





Harbour City

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Balance Sheet (Extract)

As at 31 December 2008

	HK\$ Million
Properties	56,268
Hotel and club (cost less depreciation)	260
Net current liabilities	(1,446)
Other non-current liabilities	(668)
*Net business assets (before debt)	54,414

* Excluding deferred tax on revaluation surplus for investment properties

Revenue

	2008 HK\$ Million	2007 HK\$ Million	Change (%)
Retail	2,166	1,775	+22
Office	1,585	1,336	+19
Serviced Apartments	275	245	+12
Hotel and Club	1,042	972	+7
	5,068	4,328	+17

Operating Profit

	2008 HK\$ Million	2007 HK\$ Million	Change (%)
Retail	1,796	1,441	+25
Office	1,381	1,139	+21
Serviced Apartments	198	167	+19
Hotel and Club	351	320	+10
	3,726	3,067	+21

A 40,000-square-foot outdoor terrace on Level 4 of Ocean Centre



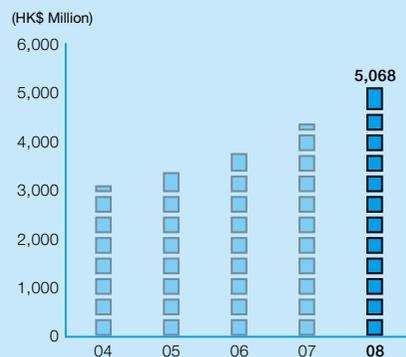


Gallery by the Harbour offers shoppers a unique in-mall cultural facility for art appreciation



Canton Road Christmas street party 2008 attracted some 300,000 party goers

Revenue



Harbour City and Times Square representing 46% of the Group's total assets and 63% of total operating profit achieved spectacular performance amidst the current economic crisis, a good demonstration of their popularity with shoppers and resilience towards market downturns.

Harbour City achieved a turnover of HK\$5,068 million during the year for an increase of 17% over 2007, while its operating profit grew by 21% to HK\$3,726 million. Excluding the three hotels which are stated at cost less accumulated depreciation, Harbour City was valued at HK\$56,268 million at the end of 2008, which represented 33% of total Group assets.

Retail

The retail market held up well in the first half of 2008. However, worsening economic outlook started to depress the market in the second half. Inbound tourism also slowed towards the end of the year. Visitor arrivals grew mildly by 4.7% to 29.5 million for the year. Despite the adverse external environment, turnover of Harbour City's retail sector grew by 22% to HK\$2,166 million.

As at the end of 2008, retail occupancy at Harbour City was committed at 99% while rental grew favourably. Tenants at Harbour City, the largest "shoppertainment" destination in town, continued to achieve an 18% year-on-year growth in average sales. Shoppers' foot traffic for the year grew by 7% to 80 million and total sales in 2008 set a new record at HK\$13.4 billion. Average sales per square foot in December surged to a record high of over HK\$1,900.

Harbour City has been a hub for international luxury fashion brands in Hong Kong and remained one of the most sought-after shopping malls for retailers. In March 2008, Louis Vuitton expanded its store at Harbour City to three levels, which made it the second largest LV store in the world after the main store at Champs Elysees in Paris, France. Hermès boutique in December 2008 opened a store of 5,300 square feet along Canton Road. In addition to these notable recruitment and expansion, a host of new and international designers' labels such as Custo Barcelona, M Missoni, etc, were recruited during the year to enrich the tenant portfolio. Harbour City also attracted a series of celebrated

Property Value





The Louis Vuitton store at Harbour City is the second largest LV store in the world

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



	% by Rental	% by Area
Fashion	35.7	25.2
Leather Goods - Shoes Bags & Related Trades	23.2	12.0
Department Stores, Confectionery Products	12.2	21.8
Jewellery, Beauty and Accessories	11.2	6.5
Restaurant, Fast Food, F&B	5.6	15.3
Children's Wear & Related Trades, Toys	3.3	7.2
Sports Wear	3.2	3.0
Electrical & Audio-visual Equipments	2.5	2.2
Others	3.1	6.8
Total	100.0	100.0

labels that are opening their respective first standalone shops in Hong Kong, such as, 45rpm, Burberry Kids, Stella McCartney, Stephen Webster, etc. The Food and Beverage sector at Harbour City has been further fine-tuned, with recruitment of New York Fries, Mazazu Crepe and BLT Steak which opened their respective first outlets in Hong Kong. The first two were opened in mid December 2008 while the latter in mid January 2009.

Riding on its excellent management, win-win tenant-landlord partnership concept and constant trade-mix enhancement, Harbour City performed solidly despite the deteriorating economic environment. Good clustering and segmenting review, together with powerful marketing and promotion programmes enabled Harbour City to continuously excel and stay ahead in the marketplace. Vibrant promotions at Harbour City, including the Christmas

festive decorations and Chinese New Year decorations remained to be popular events for many locals and an attraction to tourists from the Mainland and overseas. Harbour City will continue to launch massive and sales-driven promotion activities and brand-mix revamp plan to fortify its competitive edge.

Business Review
Harbour City



Display of art pieces at Harbour City's office lobbies brings art closer to people



Gateway Apartments recorded a 12% increase in turnover in 2008

Office Occupancy at Harbour City

	Gateway II	Gateway I	Others
Total GFA (sq ft)	1,570,000	1,128,000	1,737,000
Average Occupancy	96.2%	94.8%	92.5%



Office

The office leasing market held up firmly in the first half but turned sluggish towards the fourth quarter of 2008 on waning demand from banking and finance sectors following the deepened global financial turmoil. Nevertheless, the office sector at Harbour City on the back of the continuing strong rental reversion performed satisfactorily. Turnover grew by 19% to HK\$1,585 million. Demand for office space during the year continued to be supported by business expansion and decentralisation.

Office occupancy at Harbour City was committed at 96% at the end of December 2008. About 55% of the new lettings during the year were in-house expansions, including AIA, All Nippon Airways, Coach, Estee Lauder, Zurich Life Insurance, etc.

In 2008, an increasing trend of decentralisation from core office areas to the Kowloon side was unveiled. Given its advantageous location, ideal transportation network and vicinity, Harbour City benefited from the trend and has attracted a host of commercial banks and airline companies, such as All Nippon Airways, Asiana Airlines, Mitsubishi UFJ and Taiwan Business Bank to relocate from the core district during

the year. These newly recruited airline companies have formed a cluster with Cathay Pacific Airways, Japan Airlines and United Airlines at Harbour City. Recently, Sony Corporation relocated its three-floor office from The Lee Gardens to the Gateway, occupying approximately 48,000 square feet at Harbour City.

Despite the deteriorating economic outlook, lease renewal retention rate at Harbour City held up well at 73% during the year with favourable rental increment. This included a series of anchor tenants such as Hasbro, Mattel, Nike, Pioneer, Sun Life, etc. Harbour City continues to be a



The property's office lease renewal retention rate held up well at 73% during 2008 with favourable rental increment

Harbour City: Portfolio Information

	Gross Floor Area (sq ft)	Revenue (HK\$ Million)	Average Occupancy (%)	Year-end Valuation (HK\$ Million)
Retail	1,948,000	2,166	95	20,565
Office	4,435,000	1,585	95	29,933
Serviced Apartments	670,000	275	89	5,770
Hotel and Club (stated at amortised cost)	1,364,000	1,042	86	5,040

natural choice for multinational, Mainland and local enterprises. To stay ahead in the increasingly competitive marketplace, the leasing and property management teams will further improve the premises and be flexible to the market changes. Maintaining a healthy occupancy level will be of the Group's priority.

Serviced Apartments

Turnover for the serviced apartments grew by 12% to HK\$275 million with an increase in rental rates but partially offset by a drop in occupancy.

At the end of December 2008, committed occupancy at Gateway Apartments dropped to 87% (2007: over 90%) owing to the unfavourable economic conditions. Large units of two-bedroom and three-bedroom apartments continued to enjoy full occupancy.