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HARBOUR CENTRE DEVELOPMENT LIMITED

HARBOUR CENTRE DEVELOPMENT LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 51

2009 Final Results Announcement

HIGHLIGHTS OF GROUP RESULTS

- The Mainland property projects, with a total attributable land bank of 26 million square feet and stated at an attributable cost of HK\$8.5 billion, represented 64% of the Group's total business assets. They are expected to generate a satisfactory return on completion by phase but no turnover or profit has so far been recognized.
- Hong Kong business assets amounted to HK\$4.7 billion in value, representing 36% of the Group's total business assets. They yielded an operating profit of 4.8% in 2009.
- The Group's equity base was strengthened in May 2009 by net proceeds of HK\$935.2 million after a successful rights issue at HK\$3.99 per share.
- The Hotel Segment was badly hurt in 2009 due to weak travel demand. The Property Investment Segment reported a small profit rise, thanks to a stable leasing market.
- Group turnover amounted to HK\$566.3 million (2008: HK\$664.2 million).
- Profit attributable to Shareholders increased by 191% to HK\$496.9 million (2008: HK\$170.5 million) including a higher investment property revaluation surplus. Earnings per share were HK\$0.78 (2008: HK\$0.36).
- Book NAV was HK\$12.57 per share as at the end of 2009. If hotel assets were also stated at valuation, the adjusted NAV would have been HK\$16.24 per share.
- A final dividend of HK\$0.15 per share is recommended, resulting in a full-year dividend of HK\$0.20 per share for the year ended 31 December 2009.

DIVIDEND

An interim dividend of HK\$0.05 per share (2008: HK\$0.05) was paid in September 2009, absorbing a sum of HK\$35.4 million (2008: HK\$23.6 million). The Directors recommend a final dividend of HK\$0.15 per share (2008: HK\$0.15), absorbing a sum of HK\$106.3 million, to be paid on 3 June 2010. If this recommendation is approved, the total dividend for the financial year ended 31 December 2009 would amount to HK\$0.20 per share (2008: HK\$0.20).

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENT REVIEW

The global financial turmoil and the threat of the swine flu pandemic significantly affected the travel industry around the world in the first half of 2009. Despite a recovery in demand during trade fairs and festive seasons in the latter part of the year, revenue and operating profit of the **Hotel Segment** fell by 17% and 30% respectively from 2008. Average occupancy dropped to 79% and average room rate declined by 19% from a year earlier.

The second half of the year saw a gradual revival of economic activities and consumer sentiments. The **Property Investment Segment** posted a 4% rise in turnover and a 5% rise in operating profit.

The Group's investment properties, comprising the office and retail areas in The Marco Polo Hongkong Hotel ("MPHK Hotel") and the Star House retail units, were revalued by an independent valuer as at 31 December 2009. The net revaluation surplus after deferred tax for 2009 was HK\$193.2 million (2008: HK\$26.3 million).

China Properties

The Group is confident of the fundamental outlook for the real estate market in the Mainland, underpinned by the rapid pace of urbanization, robust economic development and high savings rate. The recent Central Economic Work Conference has unveiled the Government's pledge to step up urbanization and to relax residency restrictions on migration to provincial cities, which bodes well for urban property demand and should provide long-term support for residential prices. As at the end of December 2009, the total land bank attributable to the Group was about 26 million square feet, comprising five prime sites in the cities of Shanghai, Chongqing, Suzhou and Changzhou, owned either solely or through joint ventures. Given that these new projects are still at an early stage of development, they have not yet started to make meaningful contribution to the Group in terms of revenue and profit.

In Shanghai, the Xinjiangwancheng (新江灣城) development boasts a site area of 0.6 million square feet and GFA of 1.08 million square feet. Xinjiangwancheng provides the only original ecological environment in association with abundant green and wetlands within the city of Shanghai, and is established to accommodate the concept of high quality living community. The development, close to Wujiaochang (五角場), a commercial centre which has been

positioned as one of the four vice city centres of Shanghai (上海市副中心), consists of high end medium-rise residences. It is adjacent to a station of the Shanghai Metro line 10 which is expected to be in operation within this year. Two other Metro lines (Line 17 & 18) near the site are also under planning. Peripheral facilities in the vicinity are rich both in scale and content, ranging from ecological park, cultural centre, sports centre to education facilities from renowned institutions such as Fudang University and Allied Secondary School of Tongji University. Scheduled for completion by 2012, construction of the project is underway with foundations being completed. The first phase of presales is targeted to be launched in the middle of this year.

The Chongqing project, a joint development with China Overseas Land and Investment with the Group owning 55%, is ideally located in Jiangbei City (江北城) facing both Yangtze River (長江) and Jialing River (嘉陵江). Chongqing is designated as one of the five national central cities and is the only one in the central and western China region. Jiangbei city is to become the future Central Business District (CBD) with excellent transportation links. Just in the vicinity, three bridges crossing Jialing River and Yangtze River to the old CBD (渝中區) and the new headquarters hub (彈子石區) have already been built. Furthermore, light railway lines 6 and 9 will be passing this area with respective stations near the site. Developments in this new CBD include City of Memory (記憶之城) comprising public facilities, three theme parks and shopping centres, together with City of Future (未來之城) comprising Grade A office buildings, 5-star hotels and shopping centres. The Group's project, adjacent to the Chongqing City Grand Theatre (重慶大劇院), the Chongqing Science Museum (重慶科技館) and the 100,000-square-metre Central Park (中央公園), boasts a site area of about one million square feet and offers an attributable GFA of 2.5 million square feet. Planning approval is underway and this prestigious residential development is scheduled for completion in phases by 2014.

The two Suzhou projects are developed by a joint venture owned 80:20 respectively by the Group and Genway Housing Development (蘇州工業園區建屋發展集團). Together, they embrace a total site area of 5.65 million square feet and offer an attributable GFA of 13.5 million square feet. Suzhou, among the top and most vibrant second-tier cities, is at the heart of Yangtze River Delta with strong manufacturing and trading sectors. The city has a population size of 6.3 million and posted an 11.5% GDP growth in 2009, beating the national average.

The first project is located in Xinghu Jie (星湖街) in the new CBD. A 450-metre skyscraper landmark (mixed office, hotel and apartment building), tallest in Jiangsu Province with a panoramic view over Jinji Lake and the city skyline, will be built. Underground connections will provide seamless access to two nearby subway stations. The project will also benefit from well-established regional transportation networks comprising highly efficient highways and rapid trains connecting with Shanghai, Hangzhou and Nanjing. A ground breaking ceremony was held in early March and excavation works have commenced. The project is scheduled for completion by 2016.

The second is located at Xiandai Da Dao (現代大道) in Suzhou Industrial Park (蘇州工業園區). There will be sizeable residential developments to cater for the solid and steady demand

for residential properties in the Park, where master town planning is of international standard. The site, perfectly located on the axis of eastern expansion of Suzhou along the main east-west thoroughfare of Xiandai Da Dao, and next to the future subway terminal, is divided into four plots, each of which will be developed by phases into high-end residential developments. Construction work for phase 1 is planned to commence in March of 2010 and the whole development is scheduled for completion by 2017.

The Changzhou project is ideally located in the future CBD of Xinbei District (新北區), five kilometers away from the city centre, in the vicinity of the national AAAA scenic area China Changzhou Dinosaur Land theme park (中華恐龍園) and Xin Qu Park (新區公園), with excellent air-sea transportation links to Changzhou Airport and Huning Express Railway. Changzhou, with more than 2,500 years' cultural history, is halfway between Shanghai and Nanjing (170 kilometres from Shanghai and 110 kilometres from Nanjing). Together with the adjacent Suzhou and Wuxi, Changzhou constitutes the Su-Xi-Chang city belt (蘇錫常都市圈), one of the most affluent regions in China. The city registered a GDP growth of 11.7% to reach RMB251.87 billion in 2009. In 2008, Changzhou was listed by Forbes magazine as one of "The Best Business Cities in China". The project commands a total site area of 4.4 million square feet and offers an attributable GFA of 8.7 million square feet. The development comprises mainly high-end residences including high-rise buildings, semi-detached houses and villas, a 5-star hotel and a State Guest House. Construction works for the residential developments have commenced. The whole project is scheduled for completion in phases by 2016, with the first phase of presales to be launched later this month.

FINANCIAL REVIEW

(I) Review of 2009 final results

Turnover

The Group's hotel business was badly hurt by the unprecedented financial turmoil and the threat of swine flu pandemic. Group turnover slipped by 15% to HK\$566.3 million (2008: HK\$ 664.2 million).

Hotel Segment generated a total revenue of HK\$391.1 million (2008: HK\$472.4 million) for a decline of 17%, due mainly to the decrease in room revenue in a soft market. MPHK Hotel's achieved room rate fell by 19% year-on-year and room occupancy dropped to 79%.

Property investment was stable in performance with revenue increasing marginally to HK\$140.1 million (2008: HK\$134.5 million) despite the disruptions caused by a restructuring of the tenant mix at MPHK Hotel's retail areas. The revamp of Star House units completed in the last quarter 2008 improved occupancy and hence revenue.

Investment and Others Segment's interest and dividend income derived from the Group's surplus cash and investment decreased by 39% to HK\$35.1 million (2008: HK\$57.3 million), reflecting the contraction of the Group's investment portfolio and the prevailing low interest rate environment.

Operating Profit

The Group's operating profit decreased by 22% to HK\$244.5 million (2008: HK\$311.9 million). Hotel Segment's profit dropped by 30% to HK\$112.3 million while Property Investment Segment's profit increased slightly to HK\$115.7 million. For Investment and Others Segment, profit fell to HK\$35.1 million (2008: HK\$57.3 million) due to decrease in interest and dividend income.

Increase in Fair Value of Investment Properties

The Group's completed investment properties were restated at the valuations carried out by an independent valuer as at 31 December 2009 with a surplus of HK\$231.4 million (2008: HK\$31.5 million). The net surplus after deferred tax taken to the income statement was HK\$193.2 million (2008: HK\$26.3 million). The Group's investment properties under development are not carried at fair value until whichever the earlier of their fair values first become reliably measurable and the dates of their respective completion in accordance with the revised accounting standard HKAS 40, which expands the definition of an investment property to include an investment property being under development.

Other Net Income

Other net income for the year was HK\$96.5 million (2008: loss of HK\$23.9 million), mainly included net foreign exchange gain against loss in last year and gain on disposal of investments.

Net Other Charge

No net other charge, represented the impairment loss on available-for-sale investments, was required for the year (2008: HK\$47.5 million).

Finance Costs

Net finance costs decreased to HK\$13.0 million (2008: HK\$67.1 million), resulting from the low average interest rate for the Group's bank borrowings. The charge was after capitalisation of HK\$10.8 million (2008: Nil) for the Group's China projects.

Share of Results after Tax of Associate and Jointly Controlled Entities

Share of profits of the associate and jointly controlled entities after tax was HK\$14.2 million (2008: loss of HK\$11.0 million). This was mainly derived from a write back of excess contingent development cost for a former property project undertaken by the

associate, but partly offset by the start-up losses incurred by the jointly controlled entities that engaged in China property projects, which are at their early stages of the developments.

Taxation

The taxation charge for the year increased to HK\$77.0 million (2008: HK\$24.3 million) as a result of increase in revaluation surplus of investment properties.

Profit Attributable to Equity Shareholders

Group profit attributable to equity shareholders increased by 191% to HK\$496.9 million (2008: HK\$170.5 million) mainly resulting from the increase in other net income and investment property revaluation surplus. Earnings per share were HK\$0.78 based on a weighted average of 639.2 million shares in issue (2008: HK\$0.36 on 478.1 million shares as restated for the Rights Issue), taking into account the 236.3 million new shares issued during the year.

Excluding the net investment property surplus of HK\$193.2 million (2008: HK\$26.3 million and the related deferred tax credit of HK\$10.9 million resulted from the 1% tax rate reduction), the Group's net profit for the year was HK\$303.7 million (2008: HK\$133.3 million), representing an increase of HK\$170.4 million or 128% over last year.

(II) Liquidity, Financial Resources and Capital Commitments

Rights Issue

In May 2009, the Company completed a Rights Issue for 236.3 million new ordinary shares at HK\$3.99 each, with net proceeds of HK\$935.2 million.

Shareholders' Equity

As at 31 December 2009, the Group's shareholders' equity was HK\$8,905.8 million, equivalent to HK\$12.57 per share based on 708.8 million issued shares as enlarged by the Rights Issue in May 2009 (2008: HK\$14.96 per share based on 472.5 million issued shares).

The Group's hotel property is stated at cost less accumulated depreciation according to the prevailing Hong Kong Financial Reporting Standards. Restating the hotel property based on the valuation as at 31 December 2009 carried out by an independent valuer would give rise to an additional revaluation surplus of HK\$2,604.0 million and increase the Group's shareholders' equity to HK\$11,509.8 million, equivalent to HK\$16.24 per share.

Total Assets

The Group's total assets increased by 14% to HK\$13,149.7 million (2008: HK\$11,507.1 million), mainly due to the appreciation in the Group's investment properties and available-for-sale investments and the Rights Issue proceeds, which have been substantially utilised for the land cost payments for the China development projects.

The Group's major assets included properties under development of HK\$6,472.7 million, interest in a jointly controlled entity of HK\$1,650.9 million and investment properties of HK\$2,515.5 million. Other major assets included bank deposits and cash of HK\$1,124.0 million and available-for-sale investments of HK\$1,193.0 million.

In previous years, investment properties under development were not classified as investment property and were stated at cost by the Group. As a result of the change in the relevant accounting standard, such properties in the amount of HK\$402.2 million have been classified as investment property and have to be carried at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property. No fair value gain or loss was recognised from such properties under development during the year.

Debt and Gearing

As at 31 December 2009, the Group had a net debt of HK\$1,829.2 million (2008: HK\$1,806.6 million), which was made up of HK\$2,953.2 million of bank borrowings less HK\$1,124.0 million of cash. The gearing ratio to shareholders' equity was 20.5% (2008: 25.6%).

Finance and Availability of Facilities and Funds

As at 31 December 2009, the Group's available loan facilities amounted to HK\$4,617.2 million, of which HK\$2,953.2 million was drawn. Certain banking facilities of the Group were secured by mortgages mainly over the Group's hotel and investment properties and properties under development with total carrying value of HK\$3,351.4 million (2008: HK\$2,174.1 million).

The Group's debts were effectively denominated in Hong Kong dollar ("HKD") and Renminbi ("RMB"). Further RMB borrowings will be sourced to finance the development cost of the China projects.

The use of derivative financial instruments was strictly controlled. The majority of the derivative financial instruments entered into by the Group were primarily used for management of the Group's interest rate and currency exposures.

Net Cash Flows for Operating and Investing Activities

For the year under review, the Group generated a net operating cash inflow before changes in working capital of HK\$240.4 million (2008: HK\$280.9 million). The changes in working capital resulting in a net cash outflow of HK\$558.3 million (2008: HK\$3,551.5 million), primarily due to payment for land and construction cost for China development projects. For investing activities, the Group had a net cash outflow of HK\$538.7 million, mainly for investment in a jointly-controlled entity engaged in China property projects. Net proceeds of HK\$935.2 million from the Rights Issue was received in May 2009.

The Group maintained a reasonable level of surplus cash, which was denominated principally in HKD and RMB, to facilitate the Group's business and investment activities. As at 31 December 2009, the Group also maintained a portfolio of investments primarily consisting of blue chip securities, with an aggregate market value of HK\$1,193.0 million (2008: HK\$604.0 million), which is available for liquidation to meet the Group's commitment if necessary. The performance of the portfolio was largely in line with the stock market.

Commitments

As at 31 December 2009, the Group's total outstanding commitments related substantially to development projects in the Mainland, both by the Group and through jointly controlled entities, amounted to HK\$13.9 billion, of which HK\$0.5 billion have been contracted for. The committed property developments will be carried out by stages in the forthcoming years and funded by internal financial resources, proceeds from property pre-sales and bank loans.

(III) Disposal / acquisition

In April 2009, the Group completed a share swap transaction and effectively disposed its 40% interest in a jointly controlled entity owning the Lanseqianjiang project in Hangzhou for a 100% interest in a subsidiary owning the Xinjiangwancheng project in Shanghai with a net cash inflow of RMB145.1 million.

(IV) Human Resources

The Group had approximately 500 employees as at 31 December 2009. Employees are remunerated according to their job responsibilities and the market pay trend with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the Group's achievement and results. Total staff costs for the year ended 31 December 2009 amounted to HK\$112.4 million.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the financial year ended 31 December 2009, 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, a substantial proportion thereof being independent Non-executive Directors.

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009**

| | Note | 2009 HK\$ Million | 2008 HK\$ Million |
|---|------|-------------------------|-------------------------|
| Turnover | 2 | 566.3 | 664.2 |
| Direct costs and operating expenses | | (252.0) | (274.8) |
| Selling and marketing expenses | | (24.5) | (25.1) |
| Administrative and corporate expenses | | (21.1) | (16.3) |
| Operating profit before depreciation, amortisation, interest and tax | | 268.7 | 348.0 |
| Depreciation and amortisation | | (24.2) | (36.1) |
| Operating profit | 3 | 244.5 | 311.9 |
| Increase in fair value of investment properties | | 231.4 | 31.5 |
| Other net income/(loss) | 4 | 96.5 | (23.9) |
| Net other charge | 5 | - | (47.5) |
| | | 572.4 | 272.0 |
| Finance costs | 6 | (13.0) | (67.1) |
| Share of results after tax of: | | | |
| Associate | | 17.5 | (0.1) |
| Jointly controlled entities | | (3.3) | (10.9) |
| Profit before taxation | | 573.6 | 193.9 |
| Taxation | 7(b) | (77.0) | (24.3) |
| Profit for the year | | 496.6 | 169.6 |
| Profit attributable to: | | | |
| Equity shareholders | | 496.9 | 170.5 |
| Minority interests | | (0.3) | (0.9) |
| | | 496.6 | 169.6 |
| Earnings per share | 8 | | |
| Basic | | HK\$0.78 | HK\$0.36 |
| Diluted | | HK\$0.78 | HK\$0.36 |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009**

| | 2009 | 2008 |
|---|-----------------------|-----------------------|
| | HK\$ | HK\$ |
| | Million | Million |
| | <u> </u> | <u> </u> |
| Profit for the year | 496.6 | 169.6 |
| Other comprehensive income | | |
| Exchange difference on translation of: | (41.5) | 241.8 |
| - financial statements of overseas subsidiaries | 4.7 | 177.2 |
| - financial statements of jointly controlled entities | (46.2) | 64.6 |
| Available-for-sale investments: | | |
| Net movement in the investments revaluation reserves | 541.4 | (935.2) |
| Surplus/(deficit) on revaluation | 552.1 | (649.4) |
| Less: reclassification adjustments | | |
| - gains included in profit or loss on disposal | (10.7) | (333.3) |
| - impairment losses included in profit or loss | - | 47.5 |
| Actuarial gains/(losses) on defined benefit pension schemes | 12.8 | (14.7) |
| Other comprehensive income for the year | 512.7 | (708.1) |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | <u>1,009.3</u> | <u>(538.5)</u> |
| Total comprehensive income attributable to: | | |
| Equity shareholders of the Company | 1,009.9 | (550.8) |
| Minority interests | (0.6) | 12.3 |
| | <u>1,009.3</u> | <u>(538.5)</u> |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009**

| | Note | 2009 HK\$ Million | 2008 HK\$ Million |
|--|------|-------------------------|-------------------------|
| Non-current assets | | | |
| Fixed assets | | | |
| Investment properties | | 2,515.5 | 1,877.0 |
| Leasehold land | | 15.2 | 15.2 |
| Other properties, plant and equipment | | 59.2 | 80.4 |
| Interest in an associate | | 0.2 | 0.7 |
| Interest in jointly controlled entities | | 1,650.9 | 2,586.7 |
| Available-for-sale investments | | 1,193.0 | 604.0 |
| Long term receivables | | - | 0.5 |
| Employee retirement benefit assets | | 11.0 | - |
| Derivative financial assets | | - | 2.9 |
| | | <u>5,445.0</u> | <u>5,167.4</u> |
| Current assets | | | |
| Properties under development for sale | | 6,472.7 | 4,972.6 |
| Inventories | | 2.9 | 3.4 |
| Trade and other receivables | 9 | 95.8 | 105.3 |
| Derivative financial assets | | 9.3 | - |
| Bank deposits and cash | | 1,124.0 | 1,258.4 |
| | | <u>7,704.7</u> | <u>6,339.7</u> |
| Current liabilities | | | |
| Trade and other payables | 10 | 210.9 | 180.9 |
| Derivative financial liabilities | | - | 165.8 |
| Taxation payable | | 79.6 | 77.4 |
| | | <u>290.5</u> | <u>424.1</u> |
| Net current assets | | <u>7,414.2</u> | <u>5,915.6</u> |
| Total assets less current liabilities | | <u>12,859.2</u> | <u>11,083.0</u> |
| Non-current liabilities | | | |
| Employee retirement benefit liabilities | | - | 3.6 |
| Derivative financial liabilities | | 8.2 | 1.3 |
| Bank loans | | 2,953.2 | 3,065.0 |
| Deferred taxation | | 290.2 | 250.3 |
| | | <u>3,251.6</u> | <u>3,320.2</u> |
| NET ASSETS | | <u>9,607.6</u> | <u>7,762.8</u> |
| Capital and reserves | | | |
| Share capital | | 354.4 | 236.3 |
| Reserves | | 8,551.4 | 6,830.7 |
| Shareholders' equity | | <u>8,905.8</u> | <u>7,067.0</u> |
| Minority interests | | 701.8 | 695.8 |
| TOTAL EQUITY | | <u>9,607.6</u> | <u>7,762.8</u> |

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

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 (“HKICPA”), 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 statements are consistent with those used in the annual financial statements for the year ended 31 December 2008 except for the changes mentioned below.

With effect from 1 January 2009, the Group has adopted the below new and revised HKFRSs, amendments and interpretations, which are relevant to the Group’s financial statements.

| | |
|-------------------------------|---|
| HKAS 1 (revised) | Presentation of financial statements |
| HKFRS 8 | Operating segments |
| Improvements to HKFRSs (2008) | Amendments to HKAS 40 investment property |
| HK(IFRIC) Int 13 | Customer loyalty programmes |
| Amendments to HKFRS 7 | Improving disclosures about financial instruments |

(a) HKAS 1 (revised) - Presentation of financial statements

As a result of the adoption of HKAS 1 (revised), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

(b) HKFRS 8 - Operating segments

HKFRS 8 requires segment disclosure to be based on the way that the Group’s chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group’s chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation

of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's top management, and has resulted in amended disclosure being presented. Corresponding amounts have been restated on a basis consistent with the revised segment information.

(c) Improvements to HKFRSs (2008) - Amendments to HKAS 40 Investment property

As a result of the amendment to HKAS 40, investment property which is under construction will be carried at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property. Any gain or loss will be recognised in profit and loss, consistent with the policy adopted for all other investment properties carried at fair value. Previously such property was carried at cost until the construction was completed, at which time it was fair valued with any gain or loss being recognised in profit or loss. This amendment is applied prospectively. As a result of this amendment, the Group has reclassified its property under development amounting to HK\$402.2 million from properties under development to investment properties as at 1 January 2009. The Group's investment properties under development are not carried at fair value until at the earlier of when their fair values first become reliably measurable and the dates of their respective completion. No fair value gain or loss was recognised from such properties under development during the period under review.

(d) HK(IFRIC) - Int 13 - Customer loyalty programmes

HK(IFRIC) - Int 13 clarifies that, where goods or services are sold together with a customer loyalty incentive, a portion of the consideration received from the customer should be deferred until the customer loyalty incentive is redeemed. The adoption of HK(IFRIC) - Int 13 has no significant impacts on the Group's results and financial position as at 31 December 2009 and 2008.

(e) HKFRS 7 (Amendment) - Improving disclosures about financial instruments

As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosures about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

2. SEGMENT INFORMATION

The Group managed its diversified businesses according to the nature of services and products provided. Management has determined four reportable operating segments for measuring performance and allocating resources. The segments are hotel, property investment, property development and investment and others. No operating segment has been aggregated to form reportable segments.

Hotel segment represents the operations of the Marco Polo Hongkong Hotel.

Property investment segment primarily represents the property leasing of the Group's investment properties in Hong Kong. Currently, the Group's properties portfolio also include certain development projects in China for investment purpose.

Property development segment encompasses activities relating to the development, design, construction, sale and marketing of trading properties in Hong Kong and China.

Investment and others segment includes activities for managing corporate assets and liabilities, available-for-sale investments and derivative financial instruments.

Management evaluates performance based on operating profit as well as the equity share of results of associate and jointly controlled entities of each segment.

Segment assets principally comprise all tangible, intangible assets and current assets directly attributable to each segment with the exception of income tax assets. Segment liabilities include all liabilities and borrowing directly attributable to and managed by each segment with the exception of income tax liabilities.

(a) Analysis of segment results

| | Turnover HK\$ Million | Operating profit/(loss) HK\$ Million | Increase in fair value of investment properties HK\$ Million | Other net income/ (expense) HK\$ Million | Net other charge HK\$ Million | Finance costs HK\$ Million | Share of results after tax of an associate HK\$ Million | Share of results after tax of jointly controlled entities HK\$ Million | Profit/ (loss) before taxation HK\$ Million |
|-----------------------|-----------------------------|---|--|--|--|-------------------------------------|--|---|--|
| 2009 | | | | | | | | | |
| Hotel | 391.1 | 112.3 | - | - | - | (8.6) | - | - | 103.7 |
| Property investment | 140.1 | 115.7 | 231.4 | - | - | - | - | - | 347.1 |
| Property development | - | (12.8) | - | 5.4 | - | (1.9) | 17.5 | (3.3) | 4.9 |
| Investment and others | 35.1 | 35.1 | - | 91.1 | - | (2.5) | - | - | 123.7 |
| Segment total | 566.3 | 250.3 | 231.4 | 96.5 | - | (13.0) | 17.5 | (3.3) | 579.4 |
| Corporate expenses | - | (5.8) | - | - | - | - | - | - | (5.8) |
| Total | 566.3 | 244.5 | 231.4 | 96.5 | - | (13.0) | 17.5 | (3.3) | 573.6 |
| 2008 | | | | | | | | | |
| Hotel | 472.4 | 161.1 | - | - | - | (28.5) | - | - | 132.6 |
| Property investment | 134.5 | 109.9 | 31.5 | - | - | - | - | - | 141.4 |
| Property development | - | (7.9) | - | (1.4) | - | (23.6) | (0.1) | (10.9) | (43.9) |
| Investment and others | 57.3 | 57.3 | - | (22.5) | (47.5) | (15.0) | - | - | (27.7) |
| Segment total | 664.2 | 320.4 | 31.5 | (23.9) | (47.5) | (67.1) | (0.1) | (10.9) | 202.4 |
| Corporate expenses | - | (8.5) | - | - | - | - | - | - | (8.5) |
| Total | 664.2 | 311.9 | 31.5 | (23.9) | (47.5) | (67.1) | (0.1) | (10.9) | 193.9 |

(i) Substantially all depreciation and amortisation were attributable to the Hotel Segment.

(ii) All interest income were attributable to the Investment and others Segment.

(iii) No inter-segment revenue has been recorded during the current and prior years.

(b) Analysis of assets

| | Assets | |
|------------------------|-----------------|-----------------|
| | 2009 | 2008 |
| | HK\$ | HK\$ |
| | Million | Million |
| Hotel | 117.2 | 143.1 |
| Property investment | 2,163.5 | 1,928.9 |
| Property development | 8,937.0 | 7,761.2 |
| Investments and others | 1,932.0 | 1,673.9 |
| Group total | <u>13,149.7</u> | <u>11,507.1</u> |

(c) Geographical information

| | Revenue | | Specified non-current assets | |
|-------------|--------------|--------------|------------------------------|----------------|
| | 2009 | 2008 | 2009 | 2008 |
| | HK\$ | HK\$ | HK\$ | HK\$ |
| | Million | Million | Million | Million |
| Hong Kong | 532.4 | 620.4 | 2,299.7 | 1,990.4 |
| China | 3.2 | 5.9 | 2,057.6 | 2,587.4 |
| Singapore | 30.7 | 37.9 | 1,076.7 | 586.7 |
| Group total | <u>566.3</u> | <u>664.2</u> | <u>5,434.0</u> | <u>5,164.5</u> |

Specified non-current assets represented non-current assets other than employee retirement benefit assets, deferred tax assets and derivative financial assets.

3. OPERATING PROFIT

Operating profit is arrived at:

| | 2009 | 2008 |
|--|---------------|---------------|
| | HK\$ | HK\$ |
| | Million | Million |
| After charging/(crediting): | | |
| Depreciation and amortisation | 24.2 | 36.1 |
| Staff costs | 112.4 | 120.0 |
| Auditors' remuneration | 1.5 | 1.8 |
| Rental income less direct outgoings (Note i) | (118.9) | (111.1) |
| Interest income on bank deposits | (4.4) | (14.4) |
| Dividend income from listed investments | <u>(30.7)</u> | <u>(42.9)</u> |

Note:

- (i) Rental income included contingent rentals of HK\$48.5 million (2008: HK\$49.4 million).

4. OTHER NET INCOME/(LOSS)

| | 2009 | 2008 |
|---|----------------|---------|
| | HK\$ | HK\$ |
| | Million | Million |
| Profit on disposal of available-for-sale investments - including HK\$10.7 million (2008: HK\$333.3 million) reclassified from the investments revaluation reserve | 54.6 | 143.2 |
| Exchange gain/(loss) | 38.5 | (167.1) |
| Net gain on disposal of a jointly controlled entity | 3.4 | - |
| | 96.5 | (23.9) |

5. NET OTHER CHARGE

Net other charge represents impairment loss on available-for-sale investments.

6. FINANCE COSTS

| | 2009 | 2008 |
|---|----------------|---------|
| | HK\$ | HK\$ |
| | Million | Million |
| Interest on bank borrowings wholly repayable within five years | 16.3 | 64.8 |
| Other finance costs | 6.0 | 3.9 |
| | 22.3 | 68.7 |
| Less: Amount capitalised | (10.8) | - |
| | 11.5 | 68.7 |
| Fair value changes on cross-currency interest rate swaps | 1.5 | (1.6) |
| | 13.0 | 67.1 |

The above interest charge has taken into account the interest paid/receipts in respect of cross currency interest rate swaps.

7. TAXATION

(a) The provision for Hong Kong profits tax is at the rate of 16.5% (2008: 16.5%) of the estimated assessable profits for the year.

(b) Taxation charged to the consolidated income statement represents:

| | 2009 | 2008 |
|--|----------------|---------|
| | HK\$ | HK\$ |
| | Million | Million |
| Current taxation | | |
| Hong Kong profits tax provision for the year | 35.4 | 53.2 |
| Under/(over)provision in respect of prior years | 1.7 | (19.2) |
| | 37.1 | 34.0 |
| Deferred taxation | | |
| Change in fair value of investment properties | 38.2 | 5.2 |
| Origination and reversal of temporary differences | 1.7 | (2.7) |
| Effect on deferred tax balances at 1 January resulting from a change in tax rate | - | (12.2) |
| | 39.9 | (9.7) |
| Total tax charge | 77.0 | 24.3 |

(c) Tax attributable to associate for the year of HK\$3.4 million (2008: Nil) is included in the share of results of associate. There is no share of tax in respect of the jointly controlled entities.

8. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the year attributable to equity shareholders of HK\$496.9 million (2008: HK\$170.5 million) and the weighted average of 639.2 million ordinary shares (2008: 478.1 million shares after adjusting for the rights issue which was completed in May 2009), calculated as follows:

Weighted average number of ordinary shares

| | 2009 | 2008 |
|---|----------------|---------|
| | Million | Million |
| Issued ordinary shares at 1 January | 472.5 | 315.0 |
| Effect of rights issue | 166.7 | 163.1 |
| Weighted average number of ordinary shares at 31 December | 639.2 | 478.1 |

There were no potential dilutive ordinary shares in existence during the years ended 31 December 2009 and 2008.

9. TRADE AND OTHER RECEIVABLES

Included in this item are trade receivables (net of allowance for doubtful debts) with the following ageing analysis as at 31 December 2009 as follows:

| | 2009 | 2008 |
|--------------------------------------|--------------------|-------------------|
| | HK\$ | HK\$ |
| | Million | Million |
| | <u> </u> | <u> </u> |
| Trade receivables | | |
| Due within 30 days | 66.3 | 75.1 |
| Due after 30 days but within 60 days | 0.1 | 1.1 |
| Due after 60 days but within 90 days | 0.5 | 0.7 |
| | <u>66.9</u> | <u>76.9</u> |
| Other receivables | 23.3 | 24.6 |
| Amounts due from fellow subsidiaries | 5.6 | 3.8 |
| | <u>95.8</u> | <u>105.3</u> |

The Group has defined credit policies for each of its core business. The general credit terms allowed range from 0 to 60 days. All the trade and other receivables are expected to be recoverable within one year.

10. TRADE AND OTHER PAYABLES

Included in this item are trade creditors with an ageing analysis as at 31 December 2009 as follows:

| | 2009 | 2008 |
|------------------------------------|---------------------|-------------------|
| | HK\$ | HK\$ |
| | Million | Million |
| | <u> </u> | <u> </u> |
| Trade creditors | | |
| 0 - 30 days | 12.4 | 12.5 |
| 31 - 60 days | 6.0 | 8.0 |
| 61 - 90 days | 0.4 | 0.9 |
| Over 90 days | 0.2 | - |
| | <u>19.0</u> | <u>21.4</u> |
| Other payables and provisions | 103.2 | 121.9 |
| Construction costs payable | 74.8 | - |
| Amounts due to fellow subsidiaries | 7.0 | 8.6 |
| Amounts due to an associate | 6.9 | 29.0 |
| | <u>210.9</u> | <u>180.9</u> |

11. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

| | 2009 | 2008 |
|---|----------------|---------|
| | HK\$ | HK\$ |
| | Million | Million |
| Interim dividend declared and paid of 5.0 cents (2008: 5.0 cents) per share | 35.4 | 23.6 |
| Final dividend of 15.0 cents (2008: 15.0 cents) per share proposed after the end of reporting period | 106.3 | 70.9 |
| | 141.7 | 94.5 |

(a) The amount of the proposed final dividend in respect of 2009 is based on 708.8 million shares (2008: 472.5 million shares) as being enlarged by the rights issue launched and completed in May 2009 by the Company. The proposed final dividend has not been recognised as liabilities at the end of the reporting period.

(b) The final dividend of HK\$70.9 million for 2008 was approved and paid in 2009.

12. COMPARATIVE FIGURES

As a result of the application of HKAS 1 (revised), Presentation of financial statements and HKFRS 8 Operating segments, certain comparative figures have been reclassified to conform to the current year's presentation. Further details of these developments are disclosed in Note 1.

13. REVIEW OF RESULTS

The financial results for the year ended 31 December 2009 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 Monday, 24 May 2010 to Wednesday, 26 May 2009, 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, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Thursday, 20 May 2010.

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

Hong Kong, 10 March 2010

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Stephen T. H. Ng, Mr. T. Y. Ng and Mr. Paul Y. C. Tsui, together with three independent Non-executive Directors, namely, Mr. H. M. V. de Lacy Staunton, Mr. Michael T. P. Sze and Mr. Brian S. K. Tang.