HARBOUR CENTRE DEVELOPMENT LIMITED

*(Incorporated in Hong Kong with limited liability)*
Stock Code: 51

# 2008 Results Announcement

## HIGHLIGHTS OF GROUP RESULTS

- Hotel and Property Investment reported steady earnings growth in spite of the adverse economic conditions since the third quarter of 2008.

- Investment profit declined due to an exceptionally large profit recorded in 2007.

- Group turnover amounted to HK$664.2 million (2007: HK$671.1 million).

- Profit attributable to Shareholders fell by 73% to HK$170.5 million (2007: HK$638.4 million) in the absence of an exceptionally large investment profit and due to a significant decline in investment property revaluation surplus.

- Earnings per share were HK$0.39 (2007: HK$2.03).

- Final dividend of HK$0.15 per share, making full year dividends of HK$0.20 per share.

- The development projects in China with a total developable area attributable to the Group of 26 million sq. ft. are expected to generate a satisfactory return to the Group in a few years. Market conditions will be closely monitored to enable the progress of development to be adjusted as appropriate. The Group will be funding these new projects by both equity and debt, as well as proceeds from operations and property pre-sales.

- The Group's equity base has been strengthened by net proceeds of HK$2,006.7 million in March 2008 through the issue of 157.5 million new ordinary shares at HK$12.80 each by way of a rights issue.

- Book NAV was HK$14.96 per share as at the end of 2008. If hotel assets were also stated at valuation, the adjusted NAV would have been HK$20.34 per share.

- Net debt was HK$1,806.6 million as at the end of 2008 (2007: HK$1,274.1 million) with undrawn banking facilities of HK$900.0 million and listed securities at market value of HK$604.0 million (2007: HK$2,516.6 million).

**DIVIDEND**

An interim dividend of HK$0.05 per share in respect of the year ended 31 December 2008 (2007: HK$0.05) was paid on 13 October 2008, absorbing a total amount of HK$23.6 million based on 472.5 million shares after completion of the rights issue in March 2008 (2007: HK$15.8 million based on 315.0 million shares). The Directors have recommended for adoption at the Annual General Meeting to be held on Wednesday, 20 May 2009 the payment on 21 May 2009 to shareholders registered on 14 May 2009 of a final dividend in respect of the year ended 31 December 2008 of HK$0.15 (2007: HK$0.24) per share, absorbing a total amount of HK$70.9 million (2007: HK$113.4 million).

## MANAGEMENT DISCUSSION AND ANALYSIS

### SEGMENT REVIEW

Total revenue and total operating profit of the **Hotel Segment** grew by 8% and 9%, primarily on the strength of a 10% growth in average room rates during the year. Demand for hotel rooms during trade fairs, exhibitions, sports events and festive seasons was strong but weakened in the rest of the year due to the global economic slowdown, China's visa restriction policy for overseas business travellers during the Olympics and a slight drop in long-haul visitors. Average occupancy for the full year dropped to 84%.

The **Property Investment Segment** benefited from a leasing market which held up well for prime commercial properties through much of 2008. Favourable rental growth mainly from Lane Crawford, the anchor tenant for the retail area in Marco Polo Hongkong Hotel ("MPHK Hotel"), spurred a 5% growth in revenue, while operating profit rose by a mild 1% on inclusion of renovation and improvement works expenses.

The Group's investment properties, comprising the office and retail areas in MPHK Hotel and the Star House retail units, were revalued by an independent valuer as at 31 December 2008. The net revaluation surplus after deferred tax was HK$26.3 million for 2008 (2007: HK$135.0 million).

**China Properties**

The Group remains cautiously optimistic about the long term outlook for the Mainland economy despite the current global crisis. Underpinned by vibrant developments, rapid urbanization, strong accumulation of wealth and a high savings rate in the Mainland, the long term outlook for the real estate market in China remains positive. Since 2007, the Group has acquired five excellent sites in the cities of Changzhou, Suzhou, Chongqing and Hangzhou for development and will continue to seek good investment opportunities to broaden the asset and earnings base of the Group.

As at the end of 2008, the total developable area attributable to the Group in China was about 26 million square feet. Sites involved are acquired either solely or through joint ventures with strong local property companies.

A land lot in Jiangbei City (江北城) of Jiangbei District (江北區), Chongqing, is being jointly developed by the Company and China Overseas Land on a 55:45 ownership basis into a high end residential project. Superbly located in the eastern side of Jiangbei City, facing the Yangtze River (長江) in the east and north and Jialing River (嘉陵江) in the south, the land lot has a total site area of about one million square feet. It offers a plot ratio GFA of 2.5 million square feet attributable to the Group. Completion is scheduled in phases by 2014.

Two land parcels on Xinghu Jie (星湖街) and Xiandai Da Dao (現代大道) in Suzhou Industrial Park (蘇州工業園區) are being developed in an 80:20 joint venture with Genway Housing Development Group (蘇州工業園區建屋發展集團). The parcels command a total site area of about 5.65 million square feet. They offer a plot ratio GFA of 13.5 million square feet attributable to the Group. A 420-metre skyscraper landmark will be built at the site of Xinghu Jie while the site at Xiandai Da Dao will house residential development. Planning and design are in progress.

Through a 40:60 joint venture with Greentown China Holdings, the Company is developing a land parcel in Hangzhou that is superbly located in the new Hangzhou Central Business District (錢江新城) and frontal to the Qiangtang Jiang (錢塘江). The site boasts a total area of about 907,000 square feet and offers a plot ratio GFA of 1.3 million square feet attributable to the Group. The development comprises high end residences, apartments and a five-star hotel. The whole project is expected to be completed in phases by 2013.

The Company's land parcel in Xinbei District (新北區) of Changzhou commands a total site area of about 4.4 million square feet and offers a plot ratio GFA of 8.7 million square feet. Ideally located in the prime area of Xinbei District, the parcel is just five kilometers away from the city centre, in the vicinity of China Changzhou Dinosaur Land theme park (中華恐龍園) and Xin Qu Park (新區公園). It boasts superb air-sea-land transportation links to Changzhou Airport and Huning Express Railway. The development comprises mainly high-end residences and a 5-star hotel. The whole project is scheduled for completion in phases by 2014.

## FINANCIAL REVIEW

### (I) Review of 2008 Final Results

#### Turnover

The Group's turnover for the year ended 31 December 2008 was little changed from the preceding year at HK$664.2 million (2007: HK$671.1 million).

The Hotel Segment recorded an 8% increase in turnover to HK$472.4 million (2007: HK$438.3 million), benefiting particularly from a 10% increase in average room rates achieved by MPHK Hotel despite a moderate decline in occupancy to 84%. Food and beverage revenue also rose by 14% resulting from the full-year operation of a new restaurant in MPHK Hotel, Cucina, which opened in late 2007.

Turnover for the Property Investment Segment increased by 5% to HK$134.5 million (2007: HK$127.6 million) as rental income generated from the retail areas rose in spite of the adverse economic conditions since the third quarter of 2008.

The Property Development Segment did not record any revenue (2007: HK$6.7 million) since the Group's projects on hand, all in China, are still at an early stage of development.

The Investment Segment's interest and dividend income decreased by 42% to HK$57.3 million (2007: HK$98.5 million) mainly due to the decrease in the Group's surplus cash and investment.

## Operating Profit

The Group's operating profit decreased by 55% to HK$288.0 million (2007: HK$633.6 million). Hotel Segment's profit increased by 9% to HK$161.1 million and Property Investment Segment reported a marginal increase over 2007 to HK$109.9 million.

Profit from the Investment Segment decreased to HK$33.4 million (2007: HK$381.8 million) mainly due to an exceptionally large profit of HK$356.7 million from disposal of investments in 2007. Interest income also dropped as a result of the decrease in average surplus cash balance and the fall in interest rates.

In addition, the Group took advantage of a market window in 2007 to effectively lock in a significantly more favourable interest cost to finance RMB assets in the Mainland with liabilities in Japanese yen. Appreciation of the yen and the RMB against the US dollar (and the pegged Hong Kong dollar) in 2008 gave rise, respectively, to a net exchange loss of HK$167.1 million (2007: HK$74.2 million) in the profit and loss account and a net exchange gain of HK$241.8 million (2007: HK$42.5 million) as an equity movement on translation of the net RMB investments in China subsidiaries and jointly controlled entities.

## Net Other Charge

The net other charge of HK$47.5 million (2007: HK$19.9 million) represented the impairment loss provided on the Group's available-for-sale investments.

## Finance Costs

Net finance costs for the year was HK$67.1 million (2007: HK$8.3 million), resulting from the increase in bank borrowings mainly for the Group's equity investments in China properties.

## Increase in Fair Value of Investment Properties

The Group's investment properties were revalued by an independent valuer as at 31 December 2008, resulting in a surplus of HK$31.5 million (2007: HK$163.6 million). The net surplus after deferred tax taken to the profit and loss account was HK$26.3 million (2007: HK$135.0 million).

## Share of Results after Tax of Associate and Jointly Controlled Entities

Share of losses of the associate and jointly controlled entities after tax was HK$11.0 million (2007: profit of HK$3.9 million). No profit was attributable to the year under review as all the trading properties held by the associate were sold in previous years and those undertaken through the jointly controlled entities are at an early stage of development.

**Taxation**

The taxation charge for the year decreased by 82% to HK$24.3 million (2007: HK$134.6 million) as a result of decrease in the Group's operating profit and its revaluation surplus of investment properties. There was also a tax credit of HK$12.2 million (2007: HK$Nil) from a downward adjustment of deferred tax mainly on the investment property surplus brought forward from the previous years as a result of a reduction in Hong Kong profits tax rate by 1% to 16.5%.

**Profit Attributable to Equity Shareholders**

Group profit attributable to equity shareholders for the year ended 31 December 2008 amounted to HK$170.5 million (2007: HK$638.4 million), representing a decrease of HK$467.9 million or 73%. Earnings per share were HK$0.39 based on weighted average issued shares of 439.8 million (2007: HK$2.03 based on 315.0 million issued shares).

Excluding the net investment property surplus of HK$26.3 million (2007: HK$135.0 million) and the related deferred tax credit of HK$10.9 million (2007: HK$Nil) resulting from the 1% tax rate reduction, the Group's net profit for the year was HK$133.3 million, representing a decrease of 74% over last year.

## (II) Liquidity and Financial Resources

**Rights Issue**

In March 2008, the Company completed an issue of 157.5 million new ordinary shares at HK$12.80 each by way of rights, with net proceeds of HK$2,006.7 million.

**Shareholders' Equity**

As at 31 December 2008, the Group's shareholders' equity was HK$7,067.0 million, equivalent to HK$14.96 per share based on 472.5 million issued shares (2007: HK$18.25 per share based on 315.0 million issued shares).

The Group's hotel property is stated at cost less accumulated depreciation according to the prevailing Hong Kong Financial Reporting Standards. If the hotel property was restated based on the valuation as at 31 December 2008 carried out by an independent valuer, it would result in a net revaluation surplus of HK$2,542.6 million and increase the Group's shareholders' equity to HK$9,609.6 million, equivalent to HK$20.34 per share.

### Capital Commitments

As at 31 December 2008, the Group's total outstanding commitments to properties under development in China, both by the Group and through jointly controlled entities, amounted to HK$17.2 billion, of which HK$1.1 billion have been contracted for. Included in the commitments is land cost of HK$1.0 billion payable in 2009. The committed developments will be carried out in stages in the coming years and funded by both equity and debt, as well as proceeds from operations and property pre-sales.

### Finance and Availability of Facilities and Funds

As at 31 December 2008, the Group's available loan facilities amounted to HK$3,965.0 million of which HK$3,065.0 million was drawn. Certain banking facilities of the Group were secured by mortgages mainly over the Group's hotel and investment properties and certain available-for-sale investments with total carrying value of HK$2,174.1 million (2007: HK$2,003.6 million).

The Group's debts were primarily denominated in Hong Kong dollars ("HKD") and United States dollars ("USD"). Renminbi ("RMB") borrowings will be sourced to finance the development cost of the China projects apart from their land cost.

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

### Debt and Gearing

As at 31 December 2008, the Group had a net debt of HK$1,806.6 million (2007: HK$1,274.1 million), which was made up of HK$3,065.0 million bank borrowings less HK$1,258.4 million cash. The increase in net debt was mainly caused by the increase in investments in the China development projects. The gearing ratio to shareholders' equity was 25.6% (2007: 22.2%).

### Net Cash Flows for Operating and Investing Activities

For the period under review, the Group had net cash outflow of HK$3,205.9 million (2007: HK$908.8 million) for operating activities mainly due to payments made for the China projects. From investing activities, the Group received a net amount of HK$787.5 million, mainly including inflow of HK$1,085.4 million from the sale of investments and outflow of HK$596.9 million for investments in jointly controlled entities in property development projects in China. Net proceeds of HK$2,006.7 million from the rights issue was received in March 2008.

The Group maintained a reasonable level of surplus cash, which was denominated principally in HKD and RMB, to facilitate the Group's business and investment activities. As at 31 December 2008, the Group also maintained a portfolio of investments primarily consisting of blue chip securities, with an aggregate market value of HK$604.0 million (2007: HK$2,516.6 million), which is available for liquidation to meet the Group's commitments if necessary. The decrease in the portfolio was partly due to disposals and partly due to the decline in value in line with the performance of the stock markets.

**(III) Human Resources**

The Group has approximately 470 employees. They are remunerated according to the nature of the job and market trends, with a built-in merit component incorporated in the annual increment to reward and motivate individual performance. Total staff costs for the year ended 31 December 2008 amounted to HK$120.0 million (2007: HK$104.2 million).

## CODE ON CORPORATE GOVERNANCE PRACTICES

During the financial year under review, 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 with a substantial number thereof being independent Non-executive Directors.

## CONSOLIDATED PROFIT AND LOSS ACCOUNT
## FOR THE YEAR ENDED 31 DECEMBER 2008

| | Note | **2008** HK$ Million | 2007 HK$ Million |
|---|---|---|---|
| **Turnover** | 2 | **664.2** | 671.1 |
| Other net income | 4 | **143.2** | 357.5 |
| Direct costs and operating expenses | | **(441.9)** | (327.9) |
| Selling and marketing expenses | | **(25.1)** | (23.8) |
| Administrative and corporate expenses | | **(16.3)** | (8.4) |
| Depreciation and amortisation | | **(36.1)** | (34.9) |
| **Operating profit** | 3 | **288.0** | 633.6 |
| Increase in fair value of investment properties | | **31.5** | 163.6 |
| Net other charge | 5 | **(47.5)** | (19.9) |
| | | **272.0** | 777.3 |
| Finance costs | 6 | **(67.1)** | (8.3) |
| Share of results after tax of | | | |
| Associate | | **(0.1)** | 4.4 |
| Jointly controlled entities | | **(10.9)** | (0.5) |
| Profit before taxation | | **193.9** | 772.9 |
| Taxation | 7(b) | **(24.3)** | (134.6) |
| **Profit for the year** | | **169.6** | 638.3 |
| **Profit attributable to:** | | | |
| **Equity shareholders** | | **170.5** | 638.4 |
| **Minority interests** | | **(0.9)** | (0.1) |
| | | **169.6** | 638.3 |
| **Dividends attributable to equity shareholders** | | | |
| Interim dividend paid | | **23.6** | 15.8 |
| Final dividend proposed | | **70.9** | 113.4 |
| | | **94.5** | 129.2 |
| **Earnings per share** | 8 | **HK$0.39** | HK$2.03 |
| **Dividends per share** | | | |
| Interim dividend | | **5.0 cents** | 5.0 cents |
| Final dividend | | **15.0 cents** | 24.0 cents |
| | | **20.0 cents** | 29.0 cents |

## CONSOLIDATED BALANCE SHEET
## AS AT 31 DECEMBER 2008

| | Note | **2008** **HK$ Million** | 2007 HK$ Million |
|---|---|---|---|
| **Non-current assets** | | | |
| Fixed assets | | | |
| Investment properties | | **1,877.0** | 1,827.0 |
| Leasehold land | | **15.2** | 15.2 |
| Other properties, plant and equipment | | **80.4** | 104.9 |
| Interest in an associate | | **0.7** | 0.8 |
| Interest in jointly controlled entities | | **2,586.7** | 1,964.6 |
| Available-for-sale investments | | **604.0** | 2,516.6 |
| Long term receivables | | **0.5** | 1.7 |
| Employee retirement benefit assets | | **-** | 8.5 |
| Derivative financial assets | | **2.9** | - |
| | | **5,167.4** | 6,439.3 |
| **Current assets** | | | |
| Properties under development | | **4,972.6** | 985.3 |
| Inventories | | **3.4** | 3.4 |
| Trade and other receivables | 9 | **105.3** | 425.2 |
| Pledged bank deposits | | **-** | 452.4 |
| Bank deposits and cash | | **1,258.4** | 132.4 |
| | | **6,339.7** | 1,998.7 |
| **Current liabilities** | | | |
| Trade and other payables | 10 | **180.9** | 187.2 |
| Derivative financial liabilities | | **165.8** | 106.5 |
| Bank loans | | **-** | 1,278.9 |
| Taxation payable | | **77.4** | 80.3 |
| | | **424.1** | 1,652.9 |
| **Net current assets** | | **5,915.6** | 345.8 |
| **Total assets less current liabilities** | | **11,083.0** | 6,785.1 |
| **Non-current liabilities** | | | |
| Employee retirement benefit liabilities | | **3.6** | - |
| Bank loans | | **3,065.0** | 580.0 |
| Derivative financial liabilities | | **1.3** | - |
| Deferred taxation | | **250.3** | 260.0 |
| | | **3,320.2** | 840.0 |
| **NET ASSETS** | | **7,762.8** | 5,945.1 |
| **Capital and reserves** | | | |
| Share capital | | **236.3** | 157.5 |
| Reserves | | **6,830.7** | 5,590.6 |
| **Shareholders' equity** | | **7,067.0** | 5,748.1 |
| Minority interests | | **695.8** | 197.0 |
| **TOTAL EQUITY** | | **7,762.8** | 5,945.1 |

## NOTES TO THE FINANCIAL STATEMENTS

### 1. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) 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 2007.

The HKICPA has issued certain new and revised HKFRSs and Interpretations that are first effective for the current accounting period of the Group, including HK(IFRIC) 14, HKAS 19 **-** the limit on a defined benefit asset, minimum funding requirements and their interaction. These HKFRSs developments have had no material impact on the Group’s financial statements as either they were consistent with accounting policies already adopted by the Group or they were not relevant to the Group’s operations.

The adoption of the new Interpretation to HKFRSs has had no significant impact on the financial statements of the Group for the years ended 31 December 2007 and 31 December 2008.

## 2. SEGMENT INFORMATION

### (a) Business segments

(i) Revenue and results

| | Revenue | | Results | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| | **HK$ Million** | HK$ Million | **HK$ Million** | HK$ Million |
| Hotel and restaurants | **472.4** | 438.3 | **161.1** | 147.7 |
| Property investment | **134.5** | 127.6 | **109.9** | 109.6 |
| Property development | **-** | 6.7 | **(7.9)** | 0.6 |
| | **606.9** | 572.6 | **263.1** | 257.9 |
| Investments and others | **57.3** | 98.5 | **33.4** | 381.8 |
| | **664.2** | 671.1 | **296.5** | 639.7 |
| Unallocated items | | | **(8.5)** | (6.1) |
| Operating profit | | | **288.0** | 633.6 |
| Increase in fair value of investment properties | | | **31.5** | 163.6 |
| Net other charge | | | **(47.5)** | (19.9) |
| | | | **272.0** | 777.3 |
| Finance costs | | | **(67.1)** | (8.3) |
| Associate | | | | |
| Property development | | | **(0.1)** | 4.4 |
| Jointly controlled entities | | | | |
| Property development | | | **(10.9)** | (0.5) |
| Profit before taxation | | | **193.9** | 772.9 |

(ii) Assets and liabilities

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| | **HK$ Million** | HK$ Million | **HK$ Million** | HK$ Million |
| Hotel and restaurants | **133.4** | 171.3 | **100.1** | 121.4 |
| Property investment | **1,929.0** | 1,871.1 | **26.7** | 21.4 |
| Property development | **7,561.1** | 3,278.9 | **2.5** | 5.0 |
| Investments and others | **608.0** | 2,531.9 | **221.3** | 145.9 |
| | **10,231.5** | 7,853.2 | **350.6** | 293.7 |
| Unallocated | **1,275.6** | 584.8 | **3,393.7** | 2,199.2 |
| Total assets/liabilities | **11,507.1** | 8,438.0 | **3,744.3** | 2,492.9 |

Unallocated assets and liabilities mainly comprise corporate borrowings for financing purposes and cash.

(iii) Other information

| | Capital expenditure | | Increase in interest in jointly controlled entities | | Depreciation and amortisation | |
|---|---|---|---|---|---|---|
| | **2008 HK$ Million** | 2007 HK$ Million | **2008 HK$ Million** | 2007 HK$ Million | **2008 HK$ Million** | 2007 HK$ Million |
| Hotel and restaurants | **10.9** | 76.4 | **-** | - | **36.1** | 34.9 |
| Property investment | **18.5** | 0.4 | **-** | - | **-** | - |
| Property development | **0.7** | - | **633.0** | 1,964.6 | **-** | - |
| Total | **30.1** | 76.8 | **633.0** | 1,964.6 | **36.1** | 34.9 |

The Group has no significant non-cash expenses other than depreciation and amortisation.

## (b) Geographical segments

| | Revenue | | Operating Profit | |
|---|---|---|---|---|
| | **2008 HK$ Million** | 2007 HK$ Million | **2008 HK$ Million** | 2007 HK$ Million |
| Hong Kong | **620.7** | 639.9 | **200.1** | 502.9 |
| China | **5.9** | 0.3 | **(1.0)** | - |
| Singapore | **37.6** | 30.9 | **88.9** | 130.7 |
| Turnover/operating profit | **664.2** | 671.1 | **288.0** | 633.6 |

| | Assets | |
|---|---|---|
| | **2008 HK$ Million** | 2007 HK$ Million |
| Hong Kong | **3,162.2** | 3,759.5 |
| China | **7,758.2** | 3,386.3 |
| Singapore | **586.7** | 1,292.2 |
| Total | **11,507.1** | 8,438.0 |

| | Capital expenditure | | Increase in interest in jointly controlled entities | |
|---|---|---|---|---|
| | **2008 HK$ Million** | 2007 HK$ Million | **2008 HK$ Million** | 2007 HK$ Million |
| Hong Kong | **29.4** | 76.8 | **-** | - |
| China | **0.7** | - | **633.0** | 1,964.6 |
| Total | **30.1** | 76.8 | **633.0** | 1,964.6 |

No inter-segment revenue has been recorded during the current and prior year.

## 3. OPERATING PROFIT

Operating profit is arrived at:

| | 2008 HK$ Million | 2007 HK$ Million |
|---|---|---|
| After charging: | | |
| Depreciation and amortisation | **36.1** | 34.9 |
| Staff costs | **120.0** | 104.2 |
| Including: | | |
| Contributions to defined contribution pension schemes (after deducting forfeiture of the Group's contribution of HK$0.3 million (2007: HK$0.4 million)) | **5.2** | 3.5 |
| Employee retirement benefit expense/(income) | **(2.1)** | (0.8) |
| Total pension cost | **3.1** | 2.7 |
| Cost of inventories sold | **-** | 32.0 |
| Auditors' remuneration | **1.8** | 0.6 |
| Net foreign exchange loss (Note) | **160.6** | 74.2 |
| and crediting: | | |
| Rental income less direct outgoings including contingent rentals HK$49.4 million (2007: HK$40.3 million) | **111.1** | 112.7 |
| Interest income on bank deposits | **14.4** | 50.6 |
| Dividend income from listed investments | **42.9** | 47.9 |

Note:
Apart from the above net exchange difference, the Group also had a total exchange gain arising from the translation of the net investments in China subsidiaries and jointly controlled entities of HK$241.8 million (2007: HK$42.5 million), which has been dealt with as an equity movement.

## 4. OTHER NET INCOME

| | 2008 HK$ Million | 2007 HK$ Million |
|---|---|---|
| Profit on disposal of available-for-sale investments - including HK$333.3 million (2007: HK$122.5 million) transferred from the investments revaluation reserve | **143.2** | 356.7 |
| Release of deferred income | **-** | 0.8 |
| | **143.2** | 357.5 |

## 5. NET OTHER CHARGE

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

## 6. FINANCE COSTS

| | **2008 HK$ Million** | 2007 HK$ Million |
|---|---|---|
| Interest on bank borrowings repayable wholly within five years | **64.8** | 6.2 |
| Other finance costs | **3.9** | 2.1 |
| Fair value changes on cross-currency interest rate swaps | **(1.6)** | - |
| | **67.1** | 8.3 |

## 7. TAXATION

**(a)** The provision for Hong Kong profits tax is 16.5% (2007: 17.5%) of the estimated assessable profits for the year.

**(b)** Taxation in the consolidated profit and loss account represents:

| | **2008 HK$ Million** | 2007 HK$ Million |
|---|---|---|
| **Current taxation** | | |
| Hong Kong Profits Tax | **53.2** | 101.7 |
| Overprovision in respect of prior years | **(19.2)** | (0.2) |
| | **34.0** | 101.5 |
| **Deferred taxation** | | |
| Origination and reversal of temporary differences | **(2.7)** | 4.5 |
| Change in fair value of investment properties | **5.2** | 28.6 |
| Effect on deferred tax balances at 1 January resulting from a change in tax rate | **(12.2)** | - |
| | **(9.7)** | 33.1 |
| Total tax charge | **24.3** | 134.6 |

**(c)** No tax charge is included in the share of results after tax of an associate in 2008 (2007: HK$0.8 million).

## 8. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the year attributable to equity shareholders of HK$170.5 million (2007: HK$638.4 million) and the weighted average of 439.8 million ordinary shares (2007: 315.0 million shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

| | **2008** **Million** | 2007 Million |
|---|---|---|
| Issued ordinary shares at 1 January | **315.0** | 315.0 |
| Effect of rights issue | **124.8** | - |
| Weighted average number of ordinary shares at 31 December | **439.8** | 315.0 |

For the year under review and the preceding year, there is no difference between the basic and diluted earnings per share.

## 9. TRADE AND OTHER RECEIVABLES

Included in this item are trade receivables (net of allowance for doubtful debts) with the following ageing analysis as at 31 December 2008 as follows:

| | **2008** **HK$ Million** | 2007 HK$ Million |
|---|---|---|
| Trade receivables | | |
| Due within 30 days | **75.1** | 64.2 |
| Due after 30 days but within 60 days | **1.1** | 2.9 |
| Due after 60 days but within 90 days | **0.7** | 0.4 |
| | **76.9** | 67.5 |
| Other receivables | **24.6** | 351.1 |
| Amounts due from fellow subsidiaries | **3.8** | 6.6 |
| | **105.3** | 425.2 |

The Group has defined credit policies for each of its core business. The general credit terms allowed range from 0 to 60 days.

## 10. TRADE AND OTHER PAYABLES

Included in this item are trade creditors with an ageing analysis as at 31 December 2008 as follows:

| | **2008 HK$ Million** | 2007 HK$ Million |
|---|---|---|
| Trade creditors | | |
| Due within 30 days | **12.5** | 15.0 |
| Due after 30 days but within 60 days | **8.0** | 6.1 |
| Due after 60 days but within 90 days | **0.9** | - |
| | **21.4** | 21.1 |
| Other payables and provisions | **121.9** | 118.2 |
| Amounts due to fellow subsidiaries | **8.6** | 12.4 |
| Amounts due to an associate | **29.0** | 35.5 |
| | **180.9** | 187.2 |

## 11. REVIEW OF RESULTS

The financial results for the year ended 31 December 2008 have been reviewed with no disagreement by the Audit Committee of the Company. Also, this preliminary results announcement has been reviewed by the Company's Auditors.

## PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the financial year under review.

## BOOK CLOSURE

The Register of Members of the Company will be closed from Friday, 15 May 2009 to Wednesday, 20 May 2009, both days inclusive, for the purpose of determining shareholders' entitlements to the proposed final dividend. In order to qualify for the final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4.30 p.m. on Thursday, 14 May 2009.

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

Hong Kong, 10 March 2009

*As at the date of this announcement, the Board of Directors of the Company comprises Mr. Gonzaga W. J. Li, Mr. T. Y. Ng and Mr. Clement K. H. Wong, together with three independent non-executive Directors, namely, Mr. H. M. V. de Lacy Staunton, Mr. Michael T. P. Sze and Mr. Brian S. K. Tang.*