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HARBOUR CENTRE DEVELOPMENT LIMITED

HARBOUR CENTRE DEVELOPMENT LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 51

2010 Final Results Announcement

HIGHLIGHTS

- Performance of all operating units improved on 2009 and exceeded 2010 budget.
- The Group's Mainland land bank as at 31 December 2010 totaled 2.4 million square metres in Shanghai, Changzhou, Chongqing and Suzhou and cost RMB7.2 billion.
- 150,000 square metres in Shanghai and Changzhou were pre-sold from this land bank in 2010 for RMB3.2 billion.
- Turnover and profit from the pre-sales will be recognized when completion starts in phases in Changzhou in 2011.
- The State Guest House (33 suites) in Changzhou is expected to open in mid 2011, and the 5-star hotel (271 rooms) and 105 serviced apartments in the first half of 2012, all under the management of Marco Polo Hotels.
- Net cash improved by HK\$2 billion to a surplus of HK\$172 million at year-end, primarily due to property pre-sales.
- Book NAV improved by 16% to HK\$15.1 per share as at 31 December 2010, or HK\$19.3 per share if the Group's hotel is restated at market value.

GROUP RESULTS

The Group's profit attributable to equity shareholders for the financial year ended 31 December 2010 amounted to HK\$1,014.9 million (2009 restated: HK\$535.1 million). Basic earnings per share were HK\$1.43 based on issued shares of 708.8 million (2009 restated: HK\$0.84 based on the weighted average of 639.2 million issued shares).

DIVIDENDS

An interim dividend of HK\$0.05 per share (2009: HK\$0.05 per share) was paid in September 2010, absorbing a sum of HK\$35.4 million (2009: HK\$35.4 million). The Directors recommend a final dividend of HK\$0.15 per share (2009: HK\$0.15 per share), absorbing a sum of HK\$106.3 million (2009: HK\$106.3 million), to be paid on 2 June 2011. If this recommendation is approved, the total dividend for the year would amount to HK\$0.20 per share (2009: HK\$0.20 per share).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

China Properties

China has continued its rapid economic development with a 10.3% GDP growth in 2010. Together with the rapid pace of urbanization and burgeoning domestic consumption, the impetus to invest in quality urban property continues. The Group is firmly positive on the fundamental outlook for real estate in the Mainland.

As at the end of 2010, the total land bank attributable to the Group was 2.4 million square metres, comprising five prime sites in the cities of Shanghai, Changzhou, Chongqing and Suzhou, with all land payments fulfilled. This represented 62% of the Group's total business assets and reflects the drive by the Group to diversify from its traditional Hong Kong base.

Sales

The Group made its first pre-sales in the Mainland in 2010, with successful launches of the Shanghai Xiyuan (上海璽園) and Changzhou Times Palace (常州時代上院) projects. A combined GFA of 150,000 square metres were pre-sold during 2010 for total proceeds of RMB3.2 billion. Turnover and profit from the pre-sales will be recognized when completion starts in phases in Changzhou in 2011.

Pre-sales of Changzhou Times Palace commenced in March 2010 and all units in the first launch were sold within a week. Additional units in subsequent offers were also very well received. In total, 98% of the 904 units offered in 2010 were pre-sold for total proceeds of RMB889 million at an average selling price of over RMB20,000 per square metre of GFA for the villas and RMB6,600 for the towers. Total GFA contracted represents 12% of the project total of 800,000 square metres.

For Shanghai Xiyuan, the first launch in July 2010 and subsequent launches were all met with solid demand. In total, 97% of the 264 units launched were pre-sold in 2010 at an average selling price of over RMB45,000 per square metre of GFA for total proceeds of RMB2.3 billion. Total GFA contracted represents 50% of the project total of 100,000 square metres.

The strong demand for the Group's properties reflects their excellent locations and development quality, as well as the Group's trusted and respected brand in meeting the pent-up demand across urban China.

Projects under Development

The Changzhou project commands a total site area of 411,300 square metres and GFA of 800,000 square metres. The development comprises high-end residences, including high-rise towers, semi-detached houses and villas, a 33-suite State Guest House, a five-star hotel with 271 rooms and 105 serviced apartments. Construction is underway with the first phase scheduled for completion in 2011. Full completion of the development is scheduled for 2016. The State Guest House is targeted to open in mid 2011, and the five-star hotel and serviced apartments in the first half of 2012, all under the management of Marco Polo Hotels.

The Shanghai Xiyuan project boasts a site area of 59,300 square metres and GFA of 100,000 square metres. It offers 510 fitted-out units in 11 medium-rise towers and a club house. Construction is underway with full completion scheduled in mid 2012.

The Chongqing project is a joint development with China Overseas Land & Investment with the Group owning 55%. It embraces a site area of 93,100 square metres and will be developed into a prestigious residential development with an attributable GFA of 235,000 square metres, with most units enjoying a panoramic river view over Yangtze River or Jialing River (嘉陵江). The project will be developed in two phases and construction for phase 1 is in progress. Full completion of the development is scheduled in 2014.

The Group has two projects in Suzhou developed through a joint venture owned 80:20 respectively by the Group and Genway Housing Development (蘇州工業園區建屋發展集團). The projects command a total site area of 525,000 square metres and offer an attributable GFA of 1.26 million square metres.

The first project will be a 450-metre skyscraper landmark development of office, hotel and apartment with an attributable GFA of 351,000 square metres. It will become the tallest building in Suzhou with a panoramic view over Jinji Lake (金雞湖) and the city skyline. Ground breaking commenced in March 2010 and foundation work is in progress. The development is scheduled for completion in 2016.

The second project is a high-end residential development with an attributable GFA of 907,000 square metres, and will be developed in phases. Construction work for the initial phases is underway and full completion of the development is scheduled in 2017.

Hotel

The global travel industry staged a notable rebound in 2010 alongside a revival of the world economy. Strong inbound tourism and increasing business travel propensity have propelled The Marco Polo Hongkong Hotel (the “Hotel”) with revenue and operating profit growth of 16% and 14% respectively. Average room rate increased by 23% while average occupancy, impacted by the phased renovation underway at the Hotel, dropped marginally to 78%.

Spurred by the strong demand for hotel rooms in Hong Kong, its synergy with Harbour City and convenient location, the Hotel continues to be well-positioned in the marketplace.

Property Investment

Strong economic activities and consumer sentiments supported Hong Kong’s commercial rental markets in 2010. The Property Investment Segment registered a 17% growth in turnover and a 22% rise in operating profit.

The Group's investment properties, comprising the office and retail areas of the Hotel and Star House retail units, were revalued by an independent valuer as at 31 December 2010. Net revaluation surplus for 2010 was HK\$788.9 million.

Financial Review

(I) Review of 2010 final results

Turnover

For the year 2010, Group turnover increased by 18% to HK\$667.3 million (2009: HK\$566.3 million) with higher revenue from all segments amidst a recovering economy.

Hotel revenue continued to rebound with an increase of 16% to HK\$452.4 million (2009: HK\$391.1 million) from the previous year during which the hotel business was adversely impacted by the severe global recession.

Property Investment revenue increased by 17% to HK\$164.4 million (2009: HK\$140.1 million) resulting from higher rental and an improved tenant mix.

Investment and other income including interest and dividend from the Group's surplus cash and investments increased by 41% to HK\$49.4 million (2009: HK\$35.1 million).

Operating Profit

Group operating profit increased by 16% to HK\$282.6 million (2009: HK\$244.5 million).

Hotel profit increased by 14% to HK\$127.5 million (2009: HK\$112.3 million). Property Investment profit increased by 22% to HK\$141.1 million (2009: HK\$115.7 million). Profit from investment and others increased by 41% to HK\$49.4 million (2009: HK\$35.1 million).

Property Development achieved RMB 3.2 billion pre-sales in 2010 but sales and profit will not be recognized until completion starts in 2011. An operating loss of HK\$25.9 million was booked in 2010 and represented initial expenses for the development projects.

Increase in Fair Value of Investment Properties

The Group's completed investment properties were stated at the valuations carried out by an independent valuer as at 31 December 2010 resulting in a total valuation gain of HK\$788.9 million (2009: HK\$231.4 million), reflecting the strong performance and improving quality of the Group's investment properties against the backdrop of a stronger market.

In accordance with prevailing accounting standard, investment properties under development will not start to be stated at fair value until the earlier of when their fair value first becomes reliably measurable and the date of their respective completion.

Other Net Loss

Other net loss for the year was HK\$14.7 million (2009: income of HK\$96.5 million), which was a net result of investment disposal gains and foreign exchange losses.

Finance Costs

Net finance costs for the year was HK\$9.1 million (2009: HK\$13.0 million). The charge was after capitalisation of HK\$19.7 million (2009: HK\$10.8 million) for the Group's Mainland China projects.

Share of Results after Tax of Associate and Jointly Controlled Entities

Share of loss of associate and jointly controlled entities after tax was HK\$4.4 million against 2009's profit of HK\$14.2 million, which included a write back of excess contingent development cost for a former property project undertaken by the associate.

Income Tax

The taxation charge for the year decreased to HK\$29.0 million (2009 restated: HK\$38.8 million) largely due to recognition of deferred tax assets in respect of unutilised tax losses by certain subsidiaries.

Profit Attributable to Equity Shareholders

Group profit attributable to equity shareholders for the year ended 31 December 2010 amounted to HK\$1,014.9 million (2009 restated: HK\$535.1 million), representing an increase of HK\$479.8 million or 90%. Earnings per share were HK\$1.43 based on issued shares of 708.8 million (2009 restated: HK\$0.84 based on the weighted average of 639.2 million issued shares).

Excluding the investment property surplus of HK\$788.9 million (2009: HK\$231.4 million), the Group's net profit attributable to Shareholders for the year was HK\$226.0 million (2009: HK\$303.7 million), representing a decrease of 26% over last year.

Early Adoption of the Amendments to HKAS 12, Income Taxes

The Group has early adopted the amendments to HKAS 12, Income taxes as detailed in the Note 1 to the financial statements. As a result of this change in policy, deferred tax of HK\$130.2 million on investment properties revaluation gain was not required in the current year's results. Accordingly, the relevant accumulated deferred tax in the amount of HK\$269.2 million, including HK\$38.2 million provided for in 2009 were written back as prior year adjustments with certain comparatives restated. Shareholders' equity as at 31 December 2009 has also been adjusted and restated with an increase of HK\$269.2 million or HK\$0.38 per share.

(II) Liquidity, Financial Resources and Commitments**Shareholders' and Total Equity**

As at 31 December 2010, the Group's shareholders' equity increased by 16% to HK\$10,673.9 million (2009 restated: HK\$9,175.0 million), equivalent to HK\$15.06 per share (2009 restated: HK\$12.95 per share). Including the non-controlling interests, the Group's total equity stood at HK\$11,439.7 million (2009 restated: HK\$9,876.8 million).

The Group's hotel property is stated at cost less accumulated depreciation according to the prevailing Hong Kong Financial Reporting Standards. Restating the hotel property based on the valuation as at 31 December 2010 carried out by an independent valuer would give rise to an additional revaluation surplus of HK\$2,986.7 million and increase the Group's shareholders' equity to HK\$13,660.6 million, equivalent to HK\$19.27 per share.

Total Assets

The Group's total assets increased by 39% to HK\$18,266.6 million (2009: HK\$13,149.7 million). Restating the hotel property at 31 December 2010 valuation as mentioned above would increase the Group's total assets to HK\$21,253.3 million.

The Group's major business assets included properties under development for sale of HK\$7,335.3 million, interest in a jointly controlled entity of HK\$1,756.3 million, investment properties of HK\$3,351.6 million and hotel property (based on valuation) of HK\$3,010 million. Geographically, the Group's assets in Mainland China increased to HK\$9,838.7 million representing 62% of the Group's total business assets of HK\$15,968.8 million. Other major assets included bank deposits and cash totalling HK\$3,521.8 million and available-for-sale investments of HK\$1,744.3 million.

Debt and Gearing

As at 31 December 2010, the Group had net cash of HK\$171.8 million (2009: net debt of HK\$1,829.2 million), which was made up of HK\$3,521.8 million of cash less HK\$3,350.0 million of bank borrowings.

Finance and Availability of Facilities and Funds

As at 31 December 2010, the Group's available loan facilities amounted to HK\$4,000.0 million, of which HK\$3,350.0 million was drawn. Certain banking facilities of the Group were secured by mortgages mainly over the Group's hotel and investment properties with total carrying value of HK\$2,503.2 million (2009: HK\$3,351.4 million).

The Group's debts were effectively denominated in Hong Kong dollar. Further RMB borrowings will be sourced to finance the development cost of the Mainland projects.

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

Net Cash Flows for Operating and Investing Activities

For the year under review, the Group generated HK\$2,350.3 million of net cash inflow from operating activities (2009: outflow of HK\$319.4 million), primarily from the pre-sales of the Group's Changzhou and Shanghai development projects. For investing activities, the Group had a net cash outflow of HK\$252.2 million, mainly for renovation works to the Hotel.

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 2010, the Group also maintained a portfolio of investments primarily consisting of blue chip securities, with an aggregate market value of HK\$1,744.3 million (2009: HK\$1,193.0 million), which is available for liquidation to meet the Group's commitments if necessary. The performance of the portfolio was largely in line with the stock market.

Commitments

As at 31 December 2010, the Group's total outstanding commitments related substantially to development projects in the Mainland, both by the Group and through a jointly controlled entity, amounting to HK\$18.0 billion, of which HK\$1.2 billion have been contracted for. The committed property developments will be carried out in stages in the forthcoming years and funded by internal financial resources, proceeds from property pre-sales and bank loans.

(III) Human Resources

The Group had approximately 610 employees as at 31 December 2010. Employees are remunerated according to their job responsibilities and the market pay trend with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the Group's achievement and results.

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2010

	Note	2010 HK\$ Million	2009 HK\$ Million (Restated)
Turnover	2	667.3	566.3
Direct costs and operating expenses		(281.1)	(252.0)
Selling and marketing expenses		(42.6)	(24.5)
Administrative and corporate expenses		(22.4)	(21.1)
Operating profit before depreciation, interest and tax		321.2	268.7
Depreciation		(38.6)	(24.2)
Operating profit	3	282.6	244.5
Increase in fair value of investment properties		788.9	231.4
Other net (loss)/income	4	(14.7)	96.5
		1,056.8	572.4
Finance costs	5	(9.1)	(13.0)
Share of results after tax of:			
Associate		0.1	17.5
Jointly controlled entities		(4.5)	(3.3)
Profit before taxation		1,043.3	573.6
Income tax	6(b)	(29.0)	(38.8)
Profit for the year		1,014.3	534.8
Profit attributable to:			
Equity shareholders		1,014.9	535.1
Non-controlling interests		(0.6)	(0.3)
		1,014.3	534.8
Earnings per share	7		
Basic		HK\$1.43	HK\$0.84
Diluted		HK\$1.43	HK\$0.84

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2010

	2010 HK\$ Million	2009 HK\$ Million (Restated)
Profit for the year	1,014.3	534.8
Other comprehensive income		
Exchange difference on translation of:	312.3	(41.5)
- financial statements of overseas subsidiaries	254.4	4.7
- financial statements of jointly controlled entities	57.9	(46.2)
Net revaluation reserves of available-for-sale investments:	336.4	541.4
- surplus on revaluation	428.7	552.1
- transferred to consolidated income statement on disposal	(92.3)	(10.7)
Actuarial gains on defined benefit pension schemes	2.6	12.8
Other comprehensive income for the year	651.3	512.7
TOTAL COMPREHENSIVE INCOME OF THE YEAR	1,665.6	1,047.5
Total comprehensive income attributable to:		
Equity shareholders of the Company	1,640.6	1,048.1
Non-controlling interests	25.0	(0.6)
	1,665.6	1,047.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2010

		31 December 2010	31 December 2009	1 January 2009
		HK\$	HK\$	HK\$
	Note	Million	Million	Million
			(Restated)	(Restated)
Non-current assets				
Fixed assets				
Investment properties		3,351.6	2,515.5	1,877.0
Leasehold land		15.2	15.2	15.2
Other properties, plant and equipment		100.9	59.2	80.4
Interest in an associate		0.1	0.2	0.7
Interest in jointly controlled entities		1,756.3	1,650.9	2,586.7
Available-for-sale investments		1,744.3	1,193.0	604.0
Long term receivables		-	-	0.5
Employee retirement benefit assets		16.1	11.0	-
Derivative financial assets		-	-	2.9
Deferred tax assets		11.7	-	-
		6,996.2	5,445.0	5,167.4
Current assets				
Properties under development for sale		7,335.3	6,472.7	4,972.6
Inventories		2.7	2.9	3.4
Trade and other receivables	8	301.6	95.8	105.3
Prepaid tax		102.3	-	-
Derivative financial assets		6.7	9.3	-
Bank deposits and cash		3,521.8	1,124.0	1,258.4
		11,270.4	7,704.7	6,339.7
Current liabilities				
Trade and other payables	9	465.6	210.9	180.9
Pre-sale deposits and proceeds		2,855.8	-	-
Derivative financial liabilities		46.5	-	165.8
Bank loans		900.0	-	-
Taxation payable		79.2	79.6	77.4
		4,347.1	290.5	424.1
Net current assets		6,923.3	7,414.2	5,915.6
Total assets less current liabilities		13,919.5	12,859.2	11,083.0
Non-current liabilities				
Employee retirement benefit liabilities		-	-	3.6
Derivative financial liabilities		6.2	8.2	1.3
Bank loans		2,450.0	2,953.2	3,065.0
Deferred tax liabilities		23.6	21.0	19.3
		2,479.8	2,982.4	3,089.2
NET ASSETS		11,439.7	9,876.8	7,993.8
Capital and reserves				
Share capital		354.4	354.4	236.3
Reserves		10,319.5	8,820.6	7,061.7
Shareholders' equity		10,673.9	9,175.0	7,298.0
Non-controlling interests		765.8	701.8	695.8
TOTAL EQUITY		11,439.7	9,876.8	7,993.8

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 adopted are consistent with those set out in the annual financial statements for the year ended 31 December 2009, except for the changes in accounting policies as described below.

The Group has not applied any new standards, amendments or interpretation that is not yet effective for the current accounting period, with the exception of the amendments to HKAS 12, Income taxes, in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40, Investment property. The amendments are effective for annual periods beginning on or after 1 January 2012, but as permitted by the amendments, the Group has decided to adopt the amendments early.

- Early adoption of the amendments to HKAS 12, Income taxes

The change in policy arising from the amendments to HKAS 12 is the only change which has had a material impact on the current or comparative periods. As a result of this change in policy, the Group now measures any deferred tax liability in respect of its investment properties with reference to the tax liability that would arise if the properties were disposed of at their carrying amounts at the reporting date unless the property is depreciable and is held within a business model where objective is to consume substantially all of economic benefits embodied in the property over time, rather than through sale. Previously, where these properties were held under leasehold interests, deferred tax was generally measured using the tax rate that would apply as a result of recovery of the asset’s value through use.

This change in policy has been applied retrospectively by restating the opening balances at 1 January 2009 and 2010, with consequential adjustments to comparatives for the year ended 31 December 2009. As the Group’s investment properties are substantially located in Hong Kong which has no capital gain tax, this has resulted in a reduction in the amount of deferred tax provided on valuation gains as follows:

	As previously reported	Effect of adoption of amendments to HKAS 12	As restated
	HK\$	HK\$	HK\$
	Million	Million	Million
Consolidated income statement for the year ended 31 December 2009:			
Income tax expenses	(77.0)	38.2	(38.8)
Profit for the year	496.6	38.2	534.8
Basic earnings per share	HK\$0.78	HK\$0.06	HK\$0.84
Fully diluted earnings per share	HK\$0.78	HK\$0.06	HK\$0.84
Consolidate statement of financial position as at 31 December 2009:			
Deferred tax liabilities	(290.2)	269.2	(21.0)
Retained profits	4,332.1	269.2	4,601.3
Consolidated statement of financial position as at 1 January 2009:			
Deferred tax liabilities	(250.3)	231.0	(19.3)
Retained profits	3,928.7	231.0	4,159.7

The HKICPA has issued revised HKFRSs, a number of amendments to HKFRSs and new interpretations that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements but the adoption of which has no effect on reported profit or loss, total income and expense or net assets for any period presented:

HKFRS 3 (Revised)	Business combinations
Amendments to HKAS 27	Consolidated and separate financial statements
Amendments to HKAS 39	Financial instruments: recognition and measurement - eligible hedged items
Improvements to HKFRSs (2009) including HKAS 17 amendment	
HK (Int) 5	Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause

2. Segment Information

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

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

Property investment segment primarily represents the property leasing of the Group's investment properties in Hong Kong. Some of the Group's development projects in

Mainland China include properties which are intended to be held for investment purposes on completion.

Property development segment encompasses activities relating to the acquisition, design, development, marketing and sale of trading properties primarily in Mainland China.

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

Segment business assets principally comprise all tangible, intangible assets and current assets directly attributable to each segment with the exception of bank deposits and cash, available-for-sale investments, derivative financial instruments and deferred tax assets.

Revenue and expenses are allocated with reference to sales generated by those segments and expenses incurred by those segments or which arise from the depreciation of assets attributable to those segments.

Investment and others which was determined to be a segment in prior periods is no longer classified as a segment during the current year to conform to internal management reporting and comparative figures have been reclassified to conform to current year's presentation accordingly.

(a) Analysis of segment results

	Turnover HK\$ Million	Operating profit/ (loss) HK\$ Million	Increase in fair value of investment properties HK\$ Million	Other net (loss)/ income HK\$ Million	Finance costs HK\$ Million	Share of results after tax of associate HK\$ Million	Share of results after tax of jointly controlled entities HK\$ Million	Profit/ (loss) before taxation HK\$ Million
2010								
Hotel	452.4	127.5	-	-	(7.6)	-	-	119.9
Property investment	164.4	141.1	788.9	-	-	-	-	930.0
Property development	1.1	(25.9)	-	(0.5)	-	0.1	(4.5)	(30.8)
Segment total	617.9	242.7	788.9	(0.5)	(7.6)	0.1	(4.5)	1,019.1
Investment and others	49.4	49.4	-	(14.2)	(1.5)	-	-	33.7
Corporate expenses	-	(9.5)	-	-	-	-	-	(9.5)
Total	667.3	282.6	788.9	(14.7)	(9.1)	0.1	(4.5)	1,043.3
2009								
Hotel	391.1	112.3	-	-	(8.6)	-	-	103.7
Property investment	140.1	115.7	231.4	-	-	-	-	347.1
Property development	-	(12.8)	-	5.4	(1.9)	17.5	(3.3)	4.9
Segment total	531.2	215.2	231.4	5.4	(10.5)	17.5	(3.3)	455.7
Investment and others	35.1	35.1	-	91.1	(2.5)	-	-	123.7
Corporate expenses	-	(5.8)	-	-	-	-	-	(5.8)
Total	566.3	244.5	231.4	96.5	(13.0)	17.5	(3.3)	573.6

- (i) Substantially all depreciation were attributable to the Hotel Segment.
- (ii) No inter-segment revenue has been recorded during the current and prior years.

(b) Analysis of segment business assets

	2010	2009
	HK\$	HK\$
	Million	Million
Hotel	161.5	113.4
Property investment	2,981.9	2,172.8
Property development	9,838.7	8,537.2
Total segment business assets	12,982.1	10,823.4
Unallocated corporate assets	5,284.5	2,326.3
Total assets	18,266.6	13,149.7

- (i) Should the hotel property be stated based on the valuation as at 31 December 2010 of HK\$3,010.0 million (2009: HK\$2,630.0 million), the total segment business assets would be increased to HK\$15,968.8 million (2009: HK\$13,427.4 million).
- (ii) Unallocated corporate assets mainly comprise available-for-sale investments, deferred tax assets, bank deposits and cash and other derivative financial assets.

(c) Geographical information

	Revenue		Specified non-current assets	
	2010	2009	2010	2009
	HK\$	HK\$	HK\$	HK\$
	Million	Million	Million	Million
Hong Kong	623.0	532.4	3,421.0	2,299.7
Mainland China	11.5	3.2	2,206.4	2,057.6
Singapore	32.8	30.7	1,341.0	1,076.7
Group total	667.3	566.3	6,968.4	5,434.0

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

The geographical location of revenue is analysed based on the location at which services were provided and in case of equity instruments, where they are listed. The geographical location of specified non-current assets is based on the physical location of operations in the case interests in associates and jointly controlled entities and country of listing in case of equity instruments.

3. Operating Profit

Operating profit is arrived at:

	2010 HK\$ Million	2009 HK\$ Million
After charging/(crediting):		
Depreciation	38.6	24.2
Staff costs	137.5	112.4
Auditors' remuneration		
- Audit services	1.0	1.2
- Other services	-	0.6
Rental charges under operating leases	5.4	4.6
Rental income less direct outgoings (Note)	(141.7)	(118.9)
Interest income on bank deposits	(11.8)	(4.4)
Dividend income from listed investments	(37.6)	(30.7)

Note:

Rental income included contingent rentals of HK\$65.1 million (2009: HK\$48.5 million).

4. Other Net (Loss)/Income

	2010 HK\$ Million	2009 HK\$ Million
Profit on disposal of available-for-sale investments		
- including HK\$92.3 million (2009: HK\$10.7 million) reclassified from the investments revaluation reserve	132.4	54.6
Net exchange (loss)/gain	(147.1)	38.5
Net gain on disposal of a jointly controlled entity	-	3.4
	(14.7)	96.5

Apart from the above net exchange differences, 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\$312.3 million, which has been dealt with as other comprehensive income.

5. Finance Costs

	2010 HK\$ Million	2009 HK\$ Million
Interest on bank borrowings wholly repayable within five years	23.8	16.3
Other finance costs	5.4	6.0
	<u>29.2</u>	<u>22.3</u>
Less: Amount capitalised	(19.7)	(10.8)
	<u>9.5</u>	<u>11.5</u>
Fair value changes on cross-currency interest rate swaps	(0.4)	1.5
	<u>9.1</u>	<u>13.0</u>

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

6. Income Tax

- (a) The provision for Hong Kong profits tax is at the rate 16.5% (2009: 16.5%) of the estimated assessable profits for the year.
- (b) Taxation charged to the consolidated income statement represents:

	2010 HK\$ Million	2009 HK\$ Million (Restated)
Current tax		
Hong Kong Profits Tax provision for the year	38.4	35.4
(Over)/underprovision in respect of prior years	(0.3)	1.7
	<u>38.1</u>	<u>37.1</u>
Deferred tax		
Origination and reversal of temporary differences	2.6	1.7
Benefit of previously unrecognised tax losses now recognised	(11.7)	-
	<u>(9.1)</u>	<u>1.7</u>
Total tax charge	<u>29.0</u>	<u>38.8</u>

- (c) No tax attributable to associate for the year (2009: HK\$3.4 million) is included in the share of results of associate. There is no share of tax in respect of the jointly controlled entities.

7. Earnings Per Share

The calculation of earnings per share is based on the profit for the year attributable to equity shareholders of HK\$1,014.9 million (2009: HK\$535.1 million as restated) and the weighted average of 708.8 million ordinary shares (2009: 639.2 million shares after adjusting for the rights issue which was completed in May 2009), calculated as follows:

Weighted average number of ordinary shares

	2010 Million	2009 Million
Issued ordinary shares at 1 January	708.8	472.5
Effect of rights issue	-	166.7
Weighted average number of ordinary shares at 31 December	708.8	639.2

There were no potential dilutive ordinary shares in existence during the years ended 31 December 2010 and 2009.

8. 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 2010 as follows:

	2010 HK\$ Million	2009 HK\$ Million
Trade receivables		
0 - 30 days	86.5	66.3
31 - 60 days	1.0	0.1
61 - 90 days	-	0.5
Over 90 days	1.7	-
	89.2	66.9
Prepayments	190.6	0.4
Other receivables	9.5	22.9
Amounts due from fellow subsidiaries	12.3	5.6
	301.6	95.8

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

9. Trade and Other Payables

Included in this item are trade creditors with an ageing analysis as at 31 December 2010 as follows:

	2010 HK\$ Million	2009 HK\$ Million
Trade creditors		
0 - 30 days	14.5	12.4
31 - 60 days	3.0	6.0
61 - 90 days	1.1	0.4
Over 90 days	0.5	0.2
	19.1	19.0
Other payables and provisions	192.8	103.2
Construction costs payable	222.8	74.8
Amounts due to fellow subsidiaries	28.2	7.0
Amounts due to an associate	2.7	6.9
	465.6	210.9

10. Dividends Attributable to Equity Shareholders

	2010 HK\$ Million	2009 HK\$ Million
Interim dividend declared and paid of 5.0 cents (2009: 5.0 cents) per share	35.4	35.4
Final dividend of 15.0 cents (2009: 15.0 cents) per share proposed after the end of reporting date	106.3	106.3
	141.7	141.7

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

(b) The final dividend of HK\$106.3 million for 2009 was approved and paid in 2010.

11. Restatement of Comparatives

As a result of the adoption of the amendments to HKAS 12, Income taxes, certain comparative figures have been adjusted to reflect the decrease in accrual of deferred tax liabilities related to investment properties carried at fair value. Further details of these changes in accounting policies are disclosed in Note 1.

12. Review of Results

The financial results for the year ended 31 December 2010 have been reviewed with no disagreement by the Audit Committee of the Company. Also, this preliminary results announcement has been agreed with the Company's Auditors.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the financial year ended 31 December 2010, 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.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

BOOK CLOSURE

The Register of Members of the Company will be closed from Monday, 23 May 2011 to Wednesday, 25 May 2011, both days inclusive, during which period no transfer of shares of the Company can be registered. In order to qualify for the abovementioned 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 Friday, 20 May 2011.

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

Hong Kong, 9 March 2011

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Stephen T. H. Ng, Ms. Doreen Y. F. Lee, Mr. T. Y. Ng and Mr. Paul Y. C. Tsui, together with four Independent Non-executive Directors, namely, Dr. Joseph M. K. Chow, Mr. H. M. V. de Lacy Staunton, Mr. Michael T. P. Sze and Mr. Brian S. K. Tang.