

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



WHARF

Established 1886

THE WHARF (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 4

2009 Final Results Announcement

A New Milestone for Profitability

HIGHLIGHTS OF GROUP RESULTS

- Surpassing all records, **Group profit** attributable to shareholders before and after investment property revaluation surplus rose by 86% to HK\$7,817 million and by 180% to HK\$17,501 million, respectively.
- **Sustained structural strength** in Property Investment more than compensated for the cyclical weaknesses in other segments including Logistics and Hotels.
- **Property Investment** continued to predominate and accounted for 72% of Group operating profit. Revenue and operating profit increased by 8% to HK\$8.2 billion and 12% to HK\$6.2 billion respectively. Combined retail sales at Harbour City and Times Square represented 8% of Hong Kong's total.
- **Property Development** provided new growth momentum, with HK\$3 billion of turnover and HK\$1 billion of operating profit at a 33% operating margin. New sales in 2010 is budgeted to double the 4.7 million square feet and the over-HK\$5 billion achieved in 2009. HK\$4 billion of turnover is budgeted to be recognised in 2010 and operating margin is budgeted to improve over 2009.
- **Logistics** revenue and operating profit were challenged by the global downturn. Favourable finance costs and effective cost initiatives mitigated Modern Terminals' net profit decline to 4% only.

- Its **strong cashflow** and **modest debt leverage** will enable the Group to make additional quality investments when opportunities arise, particularly in Mainland properties, where its land bank currently exceeds 100 million sq. ft.
- **Final Dividend** is raised by 45% to HK\$0.64 per share, resulting in a rise of 25% in full year dividend to HK\$1.00 per share.

GROUP RESULTS

The Group's profit attributable to equity shareholders for the financial year ended 31 December 2009 amounted to HK\$17,501 million (2008: HK\$6,247 million). Basic earnings per share were HK\$6.35 (2008: HK\$2.28).

Excluding the net attributable investment property revaluation surplus, the Group's net profit attributable to equity shareholders would be HK\$7,817 million (2008: HK\$4,194 million), an increase of 86% over 2008.

DIVIDENDS

An interim dividend of HK\$0.36 per share (2008: HK\$0.36) was paid in September 2009, absorbing a sum of HK\$991 million (2008: HK\$991 million). The Directors recommend a final dividend of HK\$0.64 per share (2008: HK\$0.44), absorbing a sum of HK\$1,763 million (2008: HK\$1,212 million), to be paid on 15 June 2010. If this recommendation is approved, the total dividend for the financial year ended 31 December 2009 would amount to HK\$1.00 per share (2008: HK\$0.80).

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENT REVIEW

Harbour City

Harbour City and Times Square representing 51% of the Group's total business assets and 62% of total operating profit posted remarkable results for 2009, notwithstanding the challenging environment. This marked their notable resilience to the global economic downturn and unveiled their distinguished positioning in the marketplace. Harbour City and Times Square combined accounted for a phenomenal 8% of total Hong Kong retail sales in 2009.

Harbour City (excluding hotels) achieved a turnover of HK\$4,467 million during the year for

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% of the Group's.

Retail

The local retail market, despite being rocked by the onset of the global economic downturn 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.

Harbour City consistently and significantly beat the overall retail market. For the full year of 2009, tenants at Harbour City registered 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 *Hermes* boutique in 2008, Harbour City continued to recruit a host of new and international designers' labels such as *Vacheron Constantin*, *Moncler*, *Cartier*, 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 Steak*, *BLT Burger*, *Hip-Katsu* and *Nha Trang Vietnamese*, which have met with very favorable responses.

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.

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 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 arranging innovative and product-driven promotions as well as sales-driving 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 vendors 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 impacted by the global economic downturn in the first half of 2009, has 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 relocated from Admiralty Centre. Despite the less favourable economic environment, there were a number of in-house expansions at Harbour City including *Prudential*, *Estee Lauder* and *Mizuho Corporate Bank*. These expansions are of particular significance for Harbour City when other insurance 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 *Prudential*, *Marks and Spencer*, *LG Sourcing*, *APL*, *Japan Airlines*, 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 multinational, 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 the 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.

Times Square

Times Square turned over HK\$1,426 million during 2009, for an increase of 9% over 2008. Operating profit rose by 10% to HK\$1,242 million. Times Square was valued at HK\$24,000 million at the end of 2009. Times Square's total business assets represented 14% of the Group's.

Retail

Turnover for Times Square's retail sector increased by 10% to HK\$956 million. Average retail occupancy was maintained at virtually 100%, with favourable rental growth. In a bid to enrich the product offerings, tenant mix was further refined, with recruitment of a spate of international and trendy labels including *CK Calvin Klein*, *Replay*, *Jill Stuart*, *Levi's*, etc during the year. The audio-visual cluster at Times Square was further strengthened with the opening of *Sunlite Computronics* and *Radar Audio Company*. Toast Box, a popular toast and coffee shop operated by Singapore's Megabite opened on the basement in March 2009, which has met with favourable responses. The Food Forum has been further fine-tuned with recruitment of a host of quality operators including *Budaoweng Hotpot Cuisine* and *SML* which opened in June and August 2009 respectively. The new sky escalators in the atrium of the mall were completed in November 2009 and are now up and running. These escalators are not only exciting but also improving the circulation of the mall. Successful zoning at Times Square facilitated an even distribution of foot traffic around the retail mall.

Times Square, similar to Harbour City, displayed its resilience in weathering the storm during 2009. It is among the most successful vertical malls in town, with unique design (16 floors), exciting and diverse trade-mix as well as direct link to the Mass Transit Railway in Causeway Bay. It is also the single largest iconic mall, with one million square feet, in the prime retail district on Hong Kong Island, providing endless excitement to shoppers under one roof. It manages to achieve total retail rental revenue close to HK\$1 billion in 2009.

The success of Times Square was underpinned by its right merchandising, right foot traffic and right rental rates. Constant trade-mix enhancement, strong branding and innovative marketing initiatives enabled Times Square to stay ahead in the marketplace. The New Year's Eve Apple Countdown which attracted a myriad of visitors annually to celebrate the arrival of the new year has been a Hong Kong landmark event since 1993. Times Square, over the years, supported and organised exhibitions of both local artists and world-renowned art masters including Ju Ming, Huang Yong Yu and Jimmy Liao and has evolved itself as an art and cultural hub. It will continue to strengthen its leading position through continuous

brand-mix refinement and providing shoppers with vibrant and all-round shopping experience. The Group is poised to embark on a myriad of exciting plans, which will be unveiled in the near future.

Office

Turnover from the office tenants rose by 7% to HK\$470 million, on the back of positive rental reversion. Committed occupancy was maintained at 95% at the end of 2009.

Times Square remained to be the preferred location for many multinationals engaged in the service or consumer goods sectors. Lease renewal retention rate stood high at 75%, and renewals included *Walt Disney*, *Coca-Cola*, *AIA*, *Assicurzaioni Generali*, etc. New lettings during the year included in-house expansions such as *JTI*, *Mary Kay*, *Assicurzaioni Generali*, *Bershka*, etc.

China

All four completed Times Squares, i.e. in Beijing, Shanghai, Chongqing and Dalian performed satisfactorily. With a full-year contribution from Dalian Times Square, which opened in late 2008, being recognised in 2009, total revenue rose by 15% and operating profit by 26%. The disposal of the Beijing Capital Times Square in November 2009 for RMB2.7 billion at an after-tax profit amounting to HK\$1.4 billion was recognised in 2009.

Wheelock Square at Nanjing Xi Road (南京西路) of Shanghai, with an attributable GFA of 1.2 million square feet of premium Grade A offices, is scheduled for completion by June 2010. Marketing of Wheelock Square is in progress following the completion of the show suite in 2009. Commitments and letter of intent received so far are encouraging.

Chengdu International Finance Centre is the Group's next flagship development. Ideally located in Hongxing Road (紅星路) in the heart of the city's business centre, it is comparable in scale and significance to Harbour City in Hong Kong. It will comprise a mega retail complex, Grade A offices, a five-star hotel and luxury residences. From its superb location in the city's main commercial district, the project will link to the adjacent mass transit railway station where two lines intersect. It aims to become the "Best of the West" as the new shopping hub for not only Chengdu but also the entire Western region. Foundation work will commence within this month. Phase I comprising the mega retail complex and one office tower is targeting to complete by the first half of 2013.

Property Development

Turnover grew by HK\$2,355 million to HK\$3,065 million and profit before tax improved by HK\$1,283 million to HK\$1,139 million. Phased completion enabled pre-sales commitments for Dalian Times Square in Dalian, Tian Fu Times Square and Crystal Park in Chengdu to be booked.

Thanks to the Central Government's economic stimulus measures, the property market in the Mainland, following a fall-off in late 2008, has regained momentum and turned up distinctly in 2009. Underpinned by its reputable branding, execution capability and well-located residential projects, the Group has proven track record of price leadership in the marketplace. Both sales volume and prices achieved have been kept on a rising trend. As a result, the Group has surpassed its 4.5-million-square-foot sales target for the full year of 2009. A total of 4.7 million square feet of properties were sold or pre-sold in 2009, with a combined value of RMB4.6 billion, primarily in Chengdu, Dalian, Chongqing, Wuxi and Shanghai.

The Group was particularly active in Chengdu. Over 99% of the first nine residential towers (Times Residences) at Tian Fu Times Square, six of which launched during February-October 2009, have been sold/pre-sold. The first three towers were completed and the related property sales profits were recognised in 2009. Over 99% of the first eight residential towers at Crystal Park, six of which launched during February-June 2009, have been sold/pre-sold. The ninth residential tower has recently been launched for sales since mid-January 2010. Over 98% of these units offered were presold within one month at an average price of over RMB9,200 per square metre, which has surged notably from the previous price levels. The first four towers were completed and the related property sales profits were booked in 2009.

Dalian Times Square has successfully sold/pre-sold 87% of its two residential towers (Dalian Times No. 1 & 8). The latter was launched in March 2009. Both towers were completed and the related property sales profits were recognised in 2009.

The first 22 residential towers (Wuxi Times City) at Wuxi Taihu Plaza (無錫中南路太湖廣場住宅項目) have been launched since August 2009, of which 83% have been pre-sold at excellent selling prices. 14 of these towers were launched in 2009 while the rest in the first quarter of 2010. Construction work for the first phase of residential development is underway. The whole development is scheduled for completion in phases by 2015.

In Shanghai, No. 1 Xin Hua Road is a low density super-deluxe residential development ideally located at the junction of Xin Hua Road (新華路) and Huai Hai Xi Road (淮海西路) in Changning District (長寧區). The first four residential blocks have been launched since August 2009, of which 86% have been pre-sold at an average price of RMB80,000 per square metre. Latest transactions witnessed an average price exceeding RMB100,000 per square metre. The development is expected to be completed by July 2010.

The CBD International Community project in Danzishi (彈子石) of Nanan District (南岸區) along the Yangtze River (長江), ideally located in the future headquarters hub of Chongqing and developed by the Group and China Overseas Group on a 40:60 basis, has pre-sold over 99% of its first 13 residential towers and 88% of its retail units launched. The development comprises 22.6 million square feet GFA of high-end comprehensive residences,

apartments/retail development and is expected to be completed in phases by 2014.

At Wellington Garden in Shanghai, 100% of the units had been sold at the end of December 2009. The four residential towers and the office-apartment towers at Wuhan Times Square have been 98% and 53% sold, respectively.

Other Projects under Development

In Shanghai, Jingan Garden, well located at the prime residential area of Jingan District on Wanhangdu Road, offers an attributable GFA of 763,000 square feet. Construction work is expected to commence in the fourth quarter of 2010. The development is scheduled for completion by 2013.

In Chengdu, a site in Shuangliu Development Zone (雙流發展區) will be developed into a commercial and residential complex with an attributable GFA of 9.8 million square feet. In Phase I, an outlet mall, namely, Times outlets with an attributable GFA of 680,000 square feet, started trial operation on 27 November 2009. Grand opening was held on 18 December 2009. It attracted a spate of reputable international and local brands including *Guess*, *Kent & Curwen*, *Cerruti 1881*, *Nike*, *Adidas*, *Hush Puppies*, etc. In addition, a site in Dongda Jie (東大街) of Jinjiang District (錦江區) will be developed with Sun Hung Kai Properties and Henderson Land in the near future. The Group's 30% stake translates into an attributable GFA of over 4.0 million square feet.

In Suzhou, a site located between Jinji Lake (金雞湖) and Dushu Lake (獨墅湖) on the eastern side of the city and next to a 27-hole golf club will be developed into deluxe low density residences with an attributable GFA of 2.1 million square feet. Construction work has commenced since the fourth quarter of 2009. Another site, located in the Suzhou Industrial Park (蘇州工業園區) next to Qing Jian Hu (青劍湖) and Wei Ting Sun Island Golf & Resorts (唯亭太陽島高爾夫俱樂部), is being developed by the Group and China Merchants Property on a 50:50 basis. The residential development will have an attributable GFA of 0.9 million square feet.

In Hangzhou, a site ideally located in a prime area in the Xihu District (西湖區), Zhuantang Town (轉塘鎮) and next to West Lake International Golf & Country Club (西湖國際高爾夫俱樂部) in the proximity of Songcheng (宋城), is jointly developed with Jindu on a 50:50 basis. It will offer an attributable GFA of 2.0 million square feet and is scheduled for completion in phases by 2014. Construction work for the first three phases has commenced.

In Wuxi, a site located along Beijing-Hangzhou Grand Canal (京杭大運河) at Renmin Plaza (人民廣場), in the new CBD Nanchang (南長區), comprises two parcels of land with a total attributable GFA of 11.9 million square feet. One parcel is planned for an upscale residential project (8.9 million square feet), namely, Wuxi Times City (無錫時代上城). Pre-sale of

which has commenced since August 2009 and its sales progress has been previously described. The other land parcel is for a high-rise commercial development, which comprises offices (including a super high rise tower), hotel and apartments, is expected to be completed by 2016.

A second site in Wuxi comprising three land parcels is also located in Nanchang District (南長區) and alongside the 2,500-year-old ancient canal. They offer a total attributable GFA of 7.0 million square feet. Two parcels are wholly owned by the Group (GFA: 5.2 million square feet) and the third (GFA: 3.5 million square feet) is being developed with Shanghai Forte on a 50:50 basis. These commercial and residential developments are scheduled for completion in phases by 2014 to 2015.

Separately, listed subsidiary Harbour Centre Development Limited (“HCDL”) is developing five prime sites in the cities of Changzhou, Suzhou, Chongqing and Shanghai.

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. 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 Group with HCDL 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. 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. This Chongqing 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 HCDL 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 13.5million square feet.

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. 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.

New Acquisitions

The Group, since September 2009, has acquired six prime sites in the cities of Tianjin, Chongqing, Chengdu and Hangzhou.

The first site in Tianjin was acquired and developed by the Group and China Merchants Property Group on a 50:50 basis. It is ideally located atop the Jing Jiang Lu (靖江路) Mass

Transit Railway (“MTR”) station, and just outside the mid-ring road of the Tianjin city, within the He Dong Qu (河東區). He Dong Qu is a district which connects the old districts and Bin Hai Xin Qu (濱海新區). The Jing Jiang Lu (靖江路) MTR station is the inter-change for MTR Route 2 and Route 5. The former route is under construction and is expected to complete by the end of 2010. The latter route is expected to commence construction early next year and to complete by 2014. Other than the MTR routes, the site enjoys the convenient traffic of the Wei Guo Dao (衛國道, major fast road), West Express Way (西縱快速路) and Central Ring Road (中環線). With a site area of 512,000 square feet and GFA of 1.3 million square feet (attributable GFA: 0.65 million square feet), the development will comprise high-end residential and commercial properties. Construction is expected to commence within this year and completion is expected to take place in 2014.

Another site in Tianjin was acquired by the Group and China Overseas Group in January 2010 on a 50:50 basis. The site is located atop the Tie Dong Lu (鐵東路) MTR station and at the North Eastern side of Tianjin city centre, just outside the mid-ring road. It is located in He Bei Qu (河北區), one of the six urban districts of Tianjin. The Tie Dong Lu (鐵東路) MTR station is on Tianjin MTR Route 3, which is under construction and scheduled to be in operation in 2011. In addition to the MTR, transportation is very convenient in the sense that major main roads such as Zhi Cheng Lu (志成路, fast road) and Tie Dong Lu (鐵東路, part of mid-ring road) are nearby. The site area is 1.6 million square feet developable into 5.3 million square feet (attributable GFA: 2.63 million square feet), of which 75% is for residential purpose and the rest for commercial purpose. Construction is expected to commence in 2010 and completion is expected to take place in 2015.

The Group, following its acquisition of one site in Jiangbei City (江北城) and one site in Danzishi (彈子石) of Chongqing which are designated to be the future CBD with good transportation networks, acquired another two sites in Jiangbei City. All of these sites are developed together with China Overseas Group. With these acquisitions, the Group has become the dominant player in the future CBD of Chongqing that secures its distinct positioning in the district. The two recent sites, being developed by the Group and China Overseas Group on a 50:50 basis, boast a site area of 2.9 million square feet developable into 14.4 million square feet (attributable GFA: 7.2 million square feet). One of the sites perfectly located at the centre of Jiangbei City, is for commercial development. This site, which embraces a GFA of 4.8 million square feet (attributable GFA: 2.4 million square feet), will be developed into a large commercial complex comprising retail, offices and apartments. Another site which offers a GFA of 9.6 million square feet (attributable GFA: 4.8 million square feet), will be developed into high-end residences. Construction is targeted to commence in the third quarter of 2010 and completion is expected to take place in 2018.

The Group’s second project in Hangzhou was acquired in November 2009 for residential development. It comprises two sites located at Gongshu District (拱墅區), a traditional

residential district with well-developed living facilities, and near the historical 拱辰橋 and 京杭大運河 of Hangzhou. These sites boast a site area of 914,000 square feet and offer a GFA of 2.4 million square feet. Construction work is expected to commence in the first quarter of 2011. The whole development is scheduled for completion by 2014.

In Chengdu, following its acquisition of five prime sites over the past few years, the Group has acquired, since November 2009, another two sites close to the city centre for residential development. One of the sites is located at Jinjiang District (錦江區) and bounded by Dongdajie (東大街) to its southern side and Jinhua Nan Lu (經華南路) to its eastern side. It is close to the junction of first Ring Road and Dongdajie, which provide direct accessibility to the city centre and major districts in Chengdu. Metro line 2 will pass through Dongdajie with a stop at Niushikou (牛市口), 500 metres from the site. The development boasts a site area of 160,000 square feet and offers a GFA of 639,000 square feet. Planning and design is in progress. Construction is targeted to commence by mid 2010. Another site is located at a mature residential area in East second Ring Road of Chenghua District (成華區) with sufficient community facilities nearby. It offers a GFA of 3.5 million square feet and will be developed into upscale residences.

Property development is well-poised to be a key growth driver for the Group in the medium term. The Group's land bank in the Mainland exceeds 100 million square feet, after its recent acquisition of six prime sites for development in the cities of Chengdu, Hangzhou, Tianjin and Chongqing since September 2009. In terms of its target property sales, the Group planned to sell/pre-sell close to 10 million square feet in 2010 to generate RMB10 billion of proceeds covering Chengdu, Chongqing, Wuxi, Shanghai, Hangzhou, Suzhou and Changzhou. The strong cashflow expected in 2010 will enable the Group to make additional quality investments if opportunities arise, particularly in Mainland properties.

Modern Terminals

A world-wide plunge in trade flows resulted from the global financial crisis took its toll on the throughput and revenue at Modern Terminals for 2009. Despite some signs of stabilisation towards the end of the year, South China and Shenzhen (including Nansha) throughput as a whole dropped by 14% and 13% respectively for 2009. Kwai Tsing throughput likewise witnessed a 14.5% decline. Shenzhen's and Hong Kong's market shares remained at about 55% and 45% respectively.

For 2009, Modern Terminals group's consolidated revenue was HK\$2,840 million (2008: HK\$3,446 million). Thanks to the proactive and aggressive cost saving initiatives rolled out at the beginning of 2009, which effectively reduced the consolidated operating costs by 22%, the consolidated operating profit was held up at HK\$1,307 million (2008: HK\$1,608 million). Favourable finance costs coupled with the cost saving initiatives further mitigated Modern Terminals' bottom line and narrowed the rate of net profit decrease to 4% only from a year

earlier.

Modern Terminals' throughput in Hong Kong dropped by 13.3% to 5.12 million TEUs amidst the global-wide collapse in trade demand. Taicang International Gateway in Suzhou, comprising 6 berths with a capacity of 3.6 million TEUs, however, grew by 4% in terms of container volume in 2009, coupled with a significant growth in breakbulk cargo alongside a revival in intra-Asia trade since the middle of 2009. Da Chan Bay Terminal One in Shenzhen, notwithstanding the difficult market climate, has successfully added 8 new services throughout the year and now provides a full and comprehensive range of service routes to meet different customer needs. Chiwan Container Terminal, in which Modern Terminals holds an 8% attributable stake, handled 3.0 million TEUs and Shekou Container Terminals, in which Modern Terminals holds a 25% stake, handled 3.3 million TEUs. Such 25% stake was diluted from 27% upon the completion of Stage three of the rationalisation agreement in March 2009 and will eventually be diluted to 20% with the completion of all stages of rationalisation.

Modern Terminals has an established presence in Pearl River Delta and Yangtze River Delta, the two largest manufacturing regions in China. The group will continue to seek business expansion opportunities, in line with China's "Master Plan" for port development.

Other Businesses

Plaza Hollywood posted a 6% growth in turnover to HK\$340 million, on the back of favourable rental growth during the year. Average occupancy was maintained at over 99% throughout 2009.

For our Peak property portfolio, leasing activities remained active during the year. 1 Plantation Road, Chelsea Court and Mountain Court were over 90% let during 2009, with favourable rental growth.

The Group continues to look for opportunities to dispose of its non-core properties in accordance with its policy.

Marco Polo Hotels

The Group currently has a portfolio of ten operating Marco Polo hotels in the Asia Pacific Region.

The three hotels in Harbour City were significantly impacted by the global recession and the swine flu pandemic that curtailed travel demand for most of the year. Total hotel and club revenue was HK\$963 million. An 18% decline in the average room rate was the primary factor impacting overall performance. Consolidated occupancy in 2009 dropped to 82% (2008: 86%) as a result of a notable slowdown in inbound travel, particularly in the first half of 2009.

A new deluxe Marco Polo hotel in Jinjiang, Fujian opened in February 2010. Marco Polo is set to expand its footprint in Asia Pacific with 6 additional hotels. Additional Marco Polo hotels are planned for Changzhou, Wuxi, Chengdu and Suzhou in China; Manila in the Philippines and the first resort at Mission Beach in Australia.

Marco Polo hotels are achieving very strong performance in their respective locations with the Marco Polo Wuhan, Marco Polo Shenzhen, Marco Polo Davao and the Prince Hotel achieving leading competitive market positions.

i-CABLE

i-CABLE has sharpened its business focus and exited marginal non-core businesses. It has emerged from the financial tsunami as a more focused, sharpened and vibrant organisation. Work processes have been streamlined and resources have been redeployed from support to content, marketing and sales. Renewed momentum marked the group's performance in 2009. The momentum, together with effective cost control, reduced the loss after tax to HK\$40 million, from HK\$111 million in 2008. Turnover decreased by 16% to HK\$1,754 million (2008: HK\$2,080 million). The group's cash position remains strong with net cash of HK\$531 million as at 31 December 2009, despite an increase in capital investment in a new encryption system to protect its content and in production facilities for High Definition (HDTV) programmes.

Pay TV revenue bottomed out in mid-2009 and is on a course of firm rebound ahead of FIFA World Cup 2010 and the new Barclays Premier League season. High-yield Pay TV subscription resurged, spurred on by the shutting down of the old, leaky encryption system as well as the strong local content and acquired programmes such as the UEFA Champion and Europa Leagues. As a result, Pay TV subscribers grew by 9% year-on-year to exceed the one million mark at the end of 2009. The group is investing in more content, (HDTV), content protection and broadband upgrade. Steps are being taken to unlock the value hidden in i-CABLE's content capability including Free TV, outdoor media and new media.

Wharf T&T

Vindicating its deliberate 'Strictly Business' focus and ICT transformation over the past few years, Wharf T&T has made new history in 2009 and is very well positioned to take over as the up and coming leader for business customers. Buoyed by a noticeable rise in profits and cash flow. Wharf T&T outperformed the competition despite unfavourable market conditions. Both installed base and net revenue improved. Profit margin continued to widen and free cash flow expanded to HK\$1 million a day. Total turnover rose slightly to HK\$1,650 million (2008: HK\$1,641 million). Record high net profit of HK\$213 million (2008: HK\$140 million) and free cash flow of HK\$366 million (2008: HK\$223 million) was reported in 2009.

The fixed line installed base grew by 7,000 to 628,000 (2008: 621,000), representing an overall market share of 12%. Business lines rose to 450,000 (2008: 441,000) for a 17% market share, and residential lines slipped slightly to 178,000 (2008: 180,000) for an 8% market share.

FINANCIAL REVIEW

(I) Review 2009 Results

Despite the global economic downturn in 2009, the Group achieved its all-time high profits attributable to shareholders before and after the net investment property revaluation surplus at HK\$7,817 million and HK\$17,501 million, representing an increase of 86% and 180% over 2008 respectively. The unprecedented results reflected the Group's strong rental revenue growth, the sharp rise in profit on property sales in China, the benefit from persistent low interest environment, the one-off profit on disposal of Beijing Capital Times Square and the appreciation of the underlying value of the Group's investment property portfolio.

Turnover

The Group's turnover for 2009 rose by HK\$1,613 million or 10% to HK\$17,553 million (2008: HK\$15,940 million), benefiting from the robust growth in rental revenue and the encouraging property sales in the Mainland.

Property Investment's rental revenue from Hong Kong recorded a 10% increase to HK\$6,637 million whilst that from China rose by 15% to HK\$592 million. However, the worldwide slowdown of the hotel industry stemming from the global financial crisis persisted despite to a lesser extent in the second half of 2009, making the Group's hotel revenue declined by 9% to HK\$963 million. In aggregate, the segment turnover reported a net increase of 8% to a record high of HK\$8,192 million.

Property Development recorded a significant increase in revenue by HK\$2,355 million or 332% to HK\$3,065 million as the Group's China segment had experienced very strong growth in property sales and with the phased completion of the residential towers in Dalian Times Square and Chengdu Tian Fu Times Square.

Logistics' revenue decreased by 20% to HK\$3,091 million, mainly reflecting the 13% reduction in volume throughput at Modern Terminals as world trade sharply contracted.

CME's revenue dropped by 9% to HK\$3,404 million. Wharf T&T continued to

enhance its revenue but that was offset by the decrease reported by i-CABLE.

Operating Profit

The Group's operating profit increased by HK\$1,011 million or 13% to HK\$8,554 million, mainly driven by the increase in rental revenue and the robust profit contribution from property sales in China.

Property Investment continued to be the key profit contributor with its operating profit increased by 12% to HK\$6,191 million. Harbour City (excluding Hotels) and Times Square rose by 14% and 10%, respectively, reflecting the underlying strong rental reversion and consistently high occupancy for the retail areas, despite the persistent pressure on office rental rates since late 2008. The investment properties in China also performed well and increased its operating profit by 26%, partly due to the expanding portfolio.

Hotel operating profit decreased by 21% to HK\$242 million with both occupancy and average room rate adversely affected by the weak demand in the hotel industry under the prevailing economic conditions. The performance is largely in line with the market.

Property Development's operating profit ballooned to HK\$1,012 million, an increase of HK\$928 million from its minimal level in 2008, wholly attributable to the expanding property sales achieved by the China segment with the phased completion of the residential units at Dalian Times Square and Chengdu Tian Fu Times Square.

Logistics' operating profit dropped by HK\$345 million or 20% to HK\$1,418 million primarily due to the decrease in Modern Terminals' consolidated throughput of its terminal operations in Hong Kong and the Mainland. Favourable finance costs together with proactive cost saving initiatives helped mitigate its bottom line to a decrease of 4% against last year.

CME's operating profit recorded a HK\$99 million or 155% increase to HK\$163 million. Wharf T&T's operating profit increased by 52% to HK\$213 million. i-CABLE, through its effective cost control initiatives, helped narrowing its operating loss by HK\$28 million.

Investment and Others segment reported a decrease in operating profit to HK\$90 million (2008: HK\$304 million), mainly due to the reduction in interest income amid the prevailing exceptionally low interest rate environment.

Profit on Disposal of an Investment Property

Profit on disposal of an investment property for the year amounted to HK\$1,110 million representing the disposal profit of Beijing Capital Times Square. Together with the net tax credit of HK\$283 million mainly related to the release of the deferred tax previously provided for the revaluation surplus, the net profit for the disposal amounted to HK\$1,393 million.

Increase in Fair Value of Investment Properties

The book value of the Group's investment property portfolio as at 31 December 2009 was HK\$115.5 billion, with HK\$111.8 billion thereof stated at fair value based on an independent valuation as at 31 December 2009, which produced a revaluation surplus of HK\$12,204 million (2008: HK\$1,793 million). The attributable net revaluation surplus of HK\$9,684 million (2008: HK\$1,363 million), after deducting related deferred tax and minority interests, was credited to the consolidated income statement.

The non-revalued investment properties in the amount of HK\$3.7 billion are all under development and not carried at fair value until at the earlier of when their fair values first become reliably measurable or 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 under development.

Other Net Income/Net Other Charge

Other net income for the year amounted to HK\$227 million (2008: HK\$96 million) mainly included profit on disposal of available-for-sale investments, certain subsidiaries and jointly controlled entities. Net other charge of HK\$52 million (2008: HK\$145 million) represented the written off of certain fixed assets.

Finance Costs

Finance costs charged to the consolidated income statement were HK\$338 million for the year under review (2008: HK\$1,521 million). Included in finance costs was a mark-to-market unrealised gain of HK\$46 million (2008: unrealised loss of HK\$612 million) on the cross currency/interest rate swaps in compliance with the prevailing accounting standard.

Excluding the impact of the unrealised mark-to-market changes on the swaps, finance cost after capitalisation was HK\$384 million (2008: HK\$909 million), a reduction of HK\$525 million as benefited from the persistent low interest rate in the prevailing

market during the year under review.

Finance costs was stated after capitalisation of HK\$212 million (2008: HK\$200 million) for the Group's related assets.

Share of Results (after tax) of Associates and Jointly Controlled Entities

The share of profit of associates increased by 107% to HK\$281 million (2008: HK\$136 million). Profit contribution from the jointly controlled entities increased by HK\$70 million to HK\$75 million, mainly benefited from the property sales recognised by a jointly controlled entity involved in properties development in China.

Income Tax

Taxation charge for the year was HK\$3,973 million (2008: HK\$1,189 million), which included deferred taxation of HK\$2,449 million (2008: HK\$433 million) provided for the current year's investment properties revaluation surplus. In 2008, there was a credit adjustment of HK\$768 million in respect of the previous years' deferred tax liabilities, mainly related to investment property revaluation surplus, resulting from the 1% reduction in Hong Kong profits tax rate.

Excluding the above deferred tax charge and credit adjustment, the tax charge was HK\$1,524 million (2008: HK\$1,524 million), which included a provision of HK\$194 million (2008: HK\$292 million) made for certain tax cases primarily relating to interest deductibility under discussion with the Inland Revenue Department.

Minority Interests

Minority interests increased by HK\$116 million to HK\$587 million reflecting the increase in net profits of certain non-wholly-owned subsidiaries, mainly from HCDL.

Profit Attributable to Equity Shareholders

The Group's profit attributable to equity shareholders increased by 180% to HK\$17,501 million (2008: HK\$6,247 million). Earnings per share were HK\$6.35 (2008: HK\$2.28), based on 2,754 million issued shares.

Excluding the net investment property revaluation surplus after associated deferred tax of HK\$9,684 million (2008: HK\$1,363 million and the related deferred tax credit of HK\$690 million), the Group's profit attributable to shareholders for the year was HK\$7,817 million (2008: HK\$4,194 million), a rise of 86% over 2008.

(II) Liquidity, Financial Resources and Capital Commitments

Shareholders' and Total Equity

As at 31 December 2009, the Group's shareholders' equity increased by HK\$15,716 million to HK\$115,210 million, equivalent to an increase of 16% to HK\$41.83 per share (2008: HK\$36.13 per share).

Including the minority interests, the Group's total equity increased by 15% to HK\$122,164 million (2008: HK\$105,857 million).

Total Assets

The Group's total assets increased by 13% to HK\$190.5 billion (2008: HK\$168.6 billion).

Included in the Group's total assets is the Investment Property portfolio of HK\$115.5 billion, representing 61% of total assets. The core assets in this portfolio are Harbour City and Times Square in Hong Kong, which are valued at HK\$62.6 billion (excluding the 3 Hotels) and HK\$24.0 billion, respectively. Together, they represent 75% of the value of the Investment Property portfolio.

Other major assets included other properties and fixed assets of HK\$18.5 billion, interest in jointly controlled entities and associates (mainly for China property and port projects) of HK\$11.8 billion, properties under development and held for sale (mainly in China) of HK\$17.8 billion and bank deposits and cash of HK\$18.4 billion.

Geographically, the Group's assets in China, mainly properties and terminals, increased to HK\$60.7 billion (2008: HK\$50.4 billion), represented 32% of the Group's total assets.

In previous years, an investment property under development was not classified as investment property and stated at cost. As a result of the change in the relevant accounting standard, such property has been classified as investment property and carried at fair value at the earlier of when the fair value first becomes reliably measurable or the date of completion of the property.

Debts and Gearing

The Group's net debt decreased by HK\$0.7 billion to HK\$21.4 billion as at 31 December 2009 (31 December 2008: HK\$22.1 billion), which was made up of HK\$39.8 billion in debts and HK\$18.4 billion in bank deposits and cash. Included in the Group's net debts were HK\$12 billion (31 December 2008: HK\$11.6 billion) attributable to Modern Terminals, HCDL and other subsidiaries, which are without recourse to the Company and other subsidiaries of the Group. Excluding these non-recourse debts, the Group's net debt was reduced by 10% to HK\$9.4 billion (31 December 2008: HK\$10.5 billion).

As at 31 December 2009, the ratio of net debt to total equity was 17.5% (31 December 2008: 20.9%).

Finance and Availability of Facilities

The Group's available loan facilities and debt securities totally amounting to HK\$58.9 billion, of which HK\$39.8 billion were drawn, as at 31 December 2009 are analysed as below:

	31 December 2009		
	Available Facility HK\$ Billion	Total Debts HK\$ Billion	Undrawn Facility HK\$ Billion
<u>Company/wholly-owned subsidiaries</u>			
Committed facilities	33.8	25.0	8.8
Uncommitted facilities	0.5	-	0.5
	<u>34.3</u>	<u>25.0</u>	<u>9.3</u>
<u>Non-wholly-owned subsidiaries</u>			
Committed and uncommitted			
- Modern Terminals	16.8	11.1	5.7
- HCDL	4.6	3.0	1.6
- i-CABLE	0.4	-	0.4
- Others	2.8	0.7	2.1
	<u>58.9</u>	<u>39.8</u>	<u>19.1</u>

Of the above debts, HK\$8,996 million (31 December 2008: HK\$8,160 million) was secured by mortgage over certain properties under development and fixed assets with total carrying value of HK\$22,474 million (31 December 2008: HK\$15,915 million).

The Group's debts were primarily denominated in Hong Kong dollar ("HKD"), United States dollar and Renminbi ("RMB"). RMB borrowings were used to fund the Group's property development and port-related investments in China.

The use of derivative financial instruments was strictly monitored and 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 foreign currency exposures.

The Group maintained a very strong financial position with ample surplus cash denominated principally in HKD and RMB and undrawn committed facilities to facilitate the Group's expanding business and investment activities. As at 31 December 2009, the Group also maintained a portfolio of available-for-sale investments with an aggregate market value of HK\$1.3 billion (31 December 2008: HK\$0.7 billion), which is immediately available for liquidation for the Group's use.

Cash Flows for the Group's Operating and Investing Activities

For the year under review, the Group's net cash inflow before change in working capital increased to HK\$9.7 billion (2008: HK\$8.6 billion). The changes in working capital resulted in a net cash outflow of HK\$2.1 billion (2008: HK\$6.9 billion), primarily due to payment for land and construction cost for trading properties under development in China. For investing activities, the Group reported a net cash outflow of HK\$5.4 billion (2008: HK\$5.7 billion), mainly represented payment of construction cost for investment properties under development in China and investments in jointly controlled entities involved in property development projects in China.

Major Expenditure and Commitments

The major expenditure incurred by the Group's core businesses during the year and related commitments at 31 December 2009 are analysed as follows:

Business Unit/Company	Expenditure for 2009	Commitments as at 31 December 2009	
	HK\$ Million	Authorised and Contracted for HK\$ Million	Authorised but not Contracted for HK\$ Million
a. <u>Capital expenditure</u>			
Property Investments	1,586	6,264	11,212
Wharf T&T	287	92	141
i-CABLE (73.8%-owned)	261	45	90
Modern Terminals (67.6%-owned)	862	553	1,416
	<u>2,996</u>	<u>6,954</u>	<u>12,859</u>
b. <u>Programming and others</u>			
	<u>87</u>	<u>2,226</u>	<u>139</u>
c. <u>Trading properties under development</u>			
Subsidiaries (China / Hong Kong)	4,018	8,027	20,428
JCEs/ associates (China)	1,788	4,335	10,459
	<u>5,806</u>	<u>12,362</u>	<u>30,887</u>

For the Property Investment segment, the capital expenditure incurred was mainly for the construction of Shanghai Wheelock Square, Chengdu International Finance Centre and certain refurbishment and renovation work in particular for Harbour City. For i-CABLE and Wharf T&T, the capital expenditures were incurred substantially for procurement of production and broadcasting equipment, network rollout and internet service equipment while those for Modern Terminals were mainly for the construction of the Dachan Bay Phase I and Taicang Phase II ports. i-CABLE and Modern Terminals, respectively 73.8% and 67.6% owned by the Group, independently funded their own capital expenditure programmes.

In addition to the capital expenditure, the Group also incurred HK\$5.8 billion for development of its trading properties in China, either wholly-owned or undertaken through associates and jointly controlled entities.

As at 31 December 2009, the total commitments for development of properties for investment and trading purposes was about HK\$60.7 billion, including attributable land cost of HK\$13.2 billion payable by installments mainly from 2010 to 2013. These developments will be executed by stages in the forthcoming years and funded by the Group's internal financial resources including its surplus cash of HK\$18.4 billion, as well as bank and other financings. Other available resources include proceeds from sales and pre-sales of properties.

In January and February 2010, the Group acquired another two land parcels in Chengdu and Tianjin respectively with total attributable land cost payable of HK\$2.7 billion.

Rights Issue by a subsidiary

In May 2009, HCDL, a non-wholly-owned listed subsidiary, completed its rights issue for 236 million new ordinary shares at HK\$3.99 each with proceeds of about HK\$277 million received from the minority shareholders. The Group maintained its interest in HCDL at 70.37% as that before the rights issue.

(III) Human Resources

The Group had approximately 12,700 employees as at 31 December 2009, including about 1,900 employed by managed operations. 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 respective group's achievement and results.

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	17,553	15,940
Direct costs and operating expenses		(6,069)	(5,359)
Selling and marketing expenses		(722)	(695)
Administrative and corporate expenses		(907)	(951)
Operating profit before depreciation, amortisation, interest and tax		9,855	8,935
Depreciation and amortisation		(1,301)	(1,392)
Operating profit	2 & 3	8,554	7,543
Profit on disposal of an investment property	4	1,110	-
Increase in fair value of investment properties		12,204	1,793
Other net income	5	227	96
Net other charge	6	(52)	(145)
		22,043	9,287
Finance costs	7	(338)	(1,521)
Share of results after tax of:			
Associates		281	136
Jointly controlled entities		75	5
Profit before taxation		22,061	7,907
Income tax	8	(3,973)	(1,189)
Profit for the year		18,088	6,718
Profit attributable to:			
Equity shareholders		17,501	6,247
Minority interests		587	471
		18,088	6,718
Earnings per share	9	HK\$6.35	HK\$2.28

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended 31 December 2009

	2009	2008
	HK\$ Million	HK\$ Million
Profit for the year	18,088	6,718
Other comprehensive income		
Actuarial gain / (loss) on defined benefit pension schemes	274	(412)
Exchange difference:	(155)	891
Exchange gain	37	891
Transferred to consolidated income statement:		
- on disposal of an investment property	(119)	-
- others	(73)	-
Cash flow hedge : transfer to consolidated income statement	-	(45)
Available-for-sale investments:		
Net movement in the investments revaluation reserves	555	(958)
Surplus / (deficit) on revaluation	573	(777)
Transferred to consolidated income statement :		
- on disposal	(18)	(326)
- on impairment	-	145
Share of other comprehensive income of associates / jointly controlled entities	(12)	122
Others	(26)	(3)
Other comprehensive income for the year	636	(405)
Total comprehensive income for the year	18,724	6,313
Total comprehensive income attributable to:		
Equity shareholders	17,919	6,212
Minority interests	805	101
	18,724	6,313

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Note	2009 HK\$ Million	2008 HK\$ Million
Non-current assets			
Investment properties		115,492	98,410
Other property, plant and equipment		14,722	16,980
Leasehold land		3,788	4,203
Total fixed assets		134,002	119,593
Goodwill and other intangible assets		297	297
Interest in associates		4,238	4,009
Interest in jointly controlled entities		7,551	7,989
Available-for-sale investments		1,331	706
Long term receivables		249	357
Programming library		113	132
Employee retirement benefit assets		139	-
Deferred tax assets		366	383
Derivative financial assets		318	83
		<u>148,604</u>	<u>133,549</u>
Current assets			
Properties for sale		17,797	17,272
Inventories		107	112
Held-to-maturity investments		794	-
Trade and other receivables	11	4,554	1,727
Derivative financial assets		193	8
Bank deposits and cash		18,412	15,886
		<u>41,857</u>	<u>35,005</u>
Current liabilities			
Trade and other payables	12	(8,240)	(6,924)
Bank loans and other borrowings		(8,328)	(4,443)
Derivative financial liabilities		(100)	(166)
Taxation payable		(1,581)	(1,259)
		<u>(18,249)</u>	<u>(12,792)</u>
Net current assets		<u>23,608</u>	<u>22,213</u>
Total assets less current liabilities		<u>172,212</u>	<u>155,762</u>

	Note	2009 HK\$ Million	2008 HK\$ Million
Non-current liabilities			
Bank loans and other borrowings		(31,516)	(33,566)
Deferred tax liabilities		(17,215)	(15,185)
Other deferred liabilities		(262)	(262)
Derivative financial liabilities		(1,055)	(738)
Employee retirement benefit liabilities		-	(154)
		<u>(50,048)</u>	<u>(49,905)</u>
NET ASSETS		<u>122,164</u>	<u>105,857</u>
Capital and reserves			
Share capital		2,754	2,754
Reserves		<u>112,456</u>	<u>96,740</u>
Shareholders' equity		115,210	99,494
Minority interests		<u>6,954</u>	<u>6,363</u>
TOTAL EQUITY		<u>122,164</u>	<u>105,857</u>

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PRESENTATION

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) 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 the changes mentioned below.

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

HKAS 1 (Revised)	Presentation of financial statements
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
Improvements to HKFRSs (2008)	Amendments to HKAS 40 investment property

Except as described below, the adoption of the above new or revised standards, amendments and interpretations had no significant impact on the financial information of the Group.

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 7 (Amendment) – Improving disclosures about financial instruments

As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosure 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.

c. 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 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.

d. Improvements to HKFRSs (2008) – Amendments to HKAS 40 investment property

As a result of the amendments 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 or loss. 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 and the corresponding amounts have not been restated. As a result of this amendment, the profit attributable to equity shareholders increased by HK\$1,877 million for the year ended 31 December 2009.

2. SEGMENT INFORMATION

The Group manages its diversified businesses according to the nature of services and products provided. Management has determined five reportable operating segments for

measuring performance and allocating resources. The segments are property investment, property development, communications, media and entertainment (“CME”), logistics and investment and others. No operating segments have been aggregated to form the following reportable segments.

Property investment segment primarily includes property leasing and hotel operations. Currently, the Group’s properties portfolio, which consists of retail, office, service apartment and hotels, is primarily located in Hong Kong and China.

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

CME segment comprises pay television, internet and multimedia and other businesses operated by the Group’s non-wholly-owned subsidiary, i-CABLE Communications Limited (“i-CABLE”). It also includes the telecommunication businesses operated by Wharf T&T Limited.

Logistics segment mainly includes the container terminal operations of Modern Terminals Limited (“Modern Terminals”) and other public transport operations.

Investment and others segment includes activities for managing the Group’s corporate assets and liabilities, available-for-sale investments, financial instruments and other treasury operations.

Management evaluates performance primarily based on operating profit as well as the equity share of results of associates and jointly controlled entities of each segment. Inter-segment pricing is generally determined at arm’s length basis.

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

2. SEGMENT INFORMATION

a. Analysis of segment revenues and results

	Turnover	Operating	Profit on	Increase	Net	Finance	Associates	Jointly	Profit
	HK\$	profit	disposal of	in fair	other	costs	HK\$	controlled	before
	HK\$	HK\$	an	value of	charge/	HK\$	HK\$	entities	taxation
	HK\$	HK\$	investment	investment	income	HK\$	HK\$	HK\$	HK\$
	HK\$	HK\$	property	properties	HK\$	HK\$	HK\$	HK\$	HK\$
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
For the year ended 2009	Million	Million	Million	Million	Million	Million	Million	Million	Million
Property investment	8,192	6,191	1,110	12,204	(39)	(332)	-	-	19,134
Hong Kong properties	6,637	5,630	-	10,668	11	(278)	-	-	16,031
China properties	592	319	1,110	1,536	(50)	(45)	-	-	2,870
Hotels	963	242	-	-	-	(9)	-	-	233
Property development	3,065	1,012	-	-	44	(22)	64	41	1,139
Hong Kong	-	-	-	-	-	-	65	-	65
China	3,065	1,012	-	-	44	(22)	(1)	41	1,074
CME	3,404	163	-	-	-	-	-	-	163
i-CABLE	1,754	(48)	-	-	-	-	-	-	(48)
Telecommunications	1,650	213	-	-	-	-	-	-	213
Others	-	(2)	-	-	-	-	-	-	(2)
Logistics	3,091	1,418	-	-	-	11	217	34	1,680
Terminals	2,840	1,307	-	-	-	11	217	34	1,569
Others	251	111	-	-	-	-	-	-	111
Investment and others	118	90	-	-	170	5	-	-	265
Inter-segment revenue	(317)	-	-	-	-	-	-	-	-
Segment total	17,553	8,874	1,110	12,204	175	(338)	281	75	22,381
Corporate expenses	-	(320)	-	-	-	-	-	-	(320)
Group total	17,553	8,554	1,110	12,204	175	(338)	281	75	22,061
For the year ended 2008									
Property investment	7,606	5,551	-	1,793	-	(668)	-	-	6,676
Hong Kong properties	6,038	4,989	-	1,401	-	(492)	-	-	5,898
China properties	514	254	-	392	-	(113)	-	-	533
Hotels	1,054	308	-	-	-	(63)	-	-	245
Property development	710	84	-	-	82	(128)	(154)	(28)	(144)
Hong Kong	-	(7)	-	-	-	-	31	-	24
China	710	91	-	-	82	(128)	(185)	(28)	(168)
CME	3,722	64	-	-	(3)	-	(17)	-	44
i-CABLE	2,080	(76)	-	-	(3)	-	(17)	-	(96)
Telecommunications	1,641	140	-	-	-	-	-	-	140
Others	1	-	-	-	-	-	-	-	-
Logistics	3,875	1,763	-	-	42	(248)	307	33	1,897
Terminals	3,446	1,608	-	-	42	(248)	307	33	1,742
Others	429	155	-	-	-	-	-	-	155
Investment and others	328	304	-	-	(170)	(477)	-	-	(343)
Inter-segment revenue	(301)	-	-	-	-	-	-	-	-
Segment total	15,940	7,766	-	1,793	(49)	(1,521)	136	5	8,130
Corporate expenses	-	(223)	-	-	-	-	-	-	(223)
Group total	15,940	7,543	-	1,793	(49)	(1,521)	136	5	7,907

b. Analysis of inter-segment revenue

	2009			2008		
	Total Revenue HK\$ Million	Inter- segment revenue HK\$ Million	Group Revenue HK\$ Million	Total Revenue HK\$ Million	Inter- segment revenue HK\$ Million	Group Revenue HK\$ Million
Property investment	8,192	(159)	8,033	7,606	(148)	7,458
Property development	3,065	-	3,065	710	-	710
CME	3,404	(158)	3,246	3,722	(153)	3,569
Logistics	3,091	-	3,091	3,875	-	3,875
Investment and others	118	-	118	328	-	328
	17,870	(317)	17,553	16,241	(301)	15,940

c. Analysis of assets

	Total assets	
	2009 HK\$ Million	2008 HK\$ Million
Property investment	120,459	104,188
Hong Kong	103,142	92,367
China	16,316	10,613
Hotels	1,001	1,208
Property development	31,625	27,827
Hong Kong	910	894
China	30,715	26,933
CME	4,911	5,222
i-CABLE	2,287	2,424
Telecommunications	2,623	2,789
Others	1	9
Logistics	19,486	18,895
Terminals	19,149	18,343
Others	337	552
Investment and others	13,614	12,039
Segment total	190,095	168,171
Unallocated	366	383
Group total	190,461	168,554

Segment assets held through jointly controlled entities and associates included in above are:

	2009	2008
	HK\$ Million	HK\$ Million
Property development	7,689	7,751
CME	38	39
Logistics	4,062	4,208
Group total	<u>11,789</u>	<u>11,998</u>

Unallocated assets mainly comprise income tax assets.

d. Other information

	Capital expenditure		Increase in interests in associates and jointly controlled entities		Depreciation and amortisation	
	2009	2008	2009	2008	2009	2008
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	Million	Million	Million	Million	Million	Million
Property investment	1,584	947	-	-	124	128
Hong Kong	180	226	-	-	19	19
China	1,387	697	-	-	25	27
Hotels	17	24	-	-	80	82
Property development (China)	-	-	1,787	3,543	-	-
CME	548	472	-	-	756	890
i-CABLE	261	144	-	-	364	504
Telecommunications	287	328	-	-	392	386
Logistics	864	2,226	1	4	421	374
Terminals	862	2,216	1	4	414	360
Others	2	10	-	-	7	14
Group total	<u>2,996</u>	<u>3,645</u>	<u>1,788</u>	<u>3,547</u>	<u>1,301</u>	<u>1,392</u>

Interest income was mainly attributable to the Investment and others segment. In addition, CME segment incurred HK\$87 million (2008: HK\$103 million) for its programming library. The Group has no significant non-cash expenses other than depreciation and amortisation.

e. Geographical information

	Revenue		Operating Profit	
	2009	2008	2009	2008
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Hong Kong	13,605	14,392	7,605	7,444
China	3,917	1,510	918	61
Singapore	31	38	31	38
Group total	17,553	15,940	8,554	7,543

	Specified non-current assets		Total assets	
	2009	2008	2009	2008
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Hong Kong	113,115	102,924	128,700	117,544
China	33,335	29,453	60,677	50,415
Singapore	-	-	1,084	595
Group total	146,450	132,377	190,461	168,554

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

3. OPERATING PROFIT

Operating profit is arrived at:

	2009 HK\$ Million	2008 HK\$ Million
After charging/(crediting):		
Depreciation		
- assets held for use under operating leases	97	96
- other fixed assets	1,008	1,062
	<u>1,105</u>	<u>1,158</u>
Amortisation		
- programming library	106	142
- leasehold land	90	87
- other intangible assets	-	5
	<u>1,301</u>	<u>1,392</u>
Total depreciation and amortisation		
Impairment losses on fixed assets / programming library	-	29
Impairment loss on trade receivables	8	84
Staff costs	2,411	2,553
Auditors' remuneration		
- audit services	13	16
- other services	4	3
Cost of trading properties sold during the year	1,916	557
Rental charges under operating leases in respect of telecommunications equipment and services	90	98
Rental income less direct outgoings (Note)	(6,097)	(5,335)
Interest income	(71)	(272)
Dividend income from listed investments	(31)	(45)
Dividend income from unlisted investments	(100)	(94)
Loss on disposal of fixed assets	7	4
Rental income under operating leases in respect of owned plant and machinery	(24)	(61)

Note : Rental income included contingent rentals of HK\$813 million (2008: HK\$628 million).

4. PROFIT ON DISPOSAL OF AN INVESTMENT PROPERTY

The profit was arrived from the disposal of the Group's entire 87.5% equity interests of the owning company of Beijing Capital Times Square.

5. OTHER NET INCOME

Other net income includes (a) net profit on disposal of available-for-sale investments of HK\$50 million (2008: HK\$137 million) which included a revaluation surplus of HK\$18 million (2008: HK\$326 million) transferred from the investments revaluation reserves of the Group and (b) net foreign exchange gains of HK\$77 million (2008: loss of HK\$41 million) which included the impacts of forward foreign exchange contracts.

6. NET OTHER CHARGE

Net other charge represented fixed assets written off and impairment loss on available-for-sale investments.

7. FINANCE COSTS

	2009	2008
	HK\$ Million	HK\$ Million
Interest charged on:		
Bank loans and overdrafts repayable within five years	334	777
Other borrowings repayable within five years	9	51
Bank loans repayable after five years	56	116
Other borrowings repayable after five years	119	119
Total interest charge	<u>518</u>	<u>1,063</u>
Other finance costs	78	46
Less: Amount capitalised	<u>(212)</u>	<u>(200)</u>
	384	909
Fair value cost/(gain):		
Cross currency interest rate swaps	315	508
Interest rate swaps	<u>(361)</u>	<u>104</u>
	<u>338</u>	<u>1,521</u>

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

8. INCOME TAX

Taxation charged to consolidated income statement represents:

	2009 HK\$ Million	2008 HK\$ Million
Current income tax		
Hong Kong		
- provision for the year	1,069	1,017
- underprovision in respect of prior years	162	254
Outside Hong Kong		
- provision for the year	462	178
- overprovision in respect of prior years	-	(31)
	<u>1,693</u>	<u>1,418</u>
Land appreciation tax ("LAT") in China	<u>235</u>	<u>30</u>
Deferred tax		
Change in fair value of investment properties	2,449	433
Origination and reversal of temporary differences	116	99
Effect on decrease in tax rate on deferred tax balances	-	(768)
Tax released on disposal of an investment property	(510)	-
Benefit of previously unrecognised tax losses now recognised	(10)	(23)
	<u>2,045</u>	<u>(259)</u>
	<u>3,973</u>	<u>1,189</u>

- a. The provision for Hong Kong profits tax is based on the profit for the year as adjusted for tax purposes at the rate of 16.5% (2008: 16.5%).
- b. Income tax on profits assessable outside Hong Kong is mainly China Income Tax calculated at a rate of 25% and China withholding income tax at a rate of 10%.
- c. Under the Provisional Regulations on LAT, all gains arising from transfer of real estate property in China are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights, borrowings costs and all property development expenditures.
- d. Tax attributable to associates and jointly controlled entities for the year ended 31 December 2009 of HK\$63 million (2008: HK\$35 million) is included in the share of results of associates and jointly controlled entities.

9. EARNINGS PER SHARE

The calculation of earnings per share is based on the earnings attributable to ordinary equity shareholders for the year of HK\$17,501 million (2008: HK\$6,247 million) and the weighted average of 2,754 million ordinary shares in issue during the year (2008: 2,745 million ordinary shares after adjusting for the rights issue which was completed in January 2008).

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

10. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	2009	2008
	HK\$ Million	HK\$ Million
Interim dividend declared and paid of 36 cents (2008: 36 cents) per share	991	991
Final dividend of 64 cents (2008: 44 cents) per share proposed after the end of the reporting date	1,763	1,212
	<u>2,754</u>	<u>2,203</u>

a. The proposed final dividend after the end of the reporting date has not been recognised as a liability at the end of the reporting date.

b. The final dividend of HK\$1,212 million for 2008 was approved and paid in 2009.

11. TRADE AND OTHER RECEIVABLES

Included in this item are trade receivables (net of allowance for bad and doubtful debts) with an ageing analysis based on invoice date as at 31 December 2009 as follows:

	2009	2008
	HK\$ Million	HK\$ Million
Trade receivables		
0 - 30 days	417	501
31 - 60 days	170	177
61 - 90 days	43	57
Over 90 days	68	67
	<u>698</u>	<u>802</u>
Other receivables	3,856	925
	<u>4,554</u>	<u>1,727</u>

Other receivables at 31 December 2009 included the remaining instalments of proceeds in total amount of HK\$2.5 billion in respect of the disposal of Beijing Capital Times Square, which have all been received subsequent to the reporting date.

The Group has established credit policies for each of its core businesses. The general credit terms allowed range from 0 to 60 days, except for sale of properties the proceeds from which are receivable pursuant to the terms of the agreements. All the receivables are expected to be virtually recoverable within one year.

12. TRADE AND OTHER PAYABLES

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

	2009	2008
	HK\$ Million	HK\$ Million
Trade payables		
0 - 30 days	200	206
31 - 60 days	53	100
61 - 90 days	25	32
Over 90 days	72	54
	350	392
Rental and customer deposits	4,246	2,951
Construction costs payable	1,123	772
Other payables	2,521	2,809
	8,240	6,924

13. 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 current year's presentation. Further details of these developments are disclosed in note 1.

14. 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 Auditor.

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 Friday, 4 June 2010 to Tuesday, 8 June 2010, both days inclusive, during which period no share transfers can be registered. 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, 3 June 2010.

By Order of the Board

Wilson W. S. Chan

Company Secretary

Hong Kong, 23 March 2010

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Peter K. C. Woo, Mr. Gonzaga W. J. Li, Mr. Stephen T. H. Ng, Ms. Doreen Y. F. Lee, Mr. T. Y. Ng and Mr. Paul Y. C. Tsui, together with six independent non-executive directors, namely, Hon. Paul M. P. Chan, Professor Edward K. Y. Chen, Dr. Raymond K. F. Ch'ien, Hon. Vincent K. Fang, Mr. Hans Michael Jebsen and Mr. James E. Thompson.