THE WHARF (HOLDINGS) LIMITED

STOCK CODE: 4

2006 RESULTS ANNOUNCEMENT

"Turnover & Operating Profit Growth from Sound Operating Base"

- **Core properties Harbour City and Times Square represent close to 60% of the Group's total assets. Their combined turnover rose by 12% to HK$4,722 million and operating profit by 14% to HK$3,414 million.**

- **The land bank and investment properties in the Mainland is now over 50 million sq. ft. (from 17 million at the beginning of 2006) following the acquisition of additional prime sites in Chengdu, Suzhou and Wuxi at the end of 2006 and in early 2007. Some of the earlier projects are expected to start to make a profit contribution in 2007**

- **Modern Terminals' investment in Mainland ports accelerates, with the first 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 earlier this week.**

GROUP RESULTS

- Group turnover rose by 7% to a record high of HK$13,364 million (2005: HK$12,543 million).

- Operating profit rose by 8% to HK$6,471 million (2005: HK$6,003 million).

- Net borrowing costs increased to HK$824 million (2005: HK$562 million). Average effective borrowing rate was 4.7% p.a. (2005: 3.6% p.a.).

- The Group's investment properties were revalued at HK$86,684 million as at December 31, 2006 to give rise to a revaluation surplus before deferred tax of HK$7,868 million (2005: HK$11,513 million).

- Taxation charge (excluding deferred tax on revaluation of investment properties) rose by 98% to HK$1,065 million (2005: HK$538 million) mainly due to a HK$28 million deferred tax charge recorded by i-CABLE Communications Limited in 2006 versus an one-off credit of HK$305 million recorded in 2005.

- Excluding the net investment property revaluation surplus, the Group's net profit attributable to Shareholders decreased by 5% to HK$4,285 million (2005: HK$4,499 million).

- Including the net investment property revaluation surplus, the Group's net profit attributable to Shareholders decreased by 23% to HK$10,757 million (2005: HK$13,888 million).

- Earnings per share were HK$4.39 (2005: HK$5.67).

- Net asset value increased to HK$30.70 per share (2005: HK$26.71).

- Net debt was HK$16.9 billion (2005: HK$16.1 billion). Ratio of net debt to shareholders' equity was 22.5% and to total equity was 21.1% (2005: 24.6% and 23.4% respectively).

SEGMENTAL HIGHLIGHTS

- Property Investment: Turnover rose by 12% to HK$5,677 million (2005: HK$5,073 million); operating profit rose by 15% to HK$3,973 million (2005: HK$3,465 million).

- Logistics: Turnover was HK$3,506 million (2005: HK$3,534 million); operating profit was HK$1,887 million (2005: HK$1,935 million).

- Communications, Media and Entertainment: Turnover was HK$3,947 million (2005: HK$3,937 million); operating profit was HK$270 million (2005: HK$486 million).

- Looking ahead, the Group will continue to explore further acquisition and expansion opportunities in China to take advantage of its robust economic growth and strong wealth creation potential.

GROUP RESULTS

The Group profit attributable to Shareholders for the year ended December 31, 2006 amounted to HK$10,757 million (2005: HK$13,888 million). Basic and diluted earnings per share were both HK$4.39 (2005: HK$5.67).

DIVIDENDS

An interim dividend in respect of the year ended December 31, 2006 of 36 cents (2005: 36 cents) per share was paid on October 20, 2006, absorbing a total amount of HK$881 million (2005: HK$881 million). The Directors have recommended for adoption at the Annual General Meeting to be held on Friday, May 25, 2007 the payment on June 1, 2007 to Shareholders registered on May 25, 2007 of a final dividend in respect of the year ended December 31, 2006 of 44 cents (2005: 44 cents) per share, absorbing a total amount of HK$ 1,077 million (2005: HK$1,077 million). If this recommendation is approved, the total dividend for the year 2006 would amount to 80 cents (2005: 80 cents) per share.

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENT REVIEW

Harbour City

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. Excluding the three hotels which are stated at cost less accumulated depreciation, Harbour City was valued at HK$48,765 million at the end of 2006, which represented 41% of total Group assets.

Retail

Turnover of Harbour City's retail sector grew by 14% to HK$1,472 million. Average occupancy of 96% was maintained with favorable rental growth. Tenants at Harbour City achieved a 16% increase in average sales per square foot during the year and a record high in December to exceed HK$1,400.

The new 30,000 square feet retail space on Level I of Ocean Centre was opened in June 2006. Immense value was created from this space conversion, which was previously a car park. Separately, conversion of Level 4 of Ocean Centre is scheduled for the third quarter of 2007.

Constant trade-mix enhancement, clustering and segmenting review and powerful marketing and promotion programs assisted Harbour City to continuously excel amidst escalating competition in the marketplace.

Office

Strong rental reversion increased turnover for the office sector by 10% to HK$1,104 million. Expansion and upgrading requirements, together with the growing trend of decentralization, sustained the demand for office space. Average occupancy was maintained at 95%,with 72% of tenancies that expired in 2006 successfully retained.

Times Square

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

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 favorable rental growth. Tenants enjoyed solid sales growth, with a 12% increase in average sales per square foot achieved in December 2006. Times Square remains a top venue for talk-of-the-town events, including various community and cultural initiatives.

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.

China Properties

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.

Investment Properties
Average office occupancy at Beijing Capital Times Square was maintained at over 90% throughout 2006. Revamp of tenant mix at the retail podium is in progress. For Shanghai Times Square, average occupancy of its office, retail and apartment sectors was maintained at close to or over 90% throughout 2006. The retail podium of Chongqing Times Square, which consists of a 578,000-square-foot department store, opened in December 2004.

Projects under Development
The 2.4 million square feet mixed-use Wuhan Times Square is target for completion in late 2007. 72% of the Towers 3 and 4 units launched pre-sold by the end of 2006.

Dalian Times Square will include retail (0.2 million square feet), residential (1.3 million square feet), and car park facilities, and is scheduled for completion by mid-2008.

Lot 1717, Nan Jing Xi Road (**南京西路**) in Shanghai comprises a top quality Grade A office tower plus a retail annex with total floor area of 1.6 million square feet. The development is scheduled for completion by mid-2009.

No.11 Dong Da Jie (**東大街**) in Chengdu, a 6.1 million-square-foot mixed-use development, is scheduled for completion in 2010. Another site in Chengdu at No. 10 Gaoxin District (**高新區**), which was acquired in April 2006 for RMB 829 million is planned for a 6.1 million-square-foot high-end residential development with complementary retail facilities. Pre-sale of Wellington Garden's 286 units in Shanghai has commenced with 57% of the total number of units launched pre-sold. It will be completed in the first half of 2007.

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, acquired for RMB 1,268 million, is superbly-located 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. The Wuxi lot, acquired for RMB 1,531 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. The Group's third Chengdu site is located in Shuangliu development area (**雙流發展區**) in Chengdu. It was acquired for RMB 311 million and will be developed into a mixed-use development of more than 10.2 million square feet.

Modern Terminals

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 transshipment 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.

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' market share in Kwai Chung was maintained at 33.8% at the end of 2006.

China Investments
In December 2006, 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 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 a designed capacity of 2.5 million TEUs. The first berths will commence operation towards the end of 2007. It will increase Modern Terminals' own operating capacity in Pearl River Delta from 7.5 to 12.5 berths.

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 berths of Phase II, 70% owned by Modern Terminals, commenced operation in September 2006. Phase II comprises of four berths and is scheduled for full completion by the end of 2007.

Other Businesses

Other Hong Kong Properties
Plaza Hollywood registered turnover growth of 6% to HK$277 million and average occupancy was maintained at nearly 100% throughout 2006.

Towers 1, 2, 3 and 5 of Bellagio in Sham Tseng were completed in early 2006 and cumulative sales have reached 1,378 units (or 84%) by the end of 2006. Sorrento was all sold.

60 Victoria Road, Kennedy Town, 100%-owned by listed subsidiary Harbour Centre Development, was completed in August 2006. Virtually all of the 73 units have been sold.

Gough Hill Residences, which comprises of five deluxe houses, was completed in October 2006. Two houses were promptly sold at an average of HK$28,000 per square foot in 2006. Another house was 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

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. Marco Polo Parkside in Beijing is scheduled to open in June 2007. The Group's five-star deluxe Marco Polo hotel at Wuhan Times Square is scheduled to open in early 2008 while the Marco Polo hotel at the No.11 Dong Da Jie site in Chengdu will be opened in 2010.

i-CABLE

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.

Total revenue from Pay TV grew by 1% and operating profit decreased by 26% to HK$248 million. Pay TV subscribers grew by 7% to 786,000 at the end of 2006.

Turnover of the Internet & Multimedia rose by 7% to HK$596 million and operating profit grew by 66% to HK$129 million. Broadband subscribers grew by 2% year-on-year to 328,000. 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 plunged by 6% to HK$1,384 million with an operating loss amounted to HK$64 million. The fixed line installed base grew by 39,000 or 7% to 562,000, representing an overall market share of 13%.

FINANCIAL REVIEW

(I) Results Review

Turnover

The Group's turnover grew by 7% to a record high of HK$13,364 million, compared to HK$12,543 million achieved in 2005. The Property Investment segment remained the Group's main revenue growth driver.

Property Investment revenue grew by 12% to HK$5,677 million, primarily driven by the rental and related income growth recorded in all sectors. Property investments in China also recorded double-digit revenue growth.

The Logistics segment reported a marginal drop in revenue to HK$3,506 million (2005: HK$3,534 million). The drop primarily reflects the revenue decline recorded by Modern Terminals arising from box mix shift and increasing competition in Hong Kong and South China.

CME's revenue was HK$3,947 million (2005: HK$3,937 million). i-CABLE's Pay TV and Broadband businesses recorded revenue growth by 1% and 7%, respectively, despite keener competition. However, the increase was partly offset by a 6% decrease in Telecommunications revenue owing to the intense competition in the marketplace.

Property Development revenue grew by HK$240 million to HK$293 million, principally attributable to the recognition of revenue from the sale of residential units at the 60 Victoria Road development on its completion in 2006.

Operating Profit

The Group's operating profit increased by 8% to HK$6,471 million (2005: HK$6,003 million). The increase was mainly driven by the 15% growth in operating profit of the Property Investment segment to HK$3,973 million.

The Logistics segment's operating profit slipped by 2% to HK$1,887 million, mainly due to lower revenue and higher direct contractor costs recorded by Modern Terminals.

CME segment's operating profit decreased by 44% to HK$270 million despite the slight revenue increase. Pay TV operating profit dropped by 26% to HK$248 million mainly due to the increase in programming cost for the coverage of 2006 FIFA World Cup, and higher costs involved in the movie platform enhancement and network restructuring exercise. Besides, the Group's telecommunication unit recorded an operating loss of HK$64 million against a profit of HK$104 million in 2005, amid escalating competition and price erosion in both IT and telecom sectors. On the other hand, Broadband reported a record operating profit of HK$129 million, which was 66% higher than in 2005.

The Investment segment contributed a HK$329 million increase in profit, mainly from disposal of certain securities , two Gough Hill houses and four Strawberry Hill Houses (all of which non-trading properties) in 2006.

Other Items

Included in the Group's profit was a revaluation surplus of HK$7,868 million (2005: HK$11,513 million) on revaluation of the Group's investment properties to HK$86,684 million as at December 31, 2006.

There was also a net write-back of HK$100 million mainly arising from Wharf T&T's write-off of HK$100 million for its obsolete fixed assets and the write-back of HK$200 million in respect of certain development properties.

Borrowing Costs

Net borrowing costs increased to HK$824 million in 2006 (2005: HK$562 million). This increase was primarily due to the higher interest rate and the increase in borrowings by Modern Terminals for expanding its port investment activities. The charge was net of capitalisation of HK$70 million (2005: HK$8 million). The Group's average effective borrowing rate for 2006 was 4.7% p.a., compared to 3.6% p.a. for 2005.

Share of Profits Less Losses of Associates and Jointly Controlled Entities

Share of profits less losses of associates and jointly controlled entities (after-tax) decreased to HK$208 million (2005: HK$412 million), reflecting lower property sales undertaken by the associates in 2006.

Taxation

Taxation charge decreased by 6% to HK$2,429 million (2005: HK$2,583 million). Excluding the deferred taxation of HK$1,364 million (2005: HK$2,045 million) on the revaluation surplus of investment properties, taxation charge was HK$1,065 million, representing an increase of HK$527 million from 2005, mainly due to a HK$28 million deferred tax charge recorded by i-CABLE Communications Limited in 2006 versus an one-off deferred tax credit of HK$305 million recorded in 2005.

Minority Interests

Minority interests decreased by HK$305 million to HK$637 million (2005: HK$942 million), primarily due to a decrease in minority interests' shareholdings after the Group's purchase of additional interests in Modern Terminals and i-CABLE in the second half of 2005.

Profit Attributable to Equity Shareholders

The Group's profit attributable to Equity Shareholders amounted to HK$10,757 million, a decrease 23% (2005: HK$13,888 million). Earnings per share were HK$4.39 (2005: HK$5.67).

Excluding the net investment property revaluation surplus of HK$6,472 million, the Group's net profit attributable to Equity Shareholders was HK$4,285 million, a decrease of 5% as compared to HK$4,499 million in 2005.

(II) Liquidity and Financial Resources

Total Equity

As at December 31, 2006, the Group's net asset value attributable to shareholders increased to HK75,162 million, or HK$30.70 per share, compared to the restated amount of HK$65,374 million or HK$26.71 per share as at December 31, 2005.

In compliance with the new accounting requirements in respect of the amendment to HKAS 19, the Group's consolidated net asset value attributable to shareholders as at January 1, 2006 was restated to HK$65,374 million (from HK$65,313 million previously reported) due to recognition of all unrecognised actuarial gains for defined benefit pension schemes as at December 31, 2005.

The Group's total equity, including minority interests, was HK$79,918 million as at December 31, 2006, an increase of 17% over the restated HK$68,526 million as at December 31, 2005.

Supplemental Information on Net Asset Value ("NAV")

To better reflect the underlying NAV attributable to Shareholders, the following adjustments are made to the book NAV basing on the HKFRSs:

	NAV to Shareholders	
	Total	Per share
	HK$ Million	HK$
Book NAV (based on HKFRSs) as at December 31, 2006	75,162	30.70
Adjustments for: -		
Modern Terminals (67.6%)		
- based on the latest transaction price	7,661	3.13
i-CABLE (73.6%)		
- based on market price as at December 31, 2006 (@HK$1.82 p.s.)	1,041	0.43
Hotel properties		
- based on the valuation as at December 31, 2006 conducted by an independent valuer	3,676	1.50
Deferred tax for surplus on revaluation of investment properties in Hong Kong *	10,658	4.35
Adjusted underlying NAV as at December 31, 2006	98,198	40.11
Adjusted underlying NAV as at December 31, 2005	87,474	35.74

** As there is no capital gains tax in Hong Kong, total deferred tax liability in the amount of HK$10.66 billion (equivalent to HK$4.35 per share) as provided and included in the consolidated balance sheet would not be payable if the above-mentioned investment properties were to be sold at the revalued amounts under the current tax regime. Accordingly, such deferred tax as provided under HKAS 40 and HKAS-INT 21 has been excluded for the above calculation in order to provide a better understanding of the net asset value attributable to Shareholders.*

Net Cash Generated from the Group's Operating Activities

For the year under review, the Group's net cash inflow from operating activities decreased to HK$3.7 billion (2005: HK$5.0 billion), primarily due to the increase in investment in trading properties under development and interest payments. Net cash of HK$2.1 billion used in investing activities mainly consisted of the Group's capital expenditure of HK$3.6 billion spent primarily for the ports projects in China, and was partly offset by proceeds from sale of investments, properties and fixed assets totaling HK$1.9 billion.

Capital Expenditure

The capital expenditure incurred by the Group's core businesses during the period under review and related capital commitments as at December 31, 2006 are analysed as follows:

Business Unit/Company	Capital Expenditure 2006 HK$ Million	Capital Commitments as at December 31, 2006 Authorised and Contracted for HK$ Million	Authorised but not Contracted for HK$ Million
Property Investments/others			
China	97	932	117
Harbour City	243	107	53
Other properties/others	130	1	-
	470	1,040	170
Wharf T&T	309	60	102
	779	1,100	272
Modern Terminals (67.6%-owned)	3,446	3,854	3,302
i-CABLE (73.6%-owned)	200	13	121
	4,425	4,967	3,695
As at December 31, 2005	1,760	1,143	3,099

The capital expenditure incurred by the Property Investment segment mainly comprised of certain refurbishment and renovation work for enhancing the quality and value of the Group's investment properties, in particular for Harbour City. For i-CABLE and Wharf T&T, the capital expenditures were mainly for network upgrade and expansion, as well as procurement of TV production facilities while those for Modern Terminals were substantially incurred for construction of the Dachan Bay Phase I and Taicang Phase II ports. Modern Terminals, 67.6% owned by the Group, funded its own capital expenditure programmes. i-CABLE and Wharf T&T both funded their capital expenditure programmes out of operating cashflow.

As at December 31, 2006, the Group also had planned expenditure and other commitments of approximately HK$16 billion (31/12/2005: HK$3.5 billion) for the trading properties under development (mainly in China), HK$0.6 billion mainly for i-CABLE's own programming expenditures and HK$0.3 billion mainly for CME's lease commitment of certain properties and telecommunication network facilities.

Debt and Gearing

The Group's net debt increased from HK$16.1 billion as at December 31, 2005 to HK$16.9 billion as at December 31, 2006, made up of HK$20.7 billion in debts less HK$3.8 billion in deposits and cash. Included in the Group's debts were loans of

HK$5.5 billion (31/12/2005: HK$3.2 billion) borrowed by Modern Terminals, which were without recourse to the Company and other subsidiaries of the Group.

As at December 31, 2006, the ratio of net debt to shareholders' equity was 22.5% and to total equity was 21.1%, compared to 24.6% and 23.4% (restated) as at December 31, 2005, respectively.

Finance and Availability of Facilities

With strong recurrent operating cash inflow and ample market liquidity, the Group continued to raise funds at competitive interest rates in domestic market. In 2006, the Group cancelled some loan facilities with higher interest margins and/or shorter maturity and refinanced them on more favorable terms. This enabled the Group to further reduce its average borrowing margin.

The Group's available loan facilities and debt securities amounted to HK$35 billion, of which HK$20.7 billion were outstanding as at December 31, 2006 analysed as below:

	31/12/2006			
	Available Facility HK$ Billion	Total Debts HK$ Billion		Undrawn Facility HK$ Billion
Company/wholly-owned subsidiaries				
Committed facilities	17.7	14.0	68%	3.7
Uncommitted facilities	2.2	0.8	4%	1.4
	19.9	14.8	72%	5.1
Non wholly-owned subsidiaries				
Committed and uncommitted				
- Modern Terminals Limited	14.0	5.5	26%	8.5
- i-CABLE Communications Limited	0.7	-	-	0.7
- Others	0.4	0.4	2%	-
	35.0	20.7	100%	14.3

As at December 31, 2006, HK$706 million of the Group's debt was secured by mortgage over certain fixed assets with carrying value HK$3,527 million.

Debts of the Group were primarily denominated in Hong Kong dollars, US dollars and RMB. All US dollar loans have been effectively swapped into Hong Kong dollar loans by forward exchange contracts.

The use of derivative financial instruments was strictly controlled. The majority of the derivative financial instruments entered into by the Group were used to manage the Group's interest rate exposures.

The Group maintained a reasonable level of surplus cash to facilitate its business and investment activities. As at December 31, 2006, the Group also maintained a portfolio of available-for-sale investments, primarily in blue-chip securities, with a market value of HK$2.9 billion.

(III) Human Resources

The Group had approximately 12,000 employees as at December 31, 2006 (31/12/05: 12,600). Employees were remunerated according to the nature of the job and market trend, with a built-in merit component incorporated in the annual increment to reward and motivate individual performance. Total staff costs for the year 2006 amounted to HK$2,331 million (2005:HK$2,216 million).

CODE ON CORPORATE GOVERNANCE PRACTICES

During the financial year under review, all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited were met by the Company, except in respect of one code provision providing for the roles of chairman and chief executive officer to be performed by different individuals. The deviation is deemed appropriate as it is considered to be more efficient to have one single person to be the chairman of the Company as well as to discharge the executive functions of a chief executive officer. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high calibre individuals with a substantial number thereof being independent Non-executive Directors.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For The Year Ended December 31, 2006

	Note	**2006 HK$ Million**	2005 HK$ Million
Turnover	2	**13,364**	12,543
Other net income	3	**415**	74
		13,779	12,617
Direct costs and operating expenses		**(4,653)**	(4,201)
Selling and marketing expenses		**(701)**	(620)
Administrative and corporate expenses		**(688)**	(587)
Operating profit before depreciation, amortisation, interest and tax		**7,737**	7,209
Depreciation and amortisation		**(1,266)**	(1,206)
Operating profit	4	**6,471**	6,003
Increase in fair value of investment properties		**7,868**	11,513
Net other credit	5	**100**	47
		14,439	17,563
Borrowing costs	6	**(824)**	(562)
Share of profits less losses of associates		**196**	425
Share of profits less losses of jointly controlled entities		**12**	(13)
Profit before taxation		**13,823**	17,413
Taxation	7(c)	**(2,429)**	(2,583)
Profit for the year		**11,394**	14,830
Attributable to:			
Equity shareholders of the Company		**10,757**	13,888
Minority interests		**637**	942
		11,394	14,830
Dividends payable to equity shareholder of the Company attributable to the year			
Interim dividend declared during the year		**881**	881
Final dividend proposed after the balance sheet date		**1,077**	1,077
		1,958	1,958
Earnings per share			
Basic	8	**HK$4.39**	HK$5.67
Diluted	8	**HK$4.39**	HK$5.67

CONSOLIDATED BALANCE SHEET
At December 31, 2006

	Note	**2006 HK$ Million**	2005 HK$ Million (restated)
Non-current assets			
Fixed assets			
Investment properties		**86,684**	78,224
Leasehold land		**3,662**	1,430
Other property, plant and equipment		**11,852**	11,004
		102,198	90,658
Goodwill and other intangible assets		**306**	297
Interest in associates		**781**	1,638
Interest in jointly controlled entities		**788**	896
Available-for-sale investments		**2,921**	1,677
Long term receivables		**371**	410
Programming library		**186**	143
Defined benefit pension scheme assets		**230**	150
Deferred tax assets		**429**	468
Derivative financial assets		**17**	54
		108,227	96,391
Current assets			
Inventories		**5,288**	4,488
Trade and other receivables	9	**1,981**	1,105
Derivative financial assets		**12**	-
Deposits and cash		**3,769**	2,508
		11,050	8,101
Current liabilities			
Trade and other payables	10	**(4,926)**	(4,848)
Short term loans and overdrafts		**(4,667)**	(4,403)
Derivative financial liabilities		**(3)**	(14)
Taxation payable		**(390)**	(608)
		(9,986)	(9,873)
Net current assets / (liabilities)		**1,064**	(1,772)
Total assets less current liabilities		**109,291**	94,619

CONSOLIDATED BALANCE SHEET (continued)
As at December 31, 2006

	Note	**2006** **HK$ Million**	2005 HK$ Million (restated)
Non-current liabilities			
Long term loans		**(16,003)**	(14,155)
Deferred taxation		**(13,116)**	(11,672)
Other deferred liabilities		**(254)**	(263)
Derivative financial liabilities		**-**	(3)
		(29,373)	(26,093)
NET ASSETS		**79,918**	68,526
Capital and reserves			
Share capital		**2,448**	2,448
Reserves		**72,714**	62,926
Total equity attributable to equity shareholder of the Company		**75,162**	65,374
Minority interests		**4,756**	3,152
TOTAL EQUITY		**79,918**	68,526

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PRESENTATION

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of the financial report are consistent with those used in the annual financial statements for the year ended December 31, 2005 except for the changes in accounting policies as described below.

a. HKAS 19 "Employee benefits"

In prior years, in calculating the Group's obligation in respect of a defined benefit pension scheme, if any cumulative unrecognised actuarial gain or loss exceeded 10% of the greater of the present value of the defined benefit obligation and the fair value of scheme assets, that portion was recognised in the consolidated profit and loss account over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss was not recognised.

With effect from January 1, 2006, the Group adopted retrospectively the alternative recognition policy in the amendment to HKAS 19 under which all actuarial gain or loss of all defined benefit pension schemes can be recognised outside profit or loss directly to equity. Shareholders' equity as at January 1, 2006 and January 1, 2005 was restated and increased by HK$61 million and HK$30 million respectively and minority interests as at January 1, 2006 and January 1, 2005 was restated and increased by HK$36 million and HK$40 million respectively. As required by the amendment to HKAS 19, following the adoption of such amendment, a consolidated statement of recognised income and expense instead of a consolidated statement of changes in equity has been prepared.

b. Financial guarantees issued (Amendments to HKAS 39, Financial instruments: Recognition and measurement: Financial guarantee contracts)

In prior years, financial guarantees issued by the Group were disclosed as contingent liabilities in accordance with HKFRS 4, Insurance contracts and HKAS 37, Provisions, contingent liabilities and contingent assets. No provisions were made in respect of these guarantees unless it was more likely than not that the guarantee would be called upon.

With effect from January 1, 2006, in order to comply with the amendments to HKAS 39 in respect of financial guarantee contracts, the Group has changed its accounting policy for financial guarantees issued. Under the new policy, financial guarantees issued are accounted for as financial liabilities under HKAS 39 and measured initially at fair value, where material and the fair value can be reliably measured. Subsequently, they are measured at the higher of the amount initially recognised, less accumulated amortisation, and the amount of the provision, if any, that should be recognised in accordance with HKAS 37.

The adoption of the amendment does not have any impact on the Group's results of operation and financial position for the financial years 2005 and 2006.

c. HK(IFRIC) 4 "Determining whether an Arrangement contains a lease"

In prior years, the Group determined leases with reference to legal form. With effect from January 1, 2006, the Group assesses all contracts in accordance with the requirements of HK(IFRIC) 4, in order to determine whether the contract contain leases. As a result, the Group has determined that certain contracts, although they do not take the legal form of a lease, convey to the Group a right to use certain specific assets owned by the supplier in return for a series of payments and therefore contain leases that should be accounted for in accordance with HKAS 17 "Leases".

Accordingly, operating lease payments charges to operating profit and operating lease commitments, the definition of which has been revised in accordance with HK(IFRC) 4, have been disclosed in the financial statements, together with comparative amounts.

2. SEGMENT INFORMATION

a. Business segments

	Segment revenue		Segment results	
	2006	2005	**2006**	2005
i. Revenue and results	**HK$ Million**	HK$ Million	**HK$ Million**	HK$ Million
Property investment	**5,677**	5,073	**3,973**	3,465
Hong Kong	**4,390**	3,952	**3,498**	3,124
China	**343**	298	**130**	85
Hotels	**944**	823	**345**	256
Communications, media and entertainment ("CME")	**3,947**	3,937	**270**	486
Pay television	**1,895**	1,884	**248**	337
Internet and multimedia	**596**	558	**129**	78
Telecommunications	**1,384**	1,478	**(64)**	104
Others	**72**	17	**(43)**	(33)
Logistics	**3,506**	3,534	**1,887**	1,935
Terminals	**3,096**	3,149	**1,727**	1,800
Others	**410**	385	**160**	135
	13,130	12,544	**6,130**	5,886
Property development	**293**	53	**(4)**	7
Investment and others	**285**	225	**677**	348
Inter-segment revenue (Note)	**(344)**	(279)	**-**	-
	13,364	12,543	**6,803**	6,241
Unallocated income and expenses			**(332)**	(238)
Operating profit			**6,471**	6,003
Increase in fair value of investment properties			**7,868**	11,513
Net other credit			**100**	47
Telecommunications			**(100)**	-
Property development			**200**	47
			14,439	17,563
Borrowing costs			**(824)**	(562)
Associates			**196**	425
Property development			**96**	305
Terminals			**100**	118
Investment and others			**-**	2
Jointly controlled entities Terminals			**12**	(13)
Profit before taxation			**13,823**	17,413

Property investment revenue includes gross rental income from investment properties of HK$3,802 million (2005: HK$3,363 million).

Note: Inter-segment revenue eliminated on consolidation includes :

	2006 HK$ Million	2005 HK$ Million
Property investment	**91**	82
CME	**253**	196
Investment and others	**-**	1
	344	279

ii. Assets and liabilities	Assets 2006 HK$ Million	Assets 2005 HK$ Million (restated)	Liabilities 2006 HK$ Million	Liabilities 2005 HK$ Million (restated)
Property investment	**88,959**	81,169	**3,896**	4,074
Hong Kong	**81,900**	74,573	**1,462**	1,708
China	**6,666**	6,169	**2,279**	2,224
Hotels	**393**	427	**155**	142
CME	**4,835**	5,407	**977**	1,177
Pay television	**1,243**	1,560	**384**	532
Internet and multimedia	**631**	706	**133**	134
Telecommunications	**2,939**	3,133	**460**	500
Others	**22**	8	**-**	11
Logistics	**11,138**	7,470	**6,330**	4,167
Terminals	**10,935**	7,282	**6,276**	4,117
Others	**203**	188	**54**	50
	104,932	94,046	**11,203**	9,418
Property development	**7,542**	5,614	**978**	550
Unallocated	**6,803**	4,832	**27,178**	25,998
Total assets/liabilities	**119,277**	104,492	**39,359**	35,966

Unallocated items mainly comprise financial and corporate assets, interest-bearing borrowings, corporate and financing expenses.

Included in the property development segment is the Group's attributable interest in property development projects undertaken by associates, which totals HK$352 million (2005: HK$1,134 million).

iii. Other information	Capital expenditure 2006 HK$ Million	Capital expenditure 2005 HK$ Million	Depreciation and amortisation 2006 HK$ Million	Depreciation and amortisation 2005 HK$ Million
Property investment	**430**	775	**98**	102
Hong Kong	**297**	684	**15**	18
China	**97**	48	**18**	14
Hotels	**36**	43	**65**	70
CME	**655**	693	**950**	902
Pay television	**238**	242	**320**	334
Internet and multimedia	**64**	103	**188**	214
Telecommunications	**309**	313	**418**	341
Others	**44**	35	**24**	13
Logistics	**3,484**	1,105	**218**	202
Terminals	**3,446**	1,103	**204**	191
Others	**38**	2	**14**	11
Group total	**4,569**	2,573	**1,266**	1,206

The Group has no significant non-cash expenses other than depreciation and amortisation.

b. Geographical segments

During the year, more than 90% of the Group's revenue and operating results arose in Hong Kong.

Total segment assets at the balance sheet date and capital expenditure incurred during the year analysed by geographical segments are as follows:

Assets and capital expenditure	Assets 2006 HK$ Million	Assets 2005 HK$ Million	Capital expenditure 2006 HK$ Million	Capital expenditure 2005 HK$ Million
Hong Kong	**102,504**	94,793	**1,514**	2,508
China	**16,773**	9,699	**3,055**	65
	119,277	104,492	**4,569**	2,573

3. OTHER NET INCOME

Other net income mainly represents net profit on disposal of available-for-sale investments of HK$53 million (2005: HK$59 million) which included a revaluation surplus of HK$3 million (2005: HK$40 million) transferred from the investments revaluation reserves and profit on disposal of investment and other properties of HK$362 million (2005: HK$15 million).

4. OPERATING PROFIT

Operating profit is arrived at:

	2006 HK$ Million	2005 HK$ Million (restated)
After charging:-		
Depreciation		
- assets held for use under operating leases	**91**	88
- other fixed assets	**1,042**	1,012
	1,133	1,100
Amortisation		
- programming library	**100**	81
- leasehold land	**30**	25
- other intangible assets	**3**	-
Total depreciation and amortisation	**1,266**	1,206
Staff costs	**2,331**	2,216
including:		
Contributions to defined contribution pension schemes including MPF schemes (after a forfeiture of HK$6 million (2005: HK$5 million))	**82**	76
Increase in liability for defined benefit pension schemes	**9**	13
Auditors' remuneration		
- audit services	**12**	10
- other services	**1**	2
Cost of trading properties sold during the year	**275**	47
Loss on disposal of fixed assets	**10**	13
Rental charges under operating leases in respect of telecommunications equipment and services	**136**	147
And crediting:-		
Rental income less direct outgoings including:	**3,777**	3,390
Contingent rentals	**323**	236
Foreign exchange gain	**82**	59
Interest income	**147**	80
Dividend income from listed investments	**71**	55
Dividend income from unlisted investments	**121**	115
Rental income under operating leases in respect of owned plant and machinery	**95**	99

5. NET OTHER CREDIT

	2006	2005
	HK$ Million	HK$ Million
Net write-back of provisions for properties	**200**	47
Write off of broadcasting and communications equipment	**(100)**	-
	100	47

6. BORROWING COSTS

	2006	2005
	HK$ Million	HK$ Million
Interest on:-		
Bank loans and overdrafts repayable within five years	**478**	323
Other loans repayable within five years	**332**	249
Loans repayable over five years	**75**	6
Other borrowing costs	**9**	(8)
	894	570
Less: Amount capitalised*	**(70)**	(8)
Net borrowing costs for the year	**824**	562

* The borrowing costs have been capitalised at annual rates of between 4.4% to 5.1% (2005: 1.3% to 4.6%).

Included in total interest costs are amounts totaling HK$624 million (2005: HK$425 million) in respect of floating rate interest bearing borrowings that are not at fair value through profit or loss.

7. TAXATION

a. The provision for Hong Kong profits tax is based on the profit for the year as adjusted for tax purposes at the rate of 17.5% (2005: 17.5%).

b. Overseas taxation is calculated at rates of tax applicable in countries in which the Group is assessed for tax.

c. Taxation in the consolidated profit and loss account represents:-

	2006 **HK$ Million**	2005 HK$ Million
Current tax		
Hong Kong profits tax	**814**	678
Underprovision in respect of prior years	**134**	28
	948	706
Overseas taxation	**2**	2
	950	708
Deferred tax		
Change in fair value of investment properties	**1,364**	2,045
Origination and reversal of temporary differences	**166**	150
Benefit of previously unrecognised tax losses now recognised	**(51)**	(320)
	1,479	1,875
	2,429	2,583

d. Share of associates' tax for the year ended December 31, 2006 of HK$25 million (2005: HK$24 million) is included in the share of profits less losses of associates.

8. EARNINGS PER SHARE

The calculation of earnings per share is based on the earnings attributable to ordinary equity shareholders of the Company for the year of HK$10,757 million (2005: HK$13,888 million) and the weighted average of 2,448 million (2005: 2,448 million) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on earnings attributable to ordinary equity shareholders of the Company for the year of HK$10,757 million (2005: HK$13,888 million) and the weighted average of 2,448 million (2005: 2,448 million) ordinary shares after adjusting for the effects of all dilutive potential ordinary shares.

As at December 31, 2006 there were no unexercised share options.

9. TRADE AND OTHER RECEIVABLES

Included in this item are trade debtors (net of provision for bad and doubtful debts) with an ageing analysis as at December 31, 2006 as follows:-

	2006	2005
	HK$ Million	HK$ Million
Trade debtors		
0 - 30 days	**331**	346
31 - 60 days	**229**	220
61 - 90 days	**70**	45
Over 90 days	**72**	61
	702	672

The Group has established credit policies for each of its core businesses. The general credit terms allowed range from 0 to 60 days.

10. TRADE AND OTHER PAYABLES

Included in this item are trade creditors with an ageing analysis as at December 31, 2006 as follows:-

	2006	2005
	HK$ Million	HK$ Million
Trade creditors		
0 - 30 days	**332**	281
31 - 60 days	**88**	373
61 - 90 days	**18**	57
Over 90 days	**169**	168
	607	879

11. REVIEW OF RESULTS

The financial results for year ended December 31, 2006 have been reviewed with no disagreement by the Audit Committee of the Company. Also, this preliminary results announcement has been agreed with the Company's Auditors.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the financial year under review.

BOOK CLOSURE

The Register of Members of the Company will be closed from Friday, May 18, 2007 to Friday, May 25, 2007, both days inclusive, for the purpose of determining shareholders' entitlements to the proposed final dividend. In order to qualify for the final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4.30 p.m. on Thursday, May 17, 2007.

By Order of the Board
Wilson W. S. Chan
Secretary

Hong Kong, March 21, 2007

As at the date of this announcement, the board of directors of the Company comprises Mr. Peter K. C. Woo, Mr. Gonzaga W. J. Li, Mr. Stephen T. H. Ng, Ms. Doreen Y. F. Lee and Mr. T. Y. Ng, together with six independent non-executive directors, namely, Mr. Paul M. P. Chan, Professor Edward K. Y. Chen, Dr. Raymond K. F. Ch'ien, Hon. Vincent K. Fang, Mr. Hans Michael Jebsen and Mr. James E. Thompson.

" Please also refer to the published version of this announcement in the South China Morning Post and Hong Kong Economic Journal as of 22nd March, 2007. "