Portfolio Information

	Area (sq ft)	Gross Revenue (HK$M)	Average Occupancy (%)	Year-end Valuation (HK$M)	Anchor Tenants
Retail	936,000	630	99	10,910	Bally, Broadway, City'Super, D-mop, FCUK, Fortress, Gucci, i.t, Lane Crawford, Mango, Marks & Spencer, Max Mara, PageOne Bookshop, Salvatore Ferragamo, UA Cinema, Zara
Office	1,033,000	256	94	6,440	AIA, AT&T, Boston Consulting, Coca-Cola, Disney, L'Oreal, Lucent, MLC, NCR, Royal Bank of Scotland PLC, Shell, Assicurazioni Generali S.p.A.

Plaza Hollywood

Plaza Hollywood reported turnover growth of 5% to HK$262 million, reflecting the rental growth in both new lettings and renewals underpinned by the robust retail market.

Local consumer sentiments continued to improve and average occupancy was maintained at 99%. On-going trade mix refinement continued to attract shoppers and quality retailers to Plaza Hollywood. During the year, a new cluster of audio-visual product retailers was recruited and was very well received.

Property Development

Property sales revenue was insignificant during the year due to lighter selling activities. Profit arising from the disposal of Sorrento and Bellagio residential units was booked through the Group's share of associates' profits.

Balance Sheet (Extract)

as at Decemeber 31, 2005

	HK$M
Properties	7,611
Interest in Sorrento and Bellagio	1,138*
Property inventory and development	1,911
Second mortgage debtors	28
Net current liabilities	(104)
Other non-current liabilities	(92)
**Net business value (before debt)	10,492

* *Including 1/3 interest in Bellagio and 40% interests in Sorrento (of which 20% held through Harbour Centre Development Limited, a 67%-owned subsidiary)*

** *Excluding deferred tax on revaluation of investment properties*

After two years of strong growth from mid-2003, the Hong Kong property market slowed down and transacted prices across all major sectors have softened since mid-2005. The gradual step-up of interest rates in Hong Kong has dampened buying sentiment, in particular during the last quarter of 2005.

Bellagio

Bellagio, in Sham Tseng on the western shore of the New Territories overlooking the Tsing Ma Bridge, is a joint-venture development equally owned by Wharf, Wheelock and Wheelock Properties. Virtually all of the 1,704 units in Towers 6,7,8 and 9 have been sold, realising proceeds of about HK$4.1 billion.

Property List

	Project Nature	GFA (sq ft)	% Owned	Status
World Trade Square	Office/Retail	395,000	100%	For Lease
1 Plantation Road	Residential	97,000	100%	For Lease
Mountain Court	Residential	49,900	100%	For Lease
Chelsea Court	Residential	43,000	100%	For Lease
Various units of Strawberry Hill	Residential	34,200	100%	For Lease
77 Peak Road	Residential	32,000	100%	For Lease
Sorrento Phases I & II	Residential	2,531,000#	33%*	For Sale
Bellagio Towers 1,2,3 & 5	Residential	1,591,800##	33%	For Sale
Bellagio Towers 6,7,8 & 9	Residential	1,525,300#	33%	For Sale
60 Victoria Road	Residential	54,000###	67%*	For Pre-sale
Gough Hill Residences	Residential	32,900	100%	Under Construction
Cable TV Tower South	Industrial-office	584,600	100%	Under Design Planning
Kowloon Godown	Residential	995,000	100%	Under Planning Submission
Yau Tong Godown	Retail/Residential	244,000	100%	Under Planning Submission
Yau Tong JV Project	Retail/Residential	9,041,000	15.6%	Under Planning Submission

 # Substantially sold
Partly sold
Partly pre-sold
** Effective ownership*

Towers 1,2,3 and 5 with a total of 1,641 residential units were completed in early 2006. 94% of Tower 2 and Tower 5 (Total: 844 units) have been sold by the end of 2005 to realise HK$2.9 billion of proceeds. 37% of Tower 1 and Tower 3 (Total: 797 units) have been sold to realise HK$1.3 billion of proceeds.

Sorrento

Sorrento is a joint-venture project with MTRC above the Kowloon Station, owned by a consortium comprising Wharf (20%), Harbour Centre Development (20%), Wheelock (20%) and Wheelock Properties (40%). Virtually all of the 854 units in Phase II have been sold by the end of December 2005 to realise HK$5.9 billion of proceeds.

60 Victoria Road

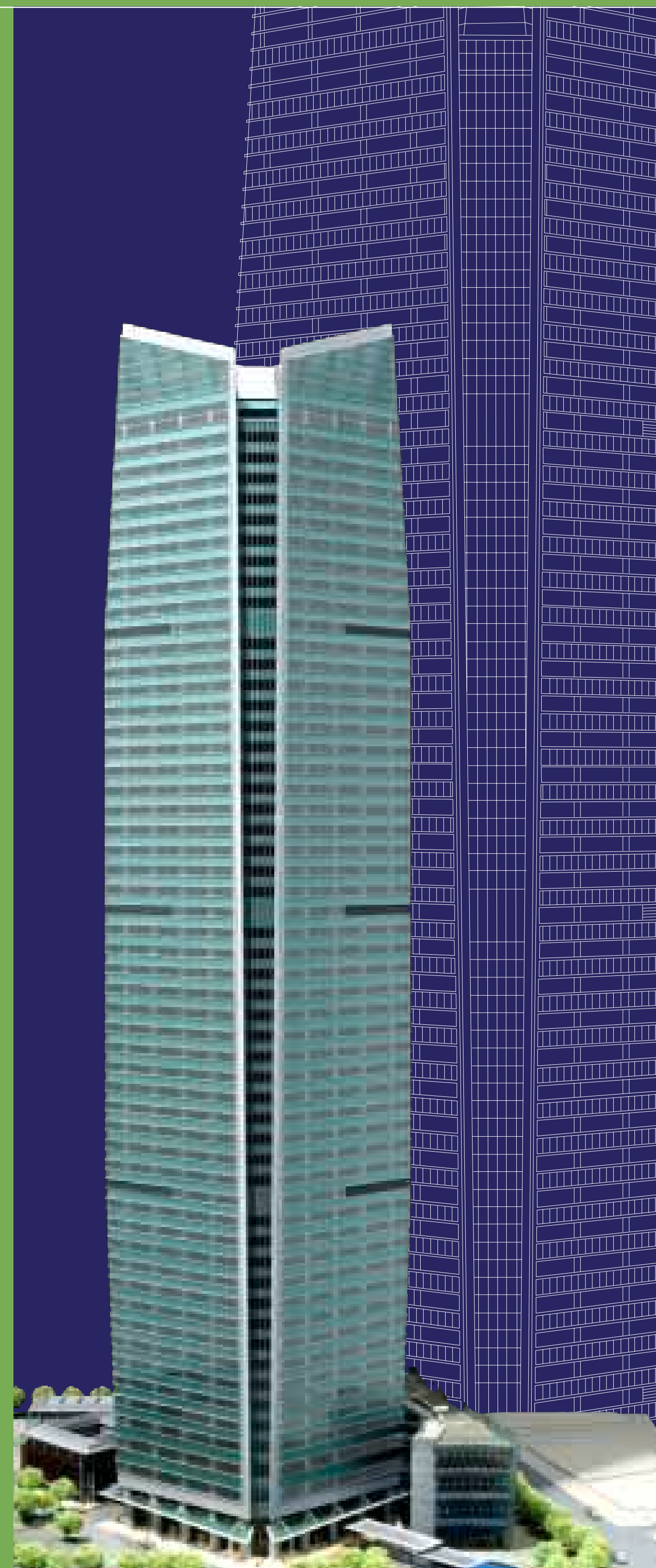
60 Victoria Road, Kennedy Town, is 100%-owned by listed subsidiary Harbour Centre Development. Construction is in progress, with target completion in August 2006. Presale, launched in late October 2005, has met with favourable market responses. 21% of the 73 units have been presold by the end of 2005.

Peak Portfolio

Leasing activities for high-end properties continued to show positive growth due to the consistent flow of expatriates' leasing demand. Occupancy at Peak Portfolio was maintained at satisfactory level.

Gough Hill Residences, which comprises five deluxe houses, is in progress, with target completion in mid-2006.

China



(left) Lot 1717, Nan Jing Xi Road, Puxi, Shanghai (1,580,000 square feet of prime Grade A office space due for completion by mid-2009)
(middle) Modern Terminals' 7.5 berths in Kwai Chung
(right) Shanghai Times Square
(bottom) The Marco Polo hotel in Saigon

Property

Satisfactory growth of 31% and 47% in rental revenue and operating profit respectively over 2004 was reported. All three investment properties, namely Beijing Capital Times Square, Shanghai Times Square and the retail podium of Chongqing Times Square, performed satisfactorily. Plans are in hand to bring the now established "Times Square" brand to other cities in the Mainland.

Beijing Capital Times Square is strategically located along West Changan Avenue in the Xidan area. Average office occupancy was maintained at 91% throughout 2005 despite keen competition. The retail podium is undergoing interior reconfiguration and trade-mix enhancement.

Ideally located on Huai Hai Zong Road in Puxi, Shanghai Times Square boasts excellent connectivity to all transport systems. Average occupancy of its office, retail and apartment sectors rose to 94%, 87% and 91% respectively in 2005.

Chongqing Times Square is located at the Liberation Statue Square. Residential Towers A, B and C were completed and sold in April 2003. Tower D was completed in November 2004 and was 88% sold at the end of 2005. The retail podium, which consists of a 570,000-square-foot department store, opened in December 2004.

Wuhan Times Square, located on Yan Jiang Da Dao fronting the Yangtze River in Hankou, is planned to be developed into a retail, apartment, hotel and residential

Balance Sheet (Extract)
as at December 31, 2005

	HK$M
Investment properties	4,919
Other properties and fixed assets	951
	5,870
Property inventory and development	2,459
Net current liabilities	(629)
Other non-current liabilities	(724)
Net business assets (before debt)	6,976

complex. Superstructure works are in progress and the project is expected to be completed in the third quarter of 2007.

Dalian Times Square is located along Ren Min Road in Zhongshan District of Dalian. It will be developed into a retail and residential complex. Foundation works are in progress and the whole project is expected to be completed by mid-2008.

Lot 1717, Nan Jing Xi Road in Shanghai comprises a Grade A office tower with cutting-edge specifications and facilities plus a retail annex linking to a major subway station. Foundation works are in progress and the development is scheduled to be completed by mid-2009.

During the year, the Group acquired through public auction a 760,000-square-foot site in Chengdu for RMB778 million. This commercial and residential site is located south of Dong Da Jie and north of Shui Jing Jie in Jinjiang District, the centre of the city. A mixed-use development comprising office, retail, apartments, hotel and residential is being planned.

On the Group's other properties, pre-sale of Wellington Garden's 286 units in Shanghai is scheduled for the second quarter of 2006 and the development will be completed by the end of 2006. No. 1 Xin Hua Road (formerly known as Shanghai Parc Royal) and Jingan Garden in Shanghai are progressing according to plan.

China Property List

	Project Nature	GFA (sq ft)*	Status	Completion
Beijing Capital Times Square	Office/Retail	1,295,000	For Lease	1999
Shanghai Times Square	Office/Retail/Apartment	1,211,000	For Lease	1999
Chongqing Times Square	Office/Retail/Residential#	1,570,000**	For Lease / Sale	2004
Wellington Garden (Shanghai)	Residential#	562,000	Under Construction	2006
Wuhan Times Square	Retail/Hotel/Residential#	2,390,000	Under Construction	2007
Dalian Times Square	Retail/Residential	1,867,000	Under Construction	2008
Lot 1717 Nan Jing Xi Road (Shanghai)	Office/Retail	1,580,000	Under Construction	2009
No.1 Xin Hua Road† (Shanghai)	Residential##	257,000	Under Planning	2008
Jingan Garden (Shanghai)	Residential#	962,700	Under Planning	2009
No.11 Dong Da Jie (Chengdu)	Office/Retail/Hotel/Residential#	5,865,000	Under Planning	2010

† formerly known as Shanghai Parc Royal *# Residential includes office-apartments*
Based on a design scheme in compliance with prevailing planning parameters ** Including basement carpark area* *** Partly sold*

Marco Polo Hotels

Marco Polo Hotels currently boasts a portfolio of 10 hotels in the Asia Pacific Region, including three under construction. In addition, two other new hotels are being planned for Chengdu and Wuhan.

Hong Kong

The three hotels in Harbour City, The Marco Polo Hongkong Hotel, The Marco Polo Gateway and The Marco Polo Prince, performed well during the year. Total hotel and club revenue grew by 13% to HK$823 million, arising from solid growth in average room rates on the back of encouraging tourist arrivals. Hong Kong's visitor arrivals grew by 7% to reach 23.4 million in 2005, while visitors from international markets increased by 13% to reach 10.8 million.

Consolidated occupancy reached 89%, slightly below 91% in 2004, though average room rate grew by a healthy 20% in 2005.

Marco Polo Hotels

Country	City	Hotel
China	Hong Kong	The Marco Polo Hongkong Hotel The Marco Polo Gateway The Marco Polo Prince
	Beijing	The Marco Polo The Marco Polo Parkside (opening 2006)
	Shenzhen	The Marco Polo Shenzhen (opening 2006)
	Xiamen	The Marco Polo
The Philippines	Cebu	The Marco Polo Plaza (opening 2006)
	Davao	The Marco Polo
Vietnam	Ho Chi Minh City	The Marco Polo Omni Saigon

Mainland and Asia

Other Marco Polo hotels in the Mainland and Asia achieved encouraging performance. All of them ranked top among their business sectors in the vicinities. Of the Marco Polo hotels in the Mainland, two are located in Beijing and the other two in Xiamen and Shenzhen respectively; two more are being planned for Chengdu and Wuhan.

The company's second deluxe hotel in Beijing, The Marco Polo Parkside, is scheduled to open in 2006. It is superbly located only 600 metres from the 2008 Beijing Olympic Village, with easy access to Beijing Metro Route 5 and Route 10 (at Olympic Park) and all major public transportation modes.

A new hotel in Shenzhen, The Marco Polo Shenzhen, is scheduled to open in June 2006. This five-star deluxe hotel, located in the heart of the new Futian Central Business District, with close proximity to the city government office complex, the new Shenzhen International Convention and Exhibition Centre and the Shenzhen Rapid Transit System, will capture the rising demand for first-class accommodation from local and foreign businessmen.

The Marco Polo Plaza, Cebu in the Philippines, is the third Marco Polo hotel to open in 2006. The hotel is surrounded by 7.5 hectares of lush greenery at the prestigious Nivel Hills district in Cebu, dominating the city skyline. It is only 25 minutes from Mactan International Airport and 10 minutes from the business and commercial district.

The other Marco Polo hotels in Asia include The Marco Polo Omni Saigon in Vietnam and The Marco Polo Davao in the Philippines. Both hotels are well-established with clear market leader positions in their respective cities.

Modern Terminals

Modern Terminals' total revenue and operating profit increased by 6% and 5% respectively in 2005 on the back of significant throughput growth.

The South China region recorded a 12% increase in total container volume in 2005, reflecting the continuing export growth. Throughput at the Shenzhen terminals recorded a 18% growth, compared to 7% at Kwai Chung. Market share between Shenzhen terminals and Kwai Chung stood at 49% and 51% at the end of 2005.

Hong Kong Operation

Throughput at Modern Terminals grew by 16% to 5.04 million TEUs in 2005, driven mainly by feeder, trans-shipment and intra-Asia volume. The increase in volume of activities and rising fuel price exerted pressure on operating cost, which was substantially mitigated through the continuous improvement in productivity.

Having taken delivery of four CT9 berths in 2004, Modern Terminals currently operates 7.5 berths with a total handling capacity of 5.88 million TEUs. Operational synergy was achieved via berth consolidation. Investment in hardware, software and human resources further improved Modern Terminals' productivity. Upgrading of facilities at CT1, 2 and 5 during the year continued to enhance operational efficiency and handling capacity. At the end of 2005,

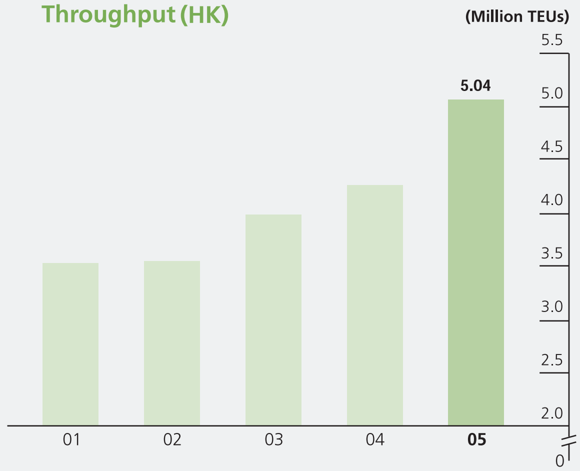
Balance Sheet (Extract)

as at December 31, 2005

	HK$M
Fixed assets	5,185
Interest in associates / jointly controlled entities	1,340
Net current liabilities	(759)
Other non-current liabilities	(342)
Net business assets (before debt)	5,424

Note: The Group's investment cost in 67.6% of Modern Terminals is HK$4,754 million.

Throughput (HK)



Modern Terminals' market share in Kwai Chung improved to 35.3% from 32.5% in 2004.

China Investments

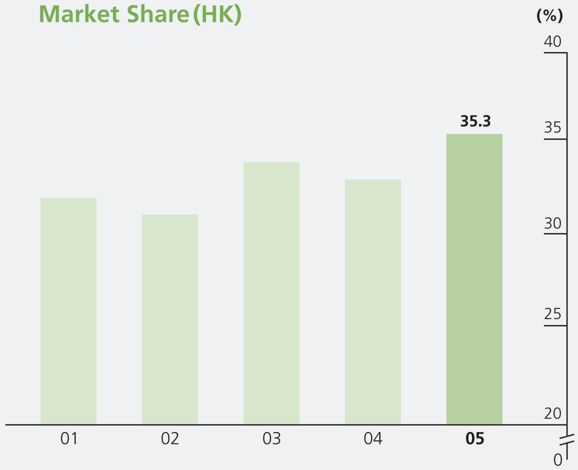
In China, Chiwan Container Terminals, in which Modern Terminals effectively holds an 8% stake, recorded a throughput growth of 18% to 2.8 million TEUs.

Shekou Container Terminals Phases I and II, in which Modern Terminals' effective equity stakes are 10% and 9.8% respectively, handled 2.2 million TEUs.

All new projects in China are progressing on plan. Taicang, a joint-venture development with the Suzhou Government, is a pioneer project marking Modern Terminals' expansion into the Yangtze River Delta. Phase I of Taicang, in which Modern Terminals has a 51% interest, opened for business in 2004 and handled 251,000 TEUs in 2005. The Chinese Government has also approved Phase II of Taicang, with Modern Terminals taking a 70% interest, and is scheduled to commence operation by mid-2006.

Phase I of the Dachan Bay project in Shenzhen West, in which Modern Terminals' effective stake is 65%, was approved by the National Development Reform Commission in March 2005. The project commenced in July 2005 and operation of its five berths, with an estimated capacity of 2.5 million TEUs, is scheduled to commence by the end of 2007.

Market Share (HK)



Key Operating and Financial Highlights (HK)

	2001	2002	2003	2004	2005
Container Handling Capacity (TEUs in millions)	4.03	4.20	4.36	5.09	**5.50**
Throughput (TEUs in millions)	3.52	3.61	3.99	4.35	**5.04**
Headcount	1,179	1,176	1,186	1,199	**1,198**
TEUs per Headcount	2,985	3,072	3,365	3,630	**4,212**
Market Share	31.1%	30.3%	33.1%	32.5%	**35.3%**

CME

(left) Unique sports content provides a key differentiation from the competition for Hong Kong Cable
(middle) Sundream's very successful first film, "49 Days"
(right) Ko Lai Chak and Lee Ching, Hong Kong's silver medallists in table tennis doubles at the 2004 Olympics, partnering at Wharf T&T's 'Strictly Business' ceremony to overcome the competition
(bottom) Hong Kong's first ever Digital News Centre in full swing


COL
STRICTLY BUSINESS

i-CABLE

2005 was full of competitive challenge and i-CABLE responded with reasonable success. Amid intense competition, total revenue rose by 3% to HK$2,441 million and operating profit declined by 5% to HK$282 million.

Despite the more competitive landscape, i-CABLE continued to build market position and both core businesses reported healthy subscription growth, although not as robust as in 2004. Efforts to open new markets also bore fruit. *Newsline Express*, an outdoor news medium on KCR trains, has started to bring in revenue and contribution to profit since August. Subsidiary Sundream's first theatrical production, *"49 Days"*, completed in December 2005 and subsequently released in Hong Kong and Southeast Asia in February 2006.

Pay TV

In the face of keener competition in the marketplace, total revenue from Pay TV was virtually unchanged at HK$1,884 million for the year under review. Operating profit fell by 28% to HK$337 million.

Underpinned by unique and attractive content as well as effective marketing, CABLE TV reported a year-on-year subscription growth of 5% to 738,000 at the end of 2005 despite aggressive competition. Unbundled mini-packages were

Balance Sheet (Extract)
as at December 31, 2005

	HK$M
Non-current assets	2,424
Net current liabilities	(47)
Non-current liabilities	(129)
Net assets	2,248
Capital and reserves	
Share capital	2,019
Reserves	229
	2,248

introduced during the year, as a key strategy of market segmentation, to avert a direct price war and were successful in meeting the needs of the market and maintaining subscription growth. In terms of content enrichment, 12 new channels were added to bring the total carried by CABLE TV to 100.

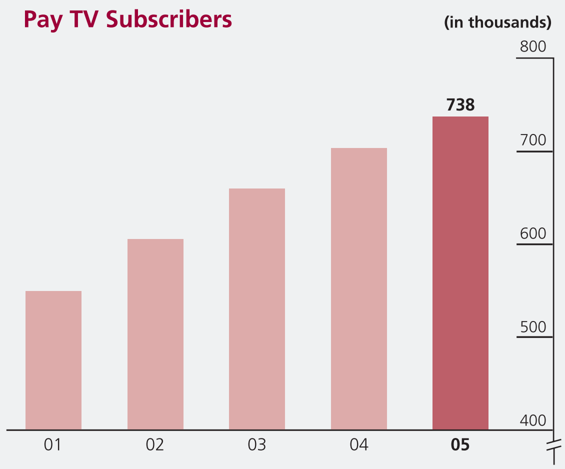
Content differentiation, particularly fresh and local production, has been the key to success in the Pay TV sector. To stay one step ahead of the competition, a new initiative to optimise its content capability was implemented in early 2006. Three new content subsidiaries were formed, namely, i-CABLE News, i-CABLE Sports and i-CABLE Entertainment, to enhance competitiveness to respond to market changes and to facilitate expansion into new markets.

During the year, i-CABLE also strengthened its Horizon Channel's branding and reputation outside of Hong Kong. The channel is now distributed in the USA, South America and Malaysia, on top of the Mainland and Hong Kong.

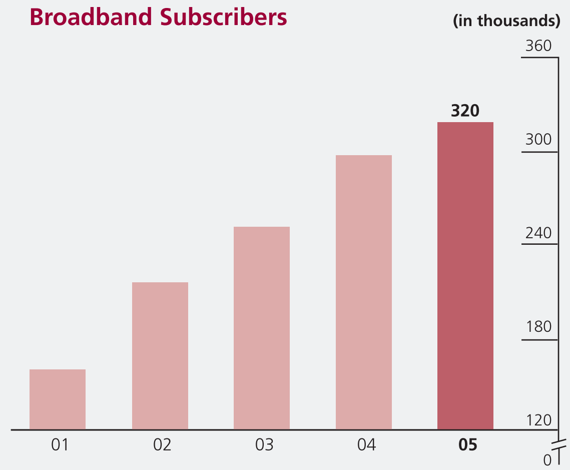
Internet & Multimedia

This segment achieved solid performance during 2005. Turnover rose by 16% to HK$558 million. Operating profit improved by a remarkable HK$122 million to HK$78 million.

Pay TV Subscribers



Broadband Subscribers



i-CABLE's Broadband business continued its recovery during the year, even as the general market further consolidated, and the subscriber base grew by 10% to 320,000 at the end of 2005. To benefit from triple-play bundling, closer co-operation was developed with fellow subsidiary Wharf T&T in both marketing and operation of voice lines provided over i-CABLE's network infrastructure, installed base more than quadrupled in 2005 to 120,000 versus 29,000 as at the end of 2004.

Wharf T&T

During the year under review, Wharf T&T group, including COL and EC Telecom, increased its total revenue by 2% to HK$1,478 million with operating profit grew by 89% to HK$104 million. Free cashflow rose by 511% to HK$94 million. This was achieved in an increasingly competitive marketplace.

Balance Sheet (Extract)

as at December 31, 2005

	HK$M
Fixed assets	2,838
Net current liabilities	(166)
Other non-current liabilities	(39)
Net business assets (before debt)	2,633

Results Summary

	2005 HK$M	2004 HK$M	Change %
Turnover	**1,478**	1,448	2
Cost of Sales	**(505)**	(543)	7
Gross Profit	**973**	905	8
Operating Expenses	**(533)**	(487)	-9
EBITDA	**440**	418	5
Depreciation	**(336)**	(363)	7
Operating profit	**104**	55*	89

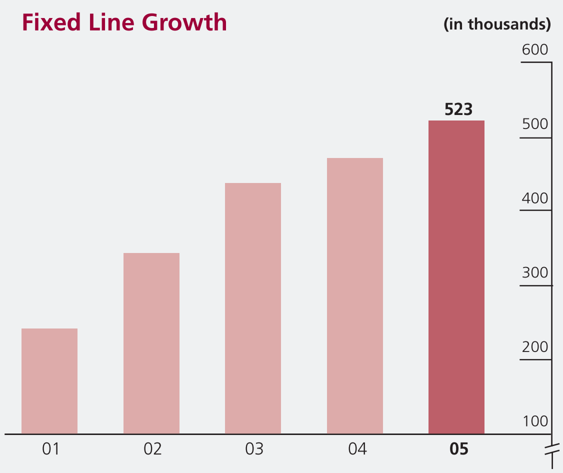
** Before non-recurring fixed assets write-off of HK$298 million*

The fixed line installed base grew by 48,000 or 10% to reach 523,000, representing an overall market share of 13%. Business lines grew by 18,000 or 6% to reach 337,000 (for an 18% market share) while residential lines grew by 29,000 or 19% to 186,000 (for a 9% market share).

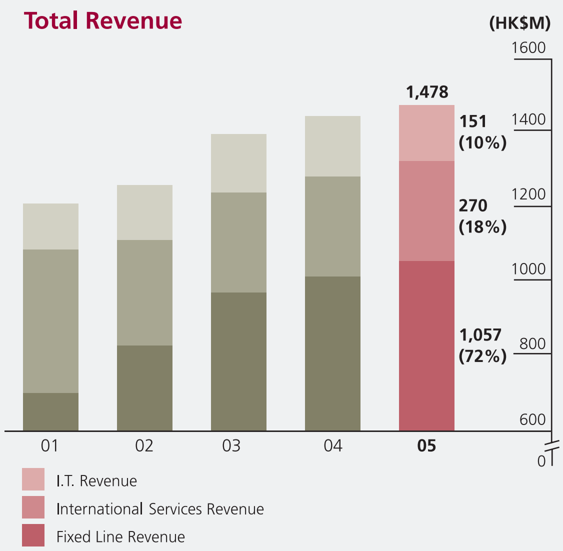
Total outgoing IDD volume grew by 11% in 2005 to 558 million minutes, compared with 505 million minutes in 2004. With a sharp focus on IDD and a more sophisticated service engine in place, subsidiary EC Telecom started to rebuild the Home007 business during the year. It plans to leverage on a dual brand strategy to re-establish Wharf T&T as a leader in the marketplace.

To enhance its competitiveness in a highly commoditised market and to provide impetus for new growth, two organisational changes were initiated in the second half of the year. In the residential sector, the fixed line business was transferred to i-CABLE Telecom Limited, a wholly-owned subsidiary of the Group, and is being branded as i-CABLE. The move would facilitate the bundling of voice with broadband service in the residential sector, giving rise to an immediate improvement in sales and operational performance.

Fixed Line Growth



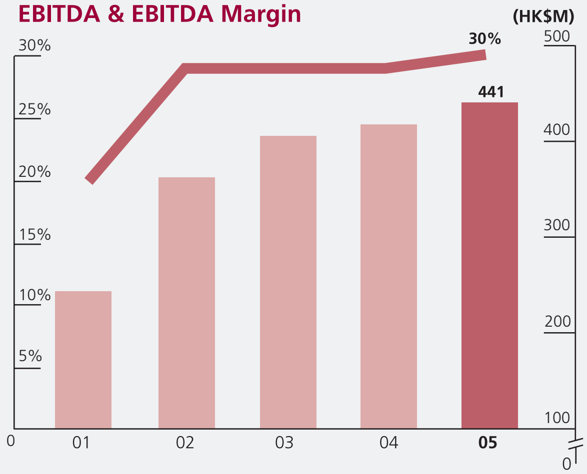
Total Revenue



In the business sector, COL was made a wholly-owned subsidiary of Wharf T&T. This would enable the companies to be positioned as an integrated IT and Telecom solution and services provider, with substantial enhancement in its core competence on addressing customer's growing IT and Telecom needs, particularly in data services.

Fixed Line Market Share

EBITDA & EBITDA Margin



Free Cash Flow