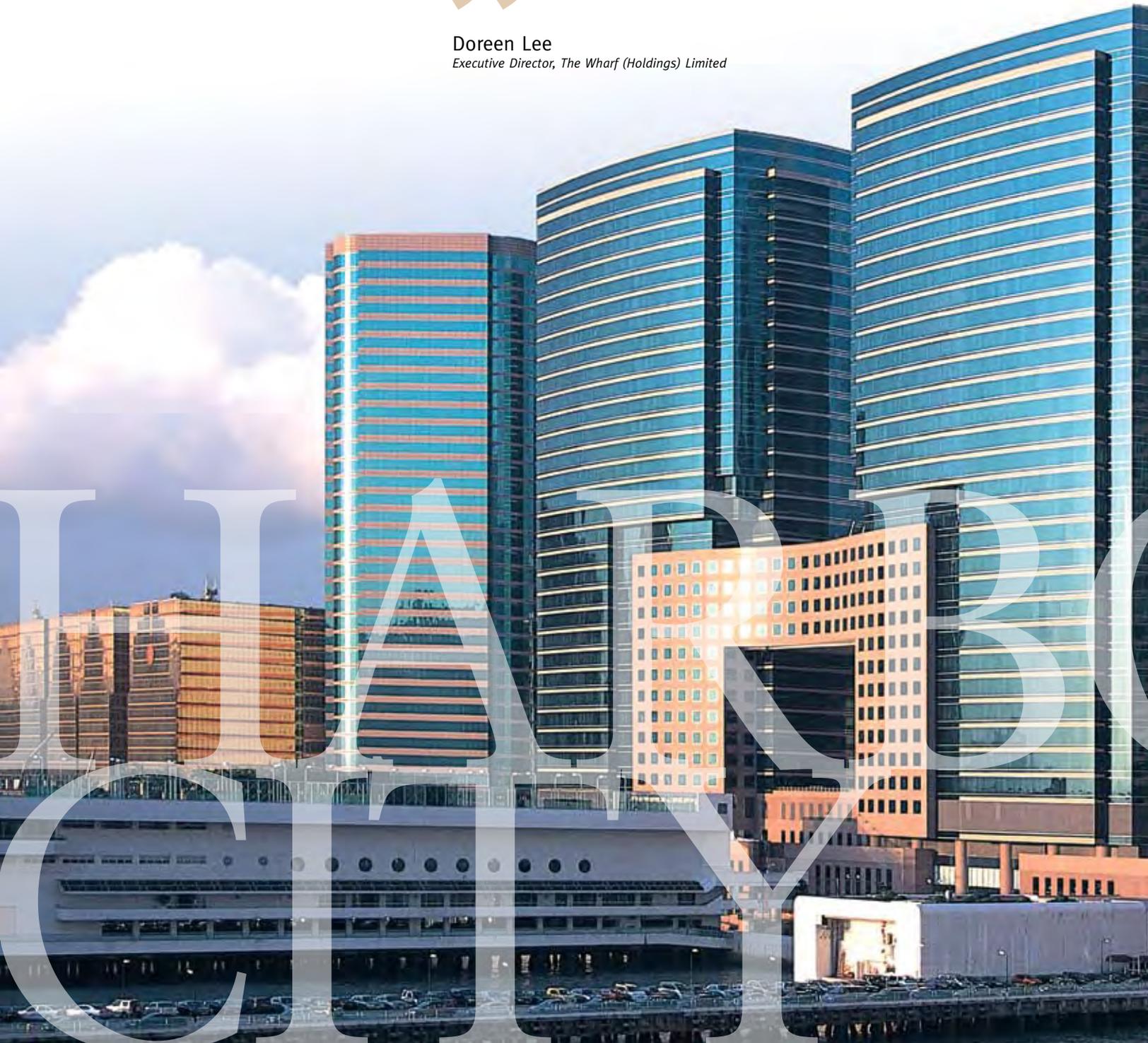


“ The gradually recovering global economy and stability in Asia are rebuilding consumer sentiments among both locals and visitors. We enthusiastically see attractive potential in the coming years from our landmarks Harbour City and Times Square which together generate around HK\$6 billion of rental billings annually. ”

Doreen Lee
Executive Director, The Wharf (Holdings) Limited





Business Review
Harbour City

Total Business Assets

HK\$ **63,221** million

Revenue

HK\$ **5,356** million

Operating Profit

HK\$ **4,071** million

The premium location, diversified trade mix, well-rounded ancilliary services and innovative marketing campaigns... made Harbour City the ideal destination for shoppers and companies.





Statement of Financial Position (Extract)

As at 31 December 2009

Business Assets	HK\$ Million
Properties	62,581
Hotel and club (cost less depreciation)	247
Other assets	393
Total business assets	63,221

Gross Revenue

	2009 HK\$ Million	2008 HK\$ Million	Change (%)
Retail	2,550	2,166	+18
Office	1,662	1,585	+5
Serviced Apartments	255	275	-7
Hotel and Club	889	1,042	-15
Total	5,356	5,068	+6

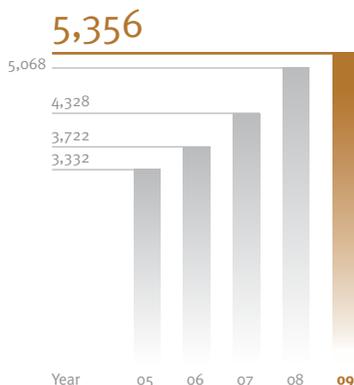
Operating Profit

	2009 HK\$ Million	2008 HK\$ Million	Change (%)
Retail	2,199	1,796	+22
Office	1,461	1,381	+6
Serviced Apartments	180	198	-9
Hotel and Club	231	351	-34
Total	4,071	3,726	+9



Total retail sales of Harbour City in 2009 set a new record at HK\$15.5 billion, grew by 16% from previous year, and represented 5.6% of the total retail sales in Hong Kong

Revenue (HK\$ Million)



Harbour City posted remarkable results for 2009, which marked its notable resilience to the global economic downturn and reaffirmed its distinguished position in the marketplace. Harbour City alone accounted for an unmatched 5.6% of total Hong Kong retail sales in 2009.

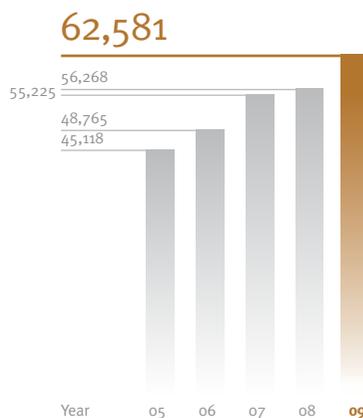
Harbour City (excluding hotels) achieved a turnover of HK\$4,467 million during the year, an increase of 11% over 2008, while its operating profit rose by 14% to HK\$3,840 million. Excluding the three hotels which are stated at cost less accumulated depreciation, Harbour City was valued at HK\$62,581 million at the end of 2009. Harbour City's total business assets represented 37% that of the Group.

Retail

The local retail market, despite being rocked by the onset of the global economic turmoil and the swine flu pandemic, has shown a marked revival since the latter part of 2009 as a result of a steadily recovering economy in tandem with a distinct upturn in local consumer sentiment. Spurred by a notable increase in the Mainland visitor arrivals, the retail market staged a strong recovery towards the end of 2009. Total retail sales of 2009 as a whole increased by 0.6% in value from a year earlier.

Retail performance at Harbour City consistently and significantly beat the overall retail market. For the full year of 2009, tenants at Harbour City registered

Property Value (HK\$ Million)
(hotel and club excluded)



Harbour City is the single largest shopping mall in town, it represents about 75% of the total shopping area of Canton Road.

a 16% year-on-year growth in total retail sales, outperforming the market by over 15 percentage points, thanks to the mall's premier location, sustained quality for the most exhilarating and rewarding shopping experience, diversified trade-mix and powerful retail marketing. In 2009, turnover of Harbour City's retail sector grew by 18% to HK\$2,550 million. Retail occupancy was committed at virtually 100% throughout the year while rents grew favorably. Total retail sales in 2009 set a new record at HK\$15.5 billion, with the average sales per square foot in December surging to a record high of close to HK\$2,400.

With the opening of the world's second largest Louis Vuitton store as well as Hermès boutique in 2008, Harbour City continued to recruit a host of new and international designers' labels such as Cartier, Moncler, and Vacheron Constantin etc. during 2009 to enrich the tenant mix as well as the retail shopping experience. The Food and Beverage sector at Harbour City has been further refined, with recruitment of BLT Burger, BLT Steak, Hip-Katsu and Nha Trang Vietnamese, which have been well-received by patrons.



- ▲ The world's second largest Louis Vuitton flagship store in Harbour City
- ◀ Enjoying the unique Victoria Harbour view over a sumptuous meal on the 4th floor patio

Harbour City has been well-positioned to weather the aftershocks of the global economic recession on the back of its leadership retail management. With a critical mass of stores across a finely-calibrated price point matrix of luxury, middle market and high street, Harbour City is renowned for its diversified trade-mix and its proven win-win partnership with leading tenants. Harbour City has created some high-growth clusters which have showcased their

leadership category positioning – KidX for kids (the best of class selection), Cosmetics (over 200 brands), SportX, Audio-visual Centre and Shoes (more than 100 brands).

Other complementary/ancillary facilities such as cinemas, fitness centres, recreational clubs and gallery facilitate the liveliest shopping experience at Harbour City.

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

	% by Rental	% by Area
Fashion	36.4	26.8
Leather Goods - Shoes Bags & Related Trades	23.9	11.8
Department Stores, Confectionery Products	12.0	7.4
Jewellery, Beauty and Accessories	11.5	20.6
Restaurant, Fast Food, F&B	5.2	15.5
Children's Wear & Related Trades, Toys	3.5	6.6
Sports Wear	2.8	3.0
Electrical & Audio-visual Equipments	2.2	2.3
Others	2.5	6.0
Total	100.0	100.0

Harbour City

Premier location is one of the crucial factors contributing to the success of Harbour City. The Harbour City shopping mecca is a mega retail footprint at the heart of Hong Kong's most dynamic and productive retail district. It is also the largest retail offer under one roof in Hong Kong and represents around 75% of the retail representation of Canton Road which by itself has formed a good critical mass.

Powerful retail marketing enables Harbour City to continuously excel in the marketplace. Its concerted efforts in staging innovative and product-driven promotions as well as sales-driven initiatives successfully boosted foot traffic and retail sales at Harbour City. Harbour City is among the first to introduce the "music in the city" in every weekend and to hold regular extraordinary art exhibitions with designated themes. It is also the pioneer in launching street parties at Canton Road to celebrate festive seasons. In addition, Harbour City has established long-term strategic partnerships with premiere partners such as China Union Pay ("CUP"). In

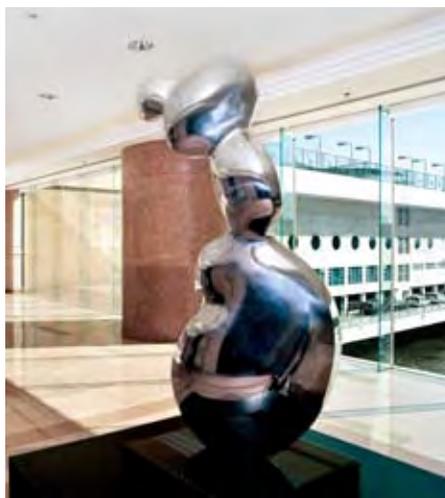
2009, total sales transactions of CUP at Harbour City were HK\$5.3 billion, up by 65% from a year earlier.

Harbour City will continue to put in the best of its efforts to fortify its competitive edge and to stay ahead of competition at all times.

Office

The office leasing market, being adversely affected by the global economic turmoil in the first half of 2009, turned up in the latter half of the year following a rebound in economic activity and henceforth an improved outlook. The office sector at Harbour City, on the back of positive rental reversion, performed satisfactorily. Turnover grew by 5% to HK\$1,662 million. Committed office occupancy was maintained at 93% at the end of 2009. Following the relocation of Sony Corporation from The Lee Gardens to The Gateway, Taishin International Bank, being enticed by the cluster of Taiwanese banks in Harbour City, has recently committed a floor at The Gateway by relocating from Admiralty.

Harbour City is among the first to introduce the 'art and culture' element to the shopping mall and office premises.



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	95.5%	94.1%	89.0%

Despite the challenging economic environment, there were a number of 'in-house expansions' at Harbour City including Estée Lauder, Mizuho Corporate Bank and Prudential. These expansions are of particular significance for Harbour City as other companies were relocating their offices to Kowloon East in anticipation of cost savings.

Lease renewal retention rate at Harbour City held up reasonably well at 67% during the year, with favourable rental increment. These included a host of anchor tenants such as APL, Japan

Airlines, LG Sourcing, Marks and Spencer, and Prudential etc. Thanks to its superb location at the heart of the business hub of Tsimshatsui with ideal transportation network, Harbour City continues to be a natural choice for multinationals, mainland and local enterprises. Well-rounded ancillary services including the mega shopping mall, three Marco Polo hotels, fitness centres and private recreation clubs enable the office sector at Harbour City to be better-positioned by comparing to other 'pure office' districts. In an effort to stay ahead in the increasingly competitive marketplace,

the leasing and property management teams will further improve the premises and be flexible to cope with market changes.

Serviced Apartments

With a decrease in average occupancy, turnover for the serviced apartments dropped by 7% to HK\$255 million. At the end of December 2009, committed occupancy at Gateway Apartments was maintained at 87% (2008: 87%). Large units of two-bedroom and three-bedroom apartments continued to enjoy virtually full occupancy.



◀ The Gateway Apartments are popular among expatriate and business travelers on extended business trips

Harbour City: Portfolio Information

	Gross Floor Area (sq ft)	Revenue (HK\$ Million)	Average Occupancy (%)	Year-end Valuation (HK\$ Million)
Retail	1,948,000	2,550	95	24,311
Office	4,435,000	1,662	93	31,840
Serviced Apartments	670,000	255	79	6,430
Hotel and Club (Stated at amortised cost)	1,364,000	889	82	5,160