

I am pleased to present the results of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2006 (the "Year") to the shareholders.

RESULTS

Profit attributable to equity holders of the parent for the Year was HK\$7,477.3 million as compared to HK\$6,154.6 million for the same period last year. The profit for the Year was mainly attributable from the fair value gains on investment properties and the share of results of associates generated from the sales of development properties. Earnings per share was HK339.2 cents (year ended 31st December, 2005: HK300.0 cents).

DIVIDENDS

The Board of Directors of the Company has recommended the payment of final dividend of HK18 cents per share for the Year (2005: HK12 cents) and proposed to give shareholders the option of receiving part or all of the final dividend in form of new shares ("Scrip Dividend") in lieu of cash dividend. The Scrip Dividend proposal (the "Proposal") will be conditional on (i) the approval of the proposed final dividend at the forthcoming annual general meeting of the Company and (ii) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting a listing of and permission to deal in the shares to be issued pursuant to the Proposal. Subject to shareholders' approval at the forthcoming annual general meeting of the Company, the proposed final dividend will be paid on or around 15th June, 2007 to shareholders whose names appear on the register of members of the Company on 15th May, 2007.

Together with the interim dividend of HK12 cents per share (2005: HK9 cents), the total distribution for 2006 will amount to HK30 cents per share (2005: HK21 cents).

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 9th May, 2007 to 15th May, 2007, both days inclusive. In order to qualify for the proposed final dividend and for the purpose of ascertaining the members' entitlement to the attendance of the forthcoming annual general meeting of the Company, all share transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, namely Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 8th May, 2007.

本人欣然向股東呈報本公司及其附屬公司（「本集團」）截至二零零六年十二月三十一日止年度（「本年度」）之業績。

業績

本年度母公司股本權益持有人的應佔溢利為7,477,300,000港元，而去年同期為6,154,600,000港元。本年度的溢利主要來自投資物業的公平值變動收益及攤佔聯營公司來自銷售發展物業的業績。每股盈利為339.2港仙（截至二零零五年十二月三十一日止年度：300.0港仙）。

股息

本公司董事會建議派付本年度之末期股息每股18港仙（二零零五年：12港仙），並建議給予股東選擇權以新股之形式收取部份或全部末期股息代替現金股息（「以股代息」）。是項以股代息建議（「建議」）須待以下條件達成方可作實：(i) 建議之末期股息在本公司應屆股東週年大會上獲得批准及(ii)香港聯合交易所有限公司（「聯交所」）批准根據建議而發行之股份上市及買賣。待股東於本公司應屆股東週年大會上批准後，建議之末期股息將於二零零七年六月十五日或前後派付予於二零零七年五月十五日名列本公司股東名冊之股東。

連同中期股息每股12港仙（二零零五年：9港仙），二零零六年之總分派將為每股30港仙（二零零五年：21港仙）。

暫停辦理股東登記手續

本公司將於二零零七年五月九日至二零零七年五月十五日（包括首尾兩日）暫停辦理股東登記手續。為符合獲派建議之末期股息的資格，以及為確定股東出席本公司應屆股東週年大會的資格，所有股份過戶文件連同有關股票必須於二零零七年五月八日下午四時三十分前送達本公司於香港之股份過戶登記分處香港中央證券登記有限公司，地址為香港灣仔皇后大道東183號合和中心17樓1712-1716室。

ZERO COUPON CONVERTIBLE BONDS DUE 2010 (the "BONDS")

The payment of the final dividend (if approved by the shareholders) will result in the adjustment of the conversion price of the Bonds in accordance with the terms and conditions of the Bonds. The adjustment shall take effect as from 15th May, 2007, being the record date for determination of shareholders of the Company to be entitled to receive the final dividend (if any). Notification on the result of adjustment price (if appropriate) will be announced on or about 15th May, 2007.

BUSINESS REVIEW

Hong Kong Property Investment

Rentals from investment properties continued to be one of the major sources of our income. The overall occupancy rate of the Group's retail portfolio was 79.17% as at 31st December, 2006 due to the renovation of Windsor House and Silvercord. The occupancy rate jumped to 92.35% if Windsor House and Silvercord are excluded. Such sustainable high occupancy rate is attributable to the prime locations of the majority of the Group's retail properties. Retail rents were generally raised due to the increase in tenants' business turnover benefited from the growth of both tourists' and local consumption.

During the Year under review, the gross rental income slightly reduced 6.7% to HK\$667.9 million, as compared with last year. The decrease in gross rental income is mainly attributable to the redevelopment of Tung Ying Building and Tung Sang Building; the renovation works of Laforet (formerly Nu Front), Windsor House and Silvercord; and the sale of substantial part of Chic Castle. Such a temporary reduction is believed to be worthwhile as the redevelopment and renovation will maximize the value of the Group's retail properties. If the redeveloped and renovated properties are excluded, gross rental income would be increased by approximately 12.8% over the last year, and the respective increases in retail and non-retail portion have been 16.0% and 7.0%.

於二零一零年到期之零票息可換股債券(「債券」)

根據債券之條款及條件，派付末期股息(倘獲股東批准)將導致債券之兌換價調整。有關調整將於二零零七年五月十五日(即釐定本公司股東收取末期股息(如適用)之權利之記錄日期)生效。本公司將於二零零七年五月十五日或前後刊發有關價格調整(如適用)結果之通知。

業務回顧

香港物業投資

投資物業之租金仍然是集團之主要收入來源之一。由於皇室大廈及新港中心進行翻新工程，本集團截至二零零六年十二月三十一日止之零售物業組合之整體出租率為79.17%。如撇除皇室大廈及新港中心，出租率則升至92.35%，出租率維持高企與本集團大部份零售物業位於主要地區有關。租戶之營業額由於旅客及本地消費增加而上升，故此零售租金普遍上揚。

於回顧年度內，租金收入總額較去年微跌6.7%至667,900,000港元，租金收入總額減少主要與東英大廈及東生大廈重建、東角Laforet(前稱東角駁)、皇室大廈及新港中心翻新以及出售Chic的堡大部分業權有關。由於重建及翻新將會大幅提升本集團零售物業的價值，故此本集團相信租金收入出現暫時下降仍屬值得。如撇除重建及翻新之物業，本集團的租金收入總額則較去年增加約12.8%，其中零售與非零售商舖的租金分別上升16.0%與7.0%。

BUSINESS REVIEW (cont'd)

Hong Kong Property Investment (cont'd)

The renovation works of Laforet was completed in July 2006 and grand opening took place in August 2006. The enhancement includes reallocation of escalator and change in internal layout to improve pedestrian flow, the installation of two LED (light-emitting diode) electronic display screens and the refurbishment of the covered walkway. The revamped Laforet, consisting of small shops and a restaurant with area ranging from 150 to 5,100 square feet, specially targets at the young and trendy customers. As at 31st December, 2006, its occupancy rate was 93.3% and if fully leased out, the rental is expected to increase by 81.8% as compared with the previous lease.

Renovation works of Windsor House commenced in 2006. The scope of work includes re-layout of basement, ground and first floor, sub-dividing the retail space previously occupied by supermarket, department store and an anchor tenant to provide greater varieties of prime retail shops and specialty restaurants. The renovation will be completed by the fourth quarter of 2007. The revamped Windsor House will have improved and diversified trade mix while the rental income will rise substantially.

vim, part of the basement of Silvercord in Tsim Sha Tsui, has been opened since December 2005. As at 31st December, 2006, its occupancy rate reached 83.1% and there was a 4.3 times increase in rental as compared with the previous lease. The first phase of converting the existing bubble lifts to shops was completed in December 2006 with the second phase to be completed in the third quarter of 2007, the works of which has been commenced in late 2006. The conversion of the cinema to shops commenced in the fourth quarter of 2006 with the scheduled completion date in the third quarter of 2007.

The occupancy rate for the Group's office properties maintained at a high level throughout the year. During the Year, the average occupancy rates of Windsor House, MassMutual Tower and Harcourt House were approximately 89.3%, 96.1% and 95.5% respectively, bringing the approximate occupancy rate of the overall office portfolio to 93.4%.

業務回顧(續)

香港物業投資(續)

東角Laforet之翻新工程已於二零零六年七月完成，並已於二零零六年八月舉行隆重的開幕典禮。改良工程包括重新編排扶手電梯及更改內部設計以改善人流，安裝兩個戶外發光二極管(LED)顯示屏及翻新有蓋行人通道。經翻新的東角Laforet由小商舖及一間餐廳組成，面積介乎150至5,100平方呎不等，以崇尚潮流的年青顧客為對象。截至二零零六年十二月三十一日止，該商場之出租率達93.3%，倘全部商舖租出後，預期租金將會較以往租約上升81.8%。

皇室大廈之翻新工程於二零零六年展開。工程範圍包括重新規劃地庫、地下及一樓、分拆之前由超級市場、百貨公司及長期租戶租用之零售空間，以提供更多不同類型之優質零售店舖及專題食肆。翻新工程將於二零零七年第四季完成，經翻新的皇室大廈將更臻完善及具多元化商戶組合，而租金收入將同時大幅上升。

尖沙咀新港中心部份地庫的vim已於二零零五年十二月啟業。截至二零零六年十二月三十一日止，其出租率達83.1%，租金較以往租約增加4.3倍。將現有觀光升降機改為商舖的首期工程已於二零零六年十二月完成，而第二期工程則將於二零零七年第三季完成，有關工程已於二零零六年年底施工。將戲院改建為商舖的工程已於二零零六年第四季展開，預期於二零零七年第三季完成。

本集團辦公室物業的出租率於全年均維持於高水平。本年度內，皇室大廈、美國萬通大廈及夏慤大廈的平均出租率分別約為89.3%、96.1%及95.5%，使整體辦公室物業組合出租率達到約93.4%。

BUSINESS REVIEW (cont'd)

Hong Kong Property Investment (cont'd)

The demolition work of Tung Ying Building in Tsim Sha Tsui started in early 2006. Completion of the redevelopment is expected to be in early 2010.

Tung Sang Building in Wanchai has also commenced its demolition work and will be redeveloped as a brand new residential / retail composite building with completion date rescheduled to end of 2008.

During the Year, the Group has won a tender at approximately HK\$234 million for Sun Fair Mansions at 12 Shiu Fai Terrace, a residential site in mid-level East, which is a traditional prestigious location for luxury residential project in Hong Kong. The site area is about 12,000 square feet that can provide a total residential gross floor area of around 39,700 square feet. The site will be redeveloped into a luxury residential project.

In general, it is expected that both the occupancy rate in retail and office properties will remain at high level while their rental rates will have room for increment this year.

Hong Kong Property Development

In general, the Group's development projects have been progressing satisfactorily and the sales have been achieving pleasing results.

The residential development of Indihome, Tsuen Wan (50% interest) was completed in January 2006, 583 presold units had been handed over to the purchasers. A further 289 units were sold during the Year. As at 31st December, 2006, 91% of the total units were already sold.

As at 31st December, 2006, the units of Parc Palais, Homantin (10% interest) were substantially sold, representing 96% of total units; 72% of houses of Miami Crescent, Sheung Shui (50% interest) were already sold.

The certificate of compliance of Mount Beacon, Kowloon Tong (33.33% interest) was issued in July 2006. As at 31st December, 2006, 79% of apartments with almost half of the total houses were sold.

業務回顧(續)

香港物業投資(續)

尖沙咀東英大廈的清拆工程已於二零零六年年初展開，預期重建工程將於二零一零年年初完成。

灣仔東生大廈的清拆工程亦已展開，將重建為一幢全新的住宅／零售綜合大樓，而竣工日期重新預期為二零零八年年底。

本年度內，本集團以約234,000,000港元成功投得肇輝臺12號新輝大廈，新輝大廈為位處香港傳統豪宅項目優越位置的東半山區的住宅地盤。地盤面積約12,000平方呎，可提供住宅總樓面面積合共約39,700平方呎，地盤將重建為豪宅項目。

整體上，本集團預期零售及辦公室物業的出租率將於年內維持於高水平，租金亦將有上升空間。

香港物業發展

整體上，本集團各個發展項目進展理想，銷售成績令人滿意。

荃灣樂悠居住宅發展項目(佔50%權益)已於二零零六年一月竣工，583個預售單位已向買家交吉。本年度內再售出289個單位。截至二零零六年十二月三十一日止，單位總數的91%經已售出。

截至二零零六年十二月三十一日止，何文田君頤峰(佔10%權益)大部份單位經已售出，佔單位總數的96%，而水上邁爾豪園(佔50%權益)亦已售出72%的洋房。

九龍塘畢架山峰(佔33.33%權益)已於二零零六年七月獲發滿意紙。截至二零零六年十二月三十一日止，79%大廈單位經已售出，而接近半數的獨立大屋亦已售出。

BUSINESS REVIEW (cont'd)

Hong Kong Property Development (cont'd)

The construction work of Phase I of the residential development project – The Zenith (87.5% interest) was completed. This is a redevelopment project at Tai Yuen Street, Wanchai undertaken with the Urban Renewal Authority. Phase I comprises 3 residential tower blocks having 652 units with flat size ranging from gross floor area of approximately 605 square feet to 879 square feet. The pre-sale consent was received in September 2006 and 195 units were presold during the Year. Sales proceed and profit will be booked this year. The construction work of Phase II will commence in end of 2007.

The Group has also formed two other joint venture projects with Urban Renewal Authority, one is located at the junction of Reclamation Street and Arran Street in Mongkok, foundation work of which was completed in the first quarter of 2006 and the whole project is expected to be completed in mid of 2007; the other one is located at Larch Street/Bedford Road in Tai Kok Tsui, foundation work of which was completed in early 2007 and the whole project is expected to be completed in end of 2008.

Foundation work of the development project located at Hoi Ting Road and junction of Hoi Wang Road and Hoi Ting Road, West Kowloon Reclamation Area (25% interest) has been commenced. Residential and retail properties with a total gross floor area of 1,095,980 square feet will be developed.

Macau Property Development

In December 2005, the Group acquired 5 parcels of adjoining land in Taipa, Macau (70.01% interest). The acquisition was completed in early 2006. The total site area is approximately 848,000 square feet and will be developed by four phases. Building plan has been submitted for approval and foundation work of phase I is expected to be commenced in 2007. The launching of phase I of this project is scheduled in 2007.

Mainland China Property Investment

Evergo Tower, located at Central Huaihai Road in Shanghai, is a 23-storey office/shopping complex including a 2-storey basement and has a total gross floor area of 263,708 square feet for leasing purpose. The average occupancy rates of the office and retail spaces of the tower were about 87% and 100% respectively in 2006.

業務回顧 (續)

香港物業發展 (續)

住宅發展項目-尚翹峰(佔87.5%權益)的第一期工程已經完成。此為與市區重建局合作進行的灣仔太原街重建項目。第一期工程包括3幢住宅大廈,合共652個單位,單位樓面面積約介乎605平方呎至879平方呎不等。預售樓花同意書已於二零零六年九月取得,本年度內已預售195個單位。銷售所得及利潤將於本年入賬。第二期工程將於二零零七年年尾施工。

本集團亦與市區重建局組成另外兩個合資項目,其中一項位於旺角新填地街及鴉蘭街交界,有關地基工程已於二零零六年首季完成,預期整個項目將於二零零七年中旬完成;另一項則位於大角咀洋松街/必發道,有關地基工程已於二零零七年年初完成,預期此項目將於二零零八年年尾完成。

位於西九龍填海區海庭道及海泓道與海庭道交界之發展項目(佔25%權益)的地基工程經已展開。該項目將發展為總樓面面積1,095,980平方呎的住宅及零售物業。

澳門物業發展

於二零零五年十二月,本集團收購澳門氹仔5幅毗鄰的土地(佔70.01%權益)。是項收購已於二零零六年年初完成。該項目的總地盤面積約為848,000平方呎,並將分為四期發展。樓宇圖則已呈交有關部門審批,預期第一期的地基工程將於二零零七年展開。該項目的第一期預計於二零零七年推出。

中國大陸物業投資

坐落於上海淮海中路的愛美高大廈,為一幢樓高23層的辦公室/購物商場(包括兩層地庫),總樓面面積達263,708平方呎作出租之用。於二零零六年,大廈辦公室及商場的平均出租率分別為87%及100%。

BUSINESS REVIEW (cont'd)

Mainland China Property Investment (cont'd)

Hilton Beijing (50% interest) maintained an average occupancy rate of 82% and achieved a gross operating profit of HK\$73.66 million in 2006. Hilton Beijing is expanding by converting the adjacent auditorium into an executive tower. Having demolished the auditorium in November 2006, construction work of the executive tower commenced and is expected to be completed in early 2008.

Oriental Place (50% interest), a 10-storey office building next to Hilton Beijing, was 84% let out as at 31st December, 2006.

The occupancy rate of the 79 retail outlets with the total area of approximately 29,000 square feet in Lowu Commercial Plaza, Shenzhen in December 2006 was 89%.

The Group acquired two pieces of residential land at Dongda Street of Jinjiang District as well as Yingbin Road of Jinniu District in Chengdu in October 2006, having site area of 194,410 square feet and 795,625 square feet with respective gross floor area of 1.47 million square feet completed in 2009 and 3.76 million square feet completed in 2010. The land use rights will be obtained in the second half of 2007 upon fully settlement of land cost. Subsequent to the year end, the Group has further obtained a parcel of commercial and residential land in Chengdu, details of which has been included in – “Post Balance Sheet Event” below. The acquisitions reflect the Group's confidence in Chengdu's economy and its property market.

POST BALANCE SHEET EVENT

In January 2007, the Group further obtained a commercial and residential land at South Taisheng Road of Qingyang District in Chengdu, having site area of 404,264 square feet with a development scale of 3.2 million square feet to be completed in 2011. The land use rights will be granted in the second half of 2007 upon fully settlement of land cost.

業務回顧(續)

中國大陸物業投資(續)

北京希爾頓酒店(佔50%權益)於二零零六年的平均入住率維持於82%，並錄得經營毛利73,660,000港元。北京希爾頓酒店正進行擴建，將接鄰的劇場改建為行政大樓。繼劇場於二零零六年十一月清拆後，行政大樓的建築工程亦已展開，預期將於二零零八年年初完工。

截至二零零六年十二月三十一日止，毗鄰北京希爾頓酒店、樓高10層的辦公室大樓東方國際大廈(佔50%權益)之84%單位經已租出。

於二零零六年十二月，深圳羅湖商業城79個總面積約29,000平方呎的零售商舖之出租率為89%。

本集團於二零零六年十月收購分別位於成都市錦江區東大街及金牛區迎賓大道的兩幅住宅用地，地盤面積分別為194,410平方呎及795,625平方呎，1,470,000平方呎及3,760,000平方呎的總樓面面積將分別於二零零九年及二零一零年完成。土地使用權將於悉數支付土地成本後於二零零七年下旬取得。於年結日後，本集團再取得於成都市的一幅商業及住宅用地，有關詳情載於下列結算日後事項一節。收購活動反映本集團對成都市的經濟及其物業市場充滿信心。

結算日後事項

於二零零七年一月，本集團進一步取得一幅位於成都市青羊區太升南路的商業及住宅用地，地盤面積為404,264平方呎，發展規模為3,200,000平方呎，將於二零一一年竣工。土地使用權將於悉數支付土地成本後於二零零七年下旬取得。

PROSPECTS

Hong Kong's economy is expected to remain stable in the year 2007 under broadly favorable global economic condition. Hong Kong's investment property market should continue to be satisfactory, which will benefit our Group's commercial and residential sectors with steady rental growth.

The Group sees promising future in its core businesses. The Group will also continue to enhance the value of its existing investment properties through continuous redevelopment, renovation works and repackaging programs such as those of Tung Ying Building, vim, Laforet and Windsor House, in order to strengthen our recurrent income stream. In addition to expanding our investment property portfolio in Hong Kong, the Group will also focus on property development in Macau and Mainland China so as to benefit from the positive economic prospects in these areas.

The Group will also continue to consider various options to strengthen the financial position of the Group and to enhance shareholders' value, including, but not limited to, the possibility of disposing of investment properties of the Group in Hong Kong to a real estate investment trust (the "REIT") and the possible listing of the units of the REIT in a suitable jurisdiction.

APPRECIATION

I would like to take this opportunity to thank the shareholders of their continuing support. I also thank my fellow directors and staff members for their dedication and hard work.

On behalf of the Board

Joseph Lau, Luen-hung

Chairman

Hong Kong, 14th March, 2007

展望

在全球有利的宏觀經濟環境下，本集團預期香港經濟將於二零零七年維持平穩。香港投資物業市場的表現應持續理想，本集團的商業及住宅業務將可於穩定的租金增長中受惠。

本集團對其核心業務前景樂觀。本集團亦會如東英大廈、vim、東角Laforet及皇室大廈般繼續透過持續進行重建、翻新工程及重新包裝的計劃，不斷提升其現有投資物業的價值，以鞏固其經常性收入來源。除擴充集團於香港的投資物業組合外，本集團亦專注於澳門及中國大陸的物業發展，務求在該等地區正面的經濟前景下受惠。

本集團亦將繼續考慮多項選擇，以加強本集團財政狀況及提高股東價值，包括但不限於向房地產投資信託基金出售本集團於香港的投資物業的可能性，以及可能於適當司法權區將房地產投資信託基金的單位上市。

致謝

本人謹藉此機會對股東一直以來的鼎力支持與各位董事及全體員工的竭誠工作表示謝意。

代表董事會

主席

劉鑾雄

香港，二零零七年三月十四日