

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)
<hr/>	
**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
<hr/>		
	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
<hr/>		
	2,251	1,994





Harbour City

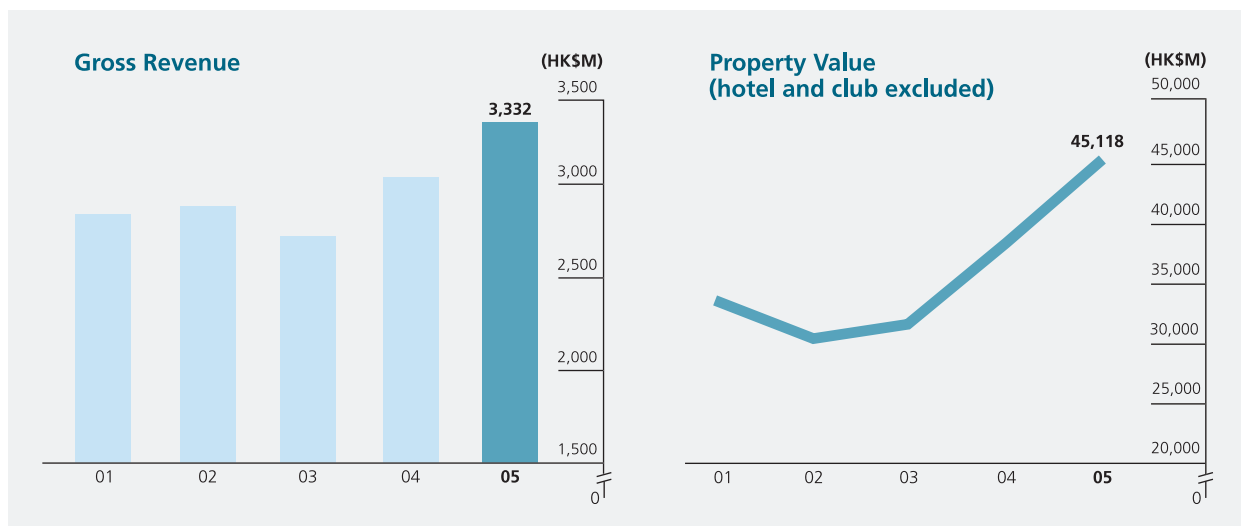
Harbour City, the Group's core investment property asset, turned over HK\$3,332 million during 2005, an increase of 9% over 2004.

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

Office

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.

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

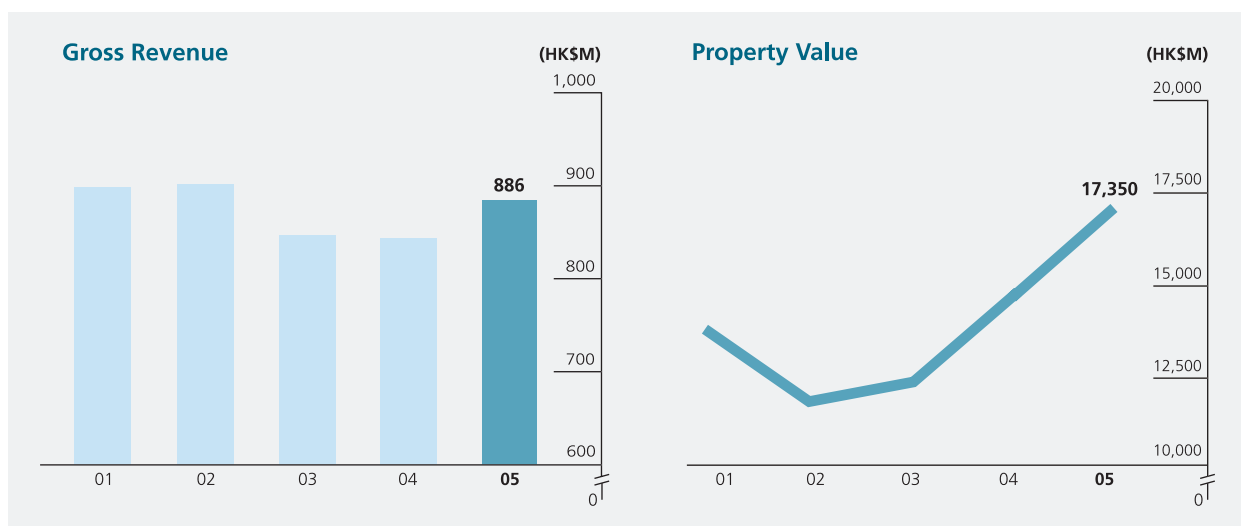
Times Square, another core asset of the Group, turned over HK\$886 million in 2005 for an increase of 6% over 2004.

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 December 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.