Managing Director's Report

Business Review

Harbour City & Times Square

Close to 60% of Group assets; combined turnover – HK$4,722 million (+12%); operating profit HK$3,414 million (+14%)

China Properties

Approaching 50 million square feet of land bank (17 million square feet at the beginning of 2006); profit contribution to commence in 2007

Modern Terminals

Investment in Mainland ports accelerates; first two berths of Dachan Bay opening in late 2007; framework agreement signed for Dalian terminals

Other Businesses

Harbour City

Balance Sheet (Extract)

As at Decemeber 31, 2006

	HK$ Million
Properties	48,765
Hotel and club (cost less depreciation)	308*
Net current liabilities	(1,140)
Other non-current liabilities	(713)
**Net business assets (before debt)	47,220

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

Gross Revenue

	2006 HK$ Million	2005 HK$ Million
Retail	**1,472**	1,287
Office	**1,104**	1,002
Serviced Apartments	**202**	220
Hotel and Club	**944**	823
	3,722	3,332

Operating Profit

	2006 HK$ Million	2005 HK$ Million
Retail	**1,160**	997
Office	**934**	843
Serviced Apartments	**135**	155
Hotel and Club	**345**	256
	2,574	2,251

Harbour City (excluding the three hotels) was valued at HK$48,765 million at the end of 2006, representing 41% of total Group assets

Harbour City, the Group's core investment property asset, turned over HK$3,722 million during 2006, for an increase of 12% over 2005; operating profit increased by 14% to HK$2,574 million.

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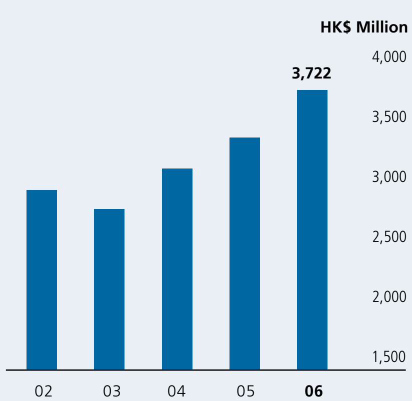
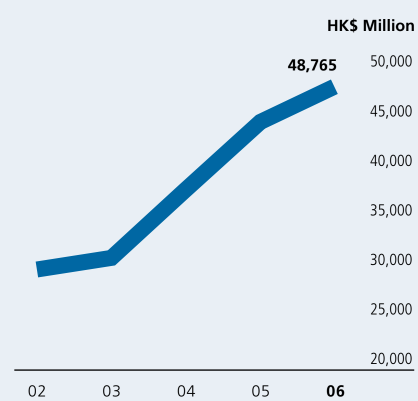
Retail

Positive local sentiment and tourist arrivals fuelled the momentum of retail sales. Turnover of Harbour City's retail sector grew by 14% to HK$1,472 million.

Gross Revenue



Property Value (hotel & club excluded)



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

As at December 31, 2006

	% by Rental	% by Area
Fashion	38.8	26.3
Leather Goods — Shoes, Bags & Related Trades	18.0	8.4
Department Stores, Confectionery Products	10.9	21.7
Jewellery, Beauty and Accessories	8.4	5.5
Restaurant, Fast Food, F&B	6.6	14.0
Sports Wear	4.9	4.1
Children's Wear & Related Trades, Toys	4.8	8.7
Electrical & Audio-visual Equipment	3.2	3.0
Others	4.4	8.3
	100.0	100.0

Positive economic data and rising wages encouraged local confidence, while total visitor arrivals to Hong Kong rose to over 25 million in 2006. These supported the strong performance of Hong Kong's retail sector.

Harbour City's retail portfolio maintained an average occupancy of 96% throughout 2006 with favourable rental growth. It remains the premier 'shoppertainment' destination in Hong Kong with over 60 million shopper-visits in 2006. Tenants at Harbour City continued to achieve impressive sales performance, with a 16% increase in average sales per square foot during the year and a record high in December to exceed HK$1,400. The best performed retail categories included jewellery, leather goods and accessories as well as audio-visual products.

Harbour City remained one of the most sought-after shopping malls for retailers. Leasing activities were active during 2006, with the sign up of a host of celebrated names including Chanel, Coach, Fendi, Loewe and Loro Piana. New food and beverages outlets were opened to widen the spectrum of international and specialty cuisines offering of Harbour City. New names added included Cadero Grill & Oyster Bar and The Quarterdeck Kowloon.

The new 30,000 square feet retail space on Level I of Ocean Centre was opened in June 2006. Tenants including Burberry, Jean Paul Gaultier, Jil Sander and Marni further strengthened the high-end retail offering of Harbour City. Immense value was created from this space conversion, which was previously a car park. Separately, conversion of Level 4 of Ocean Centre into 37,000 square feet lettable space is well underway and completion is scheduled for the third quarter of 2007.

Excellent retail management is the key to this success and the tenant-landlord partnership concept is well received by retailers. Constant trade-mix enhancement, clustering and segmenting review and powerful marketing and promotion programmes facilitated Harbour City to continuously excel amidst escalating competition in the marketplace. Many of the promotions at Harbour City, including the Christmas festive decorations, Chinese New Year celebrations, have become customary not-to-be-missed events for many locals, as well as a tourist attraction for Mainland and overseas visitors.

Office

Strong rental reversion increased turnover for the office sector by 10% to HK$1,104 million.

Grade A office continued to perform well in 2006. Expansion and upgrading requirements, together with the growing trend of decentralisation, sustained the demand for office space. However, signs of slower spot rental growth surfaced in the second half of 2006.

Average office occupancy at Harbour City was maintained at 95%. Retention rate for tenancies continued to be strong, with 72% of tenancies that expired in 2006 successfully retained. Major tenants including AIA, APL, Japan Airline, MGB Metro Group and Prudential Assurance renewed their leases during 2006. Average rental rate for leases signed in 2006 was 60% higher than the rates of the expired leases, thanks to the strong upsurge in spot rates in the last two years.

The advantageous location, ideal transportation network and vicinity support ensure Harbour City is a natural choice for many multinational, Mainland and local enterprises. The leasing and property management teams will strive to further improve the Harbour City premises to stay ahead in the competitive marketplace.

Office Occupancy at Harbour City

	Gateway II	**Gateway I**	**Others**
Total GFA (sq ft)	1,570,000	1,128,000	1,737,000
Average Occupancy	98.3%	95.5%	90.8%

Serviced Apartments

Turnover for the serviced apartments sector decreased by 8% to HK$202 million, attributable to lower occupancy as a result of keener competition.

A sharp rise in the supply of new serviced apartments reduced average occupancy at Gateway Apartments to 75%, compared with 84% a year earlier. To maintain its competitiveness, upgrading works are being undertaken and a powerful marketing campaign was launched to strengthen Gateway Apartments' branding among senior executives from multinational corporations.

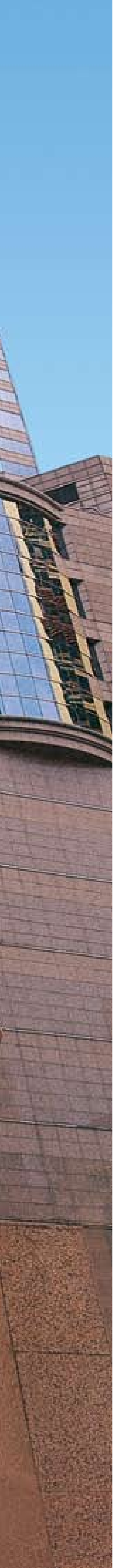
Hotel

Discussion of the performance of the three Marco Polo hotels at Harbour City is covered under the 'Other Businesses' section on page 28.

Harbour City: Portfolio Information

	Area (sq ft)	Gross Revenue (HK$ Million)	Average Occupancy (%)	Year-end Valuation (HK$ Million)	Anchor Tenants
Retail	1,913,000	1,472	96	17,022	Agnès b., Broadway, Burberry, Chanel, City'Super, Coach, Dolce & Gabbana, GigaSports, GOD, Gucci, Hugo Boss, Joyce, Lane Crawford, LCX, Louis Vuitton, Marks & Spencer, Prada, Salvatore Ferragamo, Toys "R" Us, Yves Saint Laurent, Zara Restaurant: Cova, Habitu The Pier, Ye Shanghai
Office	4,435,000	1,104	95	25,743	AIA, APL, DuPont, Fenix Group, GlaxoSmithKline, Hasbro, Hitachi, JAL, Karstadt Quelle, Marks & Spencer, Mattel, MGA Entertainment, MGB Metro Group, Nike, NYK Logistics, Polo Ralph Lauren Sourcing Co., Prudential, Simba-Toys, Sony, Sun Life, Zurich Life Insurance
Serviced Apartments	670,000	202	75	6,000	
Hotel and Club *(stated at amortised cost in financial statements)*	1,360,000	944	90	4,640	


時代廣場
TIMES SQUARE
時代廣場
1 Matheson Street



Times Square

Balance Sheet (Extract)

As at December 31, 2006

	HK$ Million
Properties	19,200
Net current liabilities	(278)
Other non-current liabilities	(280)
*Net business assets (before debt)	18,642

**Excluding deferred tax on revaluation of investment properties*

Gross Revenue

	2006 HK$ Million	2005 HK$ Million
Retail	**706**	630
Office	**294**	256
	1,000	886

Operating Profit

	2006 HK$ Million	2005 HK$ Million
Retail	**598**	531
Office	**242**	213
	840	744

Times Square was valued at HK$19,200 million at the end of 2006, representing 16% of total Group assets

Times Square, another core investment property asset of the Group, turned over HK$1,000 million in 2006, an increase of 13% over 2005; operating profit increased by 13% to HK$840 million.

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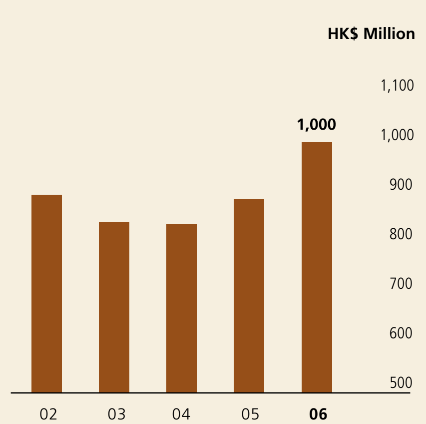
Retail

Times Square's retail sector reported a turnover of HK$706 million for an increase of 12% over 2005.

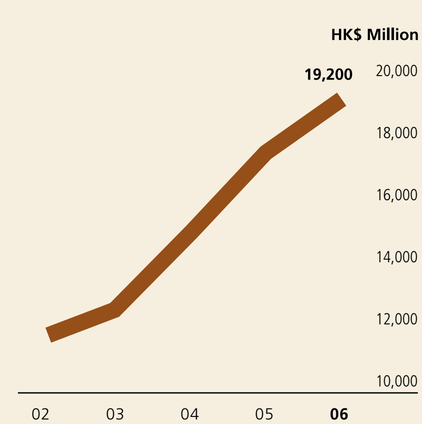
Average retail occupancy was maintained at nearly 100% during the year, with favourable rental growth for all new lettings and renewals. Tenants enjoyed solid sales growth, with a 12% increase in average sales per square foot achieved in December 2006.

The use of themes and zoning successfully focus shopper's attention and distribute traffic evenly around the Times Square retail mall. Trade-mix refinement continued with many prestigious fashion brand names, including A/X Armani Exchange, Daks, Lancel and Vivienne Westwood joined, during 2006. The cosmetics cluster on Basement 2 was further strengthened with more popular cosmetics brands to capture the foot traffic from the MTR subway. New and interesting international and specialty cuisines were also recruited at the Food Forum.

Gross Revenue



Property Value



Strong branding and marketing programmes underpin the success of Times Square. Its annual Apple Countdown has become one of the most captivating experience for Hong Kong enjoyed by tens of thousands of locals and visitors. Times Square remains a top venue for talk-of-the-town events, including various community and cultural initiatives.

Times Square: Retail Tenant Mix (by Rental and Area)
As at December 31, 2006

	% by Rental	% by Area
Fashion	30.5	18.5
Jewellery, Beauty and Accessories	19.9	9.5
Restaurant, Fast Food, F&B	13.7	27.0
Department Stores, Confectionery Products	13.6	20.7
Electrical & Audio-visual Equipment & Entertainment	11.2	13.4
Sports Wear	7.2	5.2
Others	3.9	5.7
	100.0	100.0

Office

Turnover for the office sector rose by 15% to HK$294 million during 2006, resulting from strong rental reversions. Office occupancy stood at 93% at the end of 2006, and rental rates increased steadily throughout the year.

Times Square remained the preferred location for many multinationals engaged in the service or consumer goods sectors. New lettings included relocations and in-house expansions, and retention rate for office tenancies expiring in 2006 was 63%. Renewed multinational tenants included AT&T Global, Hudson Global and L'Oreal.

Times Square: Portfolio Information

	Area (sq ft)	Gross Revenue (HK$ Million)	Average Occupancy (%)	Year-end Valuation (HK$ Million)	Anchor Tenants
Retail	936,000	706	99	12,157	Agnès b., Anna Sui, Anteprima-Plastiq, Bally, Broadway, City'Super, Club Monaco, Coach, D-mop, Fortress, Gucci, i.t, Lane Crawford, Marks & Spencer, Max Mara, Montblanc, Moussy, PageOne Bookshop, Salvatore Ferragamo, UA Cinema, Vivienne Westwood, Zara
Office	1,033,000	294	93	7,043	ABN Amro Bank, AIA, Apple Computer, AT&T Global, AXA, Boston Consulting, Coca-Cola, Walt Disney, L'Oreal, Richemont Luxury, Shell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China Properties

The land bank in the Mainland is approaching 50 million square feet (from 17 million at the beginning of 2006). Some of the earlier projects are expected to start to make a profit contribution in 2007.

Economic growth in China provides attractive investment opportunities for Hong Kong and overseas companies, and the Group is increasing its investments in China with further land acquisitions. Its land bank and investment properties in the Mainland is now over 50 million square feet, covering eight cities, including Beijing, Shanghai, Chongqing, Wuhan, Dalian, Chengdu, Suzhou and Wuxi.

In addition, the three completed properties, namely Beijing Capital Times Square, Shanghai Times Square and the retail podium of Chongqing Times Square, all performed satisfactorily. Rental revenue rose by 15% and operating profit by 53% during 2006.

Balance Sheet (Extract)

As at Decemeber 31, 2006

	HK$ Million
Investment properties	5,143
Other properties and fixed assets	1,148
	6,291
Property inventory and development	4,122
Net current liabilities	(434)
Other non-current liabilities	(808)
Net business assets (before debt)	9,171

Retail podium of Chongqing Times Square

Investment Properties

Beijing Capital Times Square, with total floor area of 1.3 million square feet, is located along West Changan Avenue (西長安街) in the Xidan (西單) area. Average office occupancy was maintained at over 90% throughout 2006. Revamp of tenant mix at the retail podium is in progress.

Shanghai Times Square, with total floor area of 1.2 million square feet, is conveniently located on Hui Hai Zong Road (淮海中路) in Puxi (浦西) with excellent connectivity to all transport systems. Average occupancy of its office, retail and apartment sectors was maintained at close to or over 90% throughout 2006.

Chongqing Times Square is located in the Liberation Statue Square (解放碑廣場). Residential Towers A, B, C and D were 90% sold at the end of 2006. The retail podium, which consists of a 578,000-square-foot department store, opened in December 2004.

Projects under Development

Ideally located on Yan Jiang Da Dao (沿江大道) fronting the Yangtze River (長江) in Hankou (漢口), the 2.4 million square feet Wuhan Times Square is being developed into a retail, residential, apartment and hotel complex, with target completion in late 2007. Pre-sale of part of Towers 3 and 4 was met with favourable responses, with 72% of the units launched pre-sold by the end of 2006.

Dalian Times Square is strategically located along Ren Min Road (人民路) in Zhongshan District (中山區) in Dalian. The 1.9 million-square-foot complex will include retail (0.2 million square feet), residential (1.3 million square feet) and car park facilities. Superstructure works are in progress and the project is scheduled for completion by mid-2008.

Lot 1717, Nan Jing Xi Road (南京西路) in Shanghai, with total floor area of 1.6 million square feet, comprises a top quality Grade A office tower with cutting-edge specifications and facilities plus a retail annex linking to a major subway station. Basement works are in progress and the development is scheduled for completion by mid-2009.

No.11 Dong Da Jie (東大街) is ideally located in Jinjiang District (錦江區) at the heart of the Chengdu city centre. It is a 6.1 million-square-foot mixed-use development comprising retail, office, hotel and residential that will be linked to a major subway station. Basement works are underway and the development is scheduled for completion in 2010.

Another site in Chengdu is at No.10 Gaoxin District (高新區) and is planned for a 6.1 million-square-foot high-end residential development with complementary retail facilities. The site, which was acquired in April 2006 for RMB829 million, is located only 100 metres from a new subway station. Planning work has started and the development is expected to be completed in 2010. With the municipal government's upcoming relocation to the vicinity, the district is expected to become the new civic centre of Chengdu.

For other properties, pre-sale of Wellington Garden's 286 units in Shanghai has commenced with 57% of the total number of units launched pre-sold by the end of 2006. Wellington Garden is expected to be completed in the first half of 2007. Two other projects in Shanghai, No. 1 Xin Hua Road (新華路) and Jingan Garden are progressing according to plan.

New Acquisitions

In December 2006 and January 2007, the Group acquired three prime lots in the cities of Suzhou, Wuxi and Chengdu.

The Suzhou lot, which was acquired through public auction for RMB1,268 million, has a site area of about 3.7 million square feet and is superbly-located between Jinji Lake (金雞湖) and Dushu Lake (獨墅湖) in the eastern side of the city next to a 27-hole golf club. Planning is underway for the development of premier deluxe low density residences with total floor area of 3.1 million square feet.

Adjacent to the Taihu Plaza (太湖廣場) in the Nanchang District (南長區), the Wuxi lot, acquired for RMB1,531 million, comprises two parcels of land planned for upscale residential (10.7 million square feet) and a super commercial development (3.6 million square feet) respectively. Total site area is 3.6 million square feet with total floor area of 14.3 million square feet. The development will be served by well-connected infrastructure upon completion of express railways and a metro line by 2008 and 2010 respectively.

The Group's third Chengdu site, ideally located in Shuangliu Development Zone (雙流發展區), was 11 km from the city centre with convenient access to airport in Chengdu. Acquired at a cost of RMB311 million, total site area is about 3.9 million square feet and it will be developed into a mixed-use development comprising retail, hotel and residential space with a total floor area of more than 10.2 million square feet. The development is planned to incorporate some of the trendiest retail concepts in the Mainland including an outlet mall.

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 #	564,000***	Under Construction	2007
Wuhan Times Square	Retail/Hotel/Residential #	2,377,000***	Under Construction	2007
Dalian Times Square	Retail/Residential	1,867,000	Under Construction	2008
No.1 Xin Hua Road (Shanghai)	Residential ##	264,000	Under Construction	2008
Lot 1717 Nan Jing Xi Road (Shanghai)	Office/Retail	1,580,000	Under Construction	2009
No.11 Dong Da Jie (Chengdu)	Office/Retail/Hotel/Residential #	6,067,000	Under Construction	2010
Jingan Garden (Shanghai)	Residential #	972,000	Under Planning	2010
Lot No.68210 Suzhou Industrial Park (Suzhou)	Residential	3,118,000	Under Planning	2010
No.10 Gaoxin District (Chengdu)	Retail/Residential #	6,054,000	Under Planning	2011
Shuangliu Development Zone (Chengdu)	Retail/Hotel/Residential #	10,216,000	Under Planning	2012
Taihu Plaza Project (Wuxi)	Office/Retail/Hotel/Residential #	14,357,000	Under Planning	2013

*# Residential includes office-apartments   * Including carpark area   ** Partly sold   *** Partly pre-sold*

Based on a design scheme in compliance with prevailing planning parameters

Modern Terminals

Modern Terminals' investment in Mainland ports accelerates, with the first two berths of Dachan Bay in Shenzhen due to open for business at the end of 2007. A framework agreement on strategic cooperation for the development of Dayaowan terminals in Dalian was signed in March 2007.

The transformation of Modern Terminals from operating at a single port (Hong Kong) to a portfolio of strategic ports is rapidly taking shape. Taicang in the Yangtze River Delta has been in operation since 2004. Dachan Bay in the Pearl River Delta will be commissioned at the end of 2007. A framework agreement on strategic cooperation for the development of Dayaowan terminals in Dalian was also recently signed.

Despite a 7% throughput growth, Modern Terminals' revenue and operating profit decreased by 2% and 4% respectively in 2006, as a result of box mix shift in favour of trans-shipment and feeder cargos, and increasing competition in Hong Kong and South China. Performance in the first half was particularly soft with only marginal throughput growth. Business activities returned to normal in the second half but the shortfall of the earlier half could not be fully recouped.

(Main) The first two berths of Dachan Bay will commence operation towards the end of 2007 (the computer rendering shows its optimum handling capacity)
(Small) Taicang in Suzhou

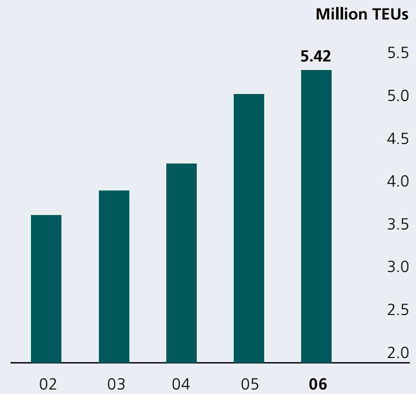
Balance Sheet (Extract)

As at December 31, 2006

	HK$ Million
Fixed assets	8,852
Interest in associates/ jointly controlled entities	1,200
Net current liabilities	(607)
Other non-current liabilities	(183)
Net business assets (before debt)	9,262

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

Throughput (HK)



For the South China region, buoyant export supported a 15% throughput growth in 2006. Throughput at the Shenzhen terminals recorded an 18% growth, versus 12% at Kwai Chung. Market share in Shenzhen terminals slightly grew from 50% to 51% in 2006, while Kwai Chung was down to 49% by the end of 2006.

Global trade growth continues, and China is an influential trade partner, not only with US, but also with many other European and Asian countries. Trade flow generates steady demand for the terminal businesses.

Hong Kong Operation

Full year throughput was up by 7% to 5.42 million TEUs in 2006. Feeder, trans-shipment and intra-Asia volume continued to be the main drivers of throughput growth.

Modern Terminals currently operates 7.5 berths with total handling capacity of 7.0 million TEUs. The facility upgrade at CT1, 2 and 5, geared towards enhancement of operational efficiency and handling capacity, is progressing in accordance with plan. Modern Terminals' market share in Kwai Chung was maintained at 33.8% at the end of 2006.

China Investments

Pearl River Delta remains the largest trade region for China and Modern Terminals is increasing its investments in the area.

Chiwan Container Terminal, in which Modern Terminals effectively holds an 8% stake, handled 3.9 million TEUs, while Shekou Container Terminals ("SCT") Phases I and II, 10% and 9.8% owned by Modern Terminals respectively, handled 2.0 million TEUs.

In December 2006, Modern Terminals entered into an agreement with China Merchants Holdings (International) Company Limited ("China Merchants") in relation to the rationalisation of interests in SCT Phases I, II and III. As a result of that and subsequent to the end of the year, Modern Terminals increased its interest in Mega SCT, which owns 100% of Phases I, II and III, to 30% for a consideration of HK$3,168 million and injection of its interests in SCT Phases I and II into Mega SCT, with China Merchants owning the balance. Modern Terminals' interest in Mega SCT will be gradually diluted to 20% when additional capacity for SCT Phase III is completed in stages by China Merchants at its cost.

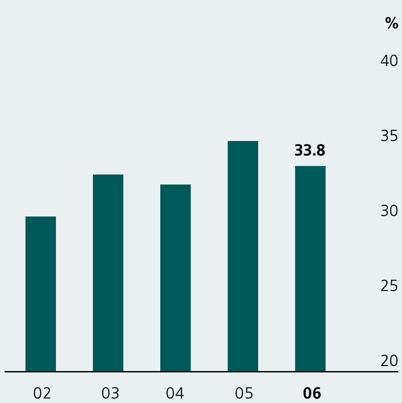
Phase I of the Dachan Bay project in Shenzhen West, 65%-owned by Modern Terminals, consists of five berths with an estimated capacity of 2.5 million TEUs. Dachan Bay is ideally located in the Pan-Pearl River Delta catchment area with established transportation network to capture cargos from various manufacturing bases in Guangdong Province, as well as from cities in neighbouring provinces. It will increase Modern Terminals' own operating capacity in Pearl River Delta from 7.5 to 12.5 berths.

Construction of the quay deck and other infrastructures are in advanced progress and key equipment ordered. Transfer of Modern Terminals' IT expertise on operation control, planning and information services, as well as personnel recruitment and training, have started. The first two berths of Dachan Bay will commence operation towards the end of 2007.

Taicang, a joint-venture with the Suzhou Government and Cosco, is a pioneer project marking Modern Terminals' expansion into the Yangtze River Delta, which is fast-growing to become another international shipping hub of China. Located at the entrance of the Yangtze River, Taicang serves as an ideal gateway with convenient transport infrastructure to the most developed economic areas in Southern Jiangsu.

Phase I of Taicang, 51%-owned by Modern Terminals, commenced operation in 2004. Throughput for Phase I grew substantially by 86% to 467,000 TEUs in 2006, reflecting strong growth in intra-Asia trade. The first berth of Phase II, 70%-owned by Modern Terminals, commenced operation in November 2006. Phase II comprises of four berths and is scheduled for full completion by the end of 2007.

Market Share (HK)



Key Operating and Financial Highlights (HK)

	2002	2003	2004	2005	**2006**
Container Handling Capacity (TEUs in millions)	4.20	4.36	5.09	5.50	**7.00**
Throughput (TEUs in millions)	3.61	3.99	4.35	5.04	**5.42**
Headcount	1,176	1,186	1,199	1,198	**1,215**
TEUs per Headcount	3,072	3,365	3,630	4,212	**4,460**
Market Share	30.3%	33.1%	32.5%	35.3%	**33.8%**

Other Businesses

Other Hong Kong Properties

Plaza Hollywood registered turnover growth of 6% to HK$277 million, resulting from favourable rental growth in both new lettings and renewals. Average occupancy was maintained at nearly 100% throughout 2006.

Property sales revenue was insignificant during the year due to low sale activities.

Towers 1, 2, 3 and 5 of Bellagio in Sham Tseng, with a total of 1,641 units, were completed in early 2006 and cumulative sales have reached 1,378 units (or 84%) by the end of 2006 to realise HK$5.7 billion of proceeds. Sorrento was all sold by the end of 2006 to realise HK$6.2 billion of proceeds.

60 Victoria Road, Kennedy Town, is 100%-owned by listed subsidiary Harbour Centre Development. Construction was completed in August 2006. Virtually all of the 73 units have been sold, to realise proceeds of HK$278 million.

Balance Sheet (Extract)

As at Decemeber 31, 2006

	HK$ Million
Properties	14,371
Interest in Sorrento and Bellagio	354*
Property inventory and development	1,080
Second mortgage debtors	24
Net current assets	42
Other non-current liabilities	(144)
**Net business assets (before debt)	15,727

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

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

Property List

	Project Nature	GFA (sq ft)	% Owned	Status
Wharf T&T 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
77 Peak Road	Residential	32,000	100%	For Lease
Strawberry Hill - various units	Residential	22,300	100%	For Lease/Sale
Gough Hill Residences	Residential	32,900#	100%	For Sale
Bellagio Towers 1,2,3 & 5	Residential	1,591,800#	33%	For Sale
Kowloon Godown	Industrial-Office/Retail	1,575,200	100%	Under Planning
Cable TV Tower South	Industrial	584,600	100%	Under Planning
Yau Tong Godown	Retail/Residential	255,752	100%	Under Planning
Yau Tong JV Project	Retail/Residential	5,823,000	15.6%	Under Planning

† Formerly known as World Trade Square   # Partly sold

Leasing activities for the Peak Portfolio remained strong during 2006, underpinned by strong demand from the continual inflow of expatriates. Average occupancy at Mountain Court, Chelsea Court and 1 Plantation Road was over 90% at the end of 2006, with favourable rental reversion achieved.

Gough Hill Residences, which comprises of five deluxe houses, was completed in October 2006. Given the superb location and quality built, two houses were promptly sold at an average of HK$28,000 per square foot in 2006, realising proceeds of HK$446 million. Another two houses were sold in March 2007 at HK$30,000 per square foot.

The Group is actively seeking opportunities to dispose of its non-core assets.

Marco Polo Hotels

Currently, Marco Polo Hotels boasts a portfolio of 11 hotels in the Asia Pacific Region.

The three hotels in Harbour City performed strongly during 2006. Total hotel and club revenue increased by 15% to HK$944 million, on the back of a 20% growth in average room rates and higher occupancy at 90%.

The five-star deluxe Marco Polo Shenzhen was opened in September 2006. It is ideally located in the heart of the new Futian Central Business District (福田中央商務區) to capture the growing demand for first-class accommodation from local and foreign businessmen. Marco Polo Xiamen performed solidly during 2006 with strong brand recognition within its operating region.

Marco Polo Parkside in Beijing is superbly located only 600 metres from the 2008 Beijing Olympic Village, with easy access to the Beijing subway system and all major public transportation modes. It is scheduled to open in June 2007. Management contract of the previously Marco Polo Xidan, Beijing was terminated in March 2007.

The Group's five-star deluxe Marco Polo hotel in Wuhan is being fitted out at Wuhan Times Square and is scheduled to open in early 2008. Another new deluxe Marco Polo hotel will be built at the No.11 Dong Da Jie site in Chengdu to be opened in 2010.

Marco Polo Plaza, Cebu, opened in April 2006. Omni Saigon Hotel in Vietnam and Marco Polo Davao in the Philippines are reputable with clear leading position in their respective cities.

Marco Polo hotels in Asia

Country	City	Hotel
China	Hong Kong	Marco Polo Hongkong Hotel Gateway Prince
	Beijing	Marco Polo Parkside (opening 2007)
	Chengdu	Marco Polo (opening 2010)
	Shenzhen	Marco Polo Shenzhen
	Wuhan	Marco Polo (opening 2008)
	Xiamen	Marco Polo
The Philippines	Cebu	Marco Polo Plaza
	Davao	Marco Polo
Vietnam	Ho Chi Minh City	Omni Saigon Hotel

i-CABLE

During 2006, subscription growth and business performance were under tremendous competitive pressure that hurt profitability. Total revenue rose by 4% to HK$2,548 million and profit before taxation dipped by 26% to HK$210 million, as a result of escalating programming cost and keener marketing and pricing strategies.

Intense competition from rival operators impacted on CABLE TV's performance and total revenue from Pay TV grew by 1% and operating profit decreased by 26% to HK$248 million. With a more flexible marketing approach, i-CABLE was able to overcome new threats from the competition to report a 7% growth in Pay TV subscribers to 786,000 at the end of 2006.

On the programming front, the news platform continued to serve the public as the strongest and most comprehensive source of news and public affairs information in town. Plans are in hand to further enhance the Finance and Information Channel. The movie platform was strengthened with the addition of HMC showcasing Hollywood blockbusters from major studios. A second channel (HMC2) will be launched in the first quarter of 2007 to enrich movie choice. In 2007, i-CABLE will carry the prestigious US PGA Tour exclusively, and offer other international sporting events including the US NBA tournament, top European soccer tournaments.

On the new market front, three movies from i-CABLE's film production subsidiary, Sundream Motion Pictures Limited, were released in 2006 and returned satisfactory box office results.

The Internet & Multimedia segment continued to report steady growth in terms of subscription and profit as the market consolidated. Turnover rose by 7% to HK$596 million and operating profit grew by 66% to HK$129 million.

i-CABLE's Broadband subscribers grew by 2% year-on-year to 328,000 at the end of 2006, attributable to service enhancement through network upgrade, bundling strategies and the continued introduction of value-added services. Wholesale voice lines, meanwhile, climbed to 168,000, compared with 120,000 a year ago.

Wharf T&T

During 2006, Wharf T&T group suffered from a slower growth in market share and cutthroat commitments previously made to customers in 2005. Accordingly, turnover from the Wharf T&T group in 2006 plunged by 6% to HK$1,384 million with operating profit skidded by 162% to become an operating loss amounted to HK$64 million. Cashflow position, nevertheless, remained healthy with an inflow of HK$52 million (2005: HK$94 million).

Despite weak overall market sentiment affecting market share growth, the effort to integrate the operations of Wharf T&T and COL made good progress. The Group began to benefit from the synergy and the new ICT value propositions.

The fixed line installed base grew by 39,000 or 7% to 562,000, representing an overall market share of 13%. Business lines grew by 18,000 or 5% to 355,000 (for a 17% market share) while residential lines grew by 21,000 or 11% to 207,000 (for a 10% market share). Total outgoing IDD volume (including wholesale and retail) increased by 14% to 638 million minutes (2005: 558 million).

Growth of Pay TV/Broadband Subscribers and Fixed Line Installment