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HARBOUR CENTRE DEVELOPMENT LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 51

2011 Final Results Announcement

A New Phase of Growth

HIGHLIGHTS

- Property Development in the Mainland reported its first revenue (HK\$454 million) and operating profit (HK\$98 million) to mark a new phase of growth for the Group.
- From the attributable land bank of 2.4 million square metres, 19,000 square metres were completed and recognised in 2011 and 230,000 square metres are budgeted to be recognised in 2012.
- Attributable presales in 2011 totaled 264,000 square metres and RMB4.2 billion. 2012 opened with a net order book of 394,000 square metres and RMB6.7 billion.
- Long standing core businesses Hotel and Property Investment continued to deliver solid growth and margin expansion.
- Group turnover and operating profit increased by 94% and 71% respectively.
- Net cash increased to HK\$2.7 billion at year-end.
- Book NAV (hotel and development properties stated at cost) increased by 7% to HK\$16.17 per share as at year-end. Mainland investments totaled HK\$12 billion and represented 75% of Group business assets.

GROUP RESULTS

Group profit attributable to equity shareholders for the financial year ended 31 December 2011 increased by 8% to HK\$1,095.5 million (2010: HK\$1,014.9 million). Excluding the investment property revaluation surplus, Group profit increased by 49% to HK\$336.0 million (2010: HK\$226.0 million). Underlying earnings per share was HK\$0.47 (2010: HK\$0.32).

DIVIDENDS

An interim dividend of HK\$0.06 per share was paid on 29 September 2011. The Board has declared a second interim dividend of HK\$0.18 per share in respect of the financial year ended 31 December 2011, payable on 25 May 2012 to Shareholders on record as at 18 May 2012. This second interim dividend is to be paid in lieu of a final dividend in respect of the financial year ended 31 December 2011.

BUSINESS REVIEW

China Properties

The vibrant economic development of China continued with a 9.2% GDP growth in 2011. The wealth creation and accumulation process has stimulated strong demand for quality urban living.

The Group's investment in Mainland properties started to bear fruit in 2011 with the first revenue and profit recognition, when the initial phase of 19,000 square metres of Changzhou Times Palace was completed and recognised to generate turnover of HK\$454 million and operating profit of HK\$98 million.

The pace of property completion will accelerate with an estimated 230,000 square metres of area budgeted for recognition in 2012.

As at the end of 2011, the Group had an attributable land bank of 2.4 million metres. At a book value of HK\$12 billion, it represented 75% of the Group's business assets.

Sales

Two new projects, namely, Chongqing U World and Suzhou Times City, were launched for presales during 2011. Together with further sales from projects previously launched, a total of 264,000 square metres of properties were sold during the year for RMB 4.2 billion, 31% higher than in 2010.

As at the end of 2011, the net order book increased to RMB6.7 billion for 394,000 square metres of properties, which will be recognized from 2012 onwards.

Presales of Chongqing U World commenced in April. On an attributable basis, 49,000 square metres were sold during the period at an average price of RMB20,000 per square metre for proceeds of RMB977 million. Total sold GFA represents 21% of the project total.

Presales of Suzhou Times City commenced in mid-May. In total, 82,700 square metres, were sold at an average price of RMB13,400 per square metre for proceeds of RMB1.1 billion. Total sold GFA represents 9% of the project total.

Shanghai Xiyuan released additional phases during 2011, with 24,600 square metres sold by year end at an average price of RMB51,300 per square metre for proceeds of RMB1.3 billion. Cumulative sold GFA represents 75% of the project total.

Additional phases of Changzhou Times Palace were also launched, with over 108,000 square metres sold at an average price of RMB24,400 per square metre for the villas and RMB7,800 per square metre for the towers, for total proceeds of RMB886 million. Cumulative sold GFA represents 26% of the project total.

Development Progress

Changzhou Times Palace includes residential towers, semi-detached houses and villas, a 32-suite State Guest House, a five-star hotel with 272 rooms and 139 serviced apartments, with a total GFA of 800,000 square metres. Construction is underway and the first phase of residence was completed in the second half of 2011. The State Guest House, five-star hotel and serviced apartments will be completed in 2013. The project is scheduled for full completion in 2014.

Shanghai Xiyuan comprises 11 medium-rise towers and a luxurious club house with a total GFA of 100,000 square metres. Project completion in 2012 is expected. The metro station nearby is already in operation to provide easy access to the city centre.

Chongqing U World, a joint development with China Overseas Land & Investment with the Group owning 55%, offers an attributable GFA of 235,000 square metres with most of the residences enjoying panoramic river views from different angles. The development is located in the heart of the new Jiangbei CBD near the Grand Theatre, Science Museum and Chongqing Central Park that provide a quality living environment for its residents. The project is scheduled for completion in phases by 2015.

In Suzhou, the Group has two projects being developed through a joint venture owned 80:20 respectively by the Group and Genway Housing Development.

Suzhou Times City, located along the main east-west thoroughfare of Xiandai Da Dao near a future metro station, offers a GFA of 907,000 square metres. Construction for the initial phases is underway with full completion scheduled by 2018.

Suzhou IFC (International Finance Centre) is a 450-metre skyscraper landmark development in the new CBD overlooking Jinji Lake and in close proximity to a future metro station. It is designed by the internationally renowned architect, Kohn Pedersen Fox, and comprises Grade A office, luxurious sky apartments and a premium hotel with full scenery of Suzhou that offer a total GFA of 351,000 square metres. Total project cost for this investment property will exceed RMB5 billion. Construction is underway with scheduled completion by 2016.

Hotel

The Marco Polo Hongkong Hotel (“MPHK Hotel”) benefitted from the strong inbound tourism to Hong Kong during 2011. This segment posted revenue and profit growth of 22% and 37% respectively. Average room rate increased by 18% while average occupancy climbed by 5 percentage points to 83% in 2011.

The favourable location of MPHK Hotel within Harbour City provides convenience for business and leisure travelers. The phased renovation to uplift its product offering was completed at the end of 2011.

Property Investment

The Property Investment Segment performed well during 2011 with a 18% growth in turnover and a 20% increase in operating profit, reflecting strong local business and consumption demand. The Group’s property investment portfolio, which comprises the office and retail areas of MPHK Hotel and the Star House retail units, were revalued by an independent valuer as at 31 December 2011. Net revaluation surplus for 2011 was HK\$759.5 million.

FINANCIAL REVIEW

(I) Review of 2011 Final Results

Turnover

Group turnover increased substantially by 94% to HK\$1,296.6 million (2010: HK\$667.3 million), primarily due to the first recognition of property sales in the Mainland and the continuous increase in hotel and rental revenues.

Hotel revenue increased by 22% to HK\$553.4 million (2010: HK\$452.4 million). MPHK Hotel’s average room rate improved by 18%; occupancy reached 83%.

Property Investment revenue increased by 18% to HK\$194.0 million (2010: HK\$164.4 million). In a robust retail market, higher rental and occupancy were achieved after reshuffling the tenant mix.

Property Development recognised HK\$453.5 million (2010: HK\$1.1 million) of sales revenue. The phased completion of Changzhou Times Palace gave the Group its first revenue and profit from development projects in the Mainland.

Investment and other income increased by 94% to HK\$95.7 million (2010: HK\$49.4 million), mainly as a result of increase in interest income from the Group’s larger cash position.

Operating Profit

Group operating profit increased by 71% to HK\$484.1 million (2010: HK\$282.6 million).

Hotel profit increased by 37% to HK\$174.5 million (2010: HK\$127.5 million). Property Investment profit increased by 20% to HK\$169.4 million (2010: HK\$141.1 million).

Property Development profit was HK\$97.7 million (2010: loss HK\$25.9 million). This marked the first profit recognition from development projects in the Mainland.

Attributable presales of properties during the year increased to RMB4,233.7 million and brought a net order book up to RMB6,670.0 million by the end of 2011. This will underpin sales and profit growth progressively in the next few years upon completion of the projects in stages.

Profit from investment and others increased by 94% to HK\$95.7 million (2010: HK\$49.4 million).

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 2011 resulting in a total valuation gain of HK\$759.5 million in 2011 (2010: HK\$788.9 million). In accordance with the prevailing accounting standard, the Group's investment properties under development is carried at cost and will not be carried at fair value until the earlier of its fair value first becoming reliably measurable and the date of completion.

Other Net Loss

Other net loss of HK\$56.7 million for the year mainly arose from foreign exchange loss (2010: HK\$14.7 million).

Finance Costs

Net finance cost for the year was HK\$9.9 million (2010: HK\$9.1 million), net of capitalisation of HK\$17.5 million (2010: HK\$19.7 million) for the Group's Mainland 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\$15.1 million (2010: HK\$4.4 million), mainly representing the pre-operating expenses for a Mainland development project.

Income Tax

The taxation charge for the year increased to HK\$66.7 million (2010: HK\$29.0 million) as a result of an increase in taxable profit.

Profit Attributable to Equity Shareholders

Group profit attributable to equity shareholders for the year ended 31 December 2011 amounted to HK\$1,095.5 million (2010: HK\$1,014.9 million), representing an increase of 8%. Earnings per share were HK\$1.55 (2010: HK\$1.43) based on 708.8 million shares in issue.

Excluding the investment property surplus of HK\$759.5 million (2010: HK\$788.9 million), Group profit attributable to equity Shareholders for the year was HK\$336.0 million (2010: HK\$226.0 million), representing an increase of 49%.

(II) Liquidity, Financial Resources and Commitments

Shareholders' and Total Equity

As at 31 December 2011, the Group's shareholders' equity was HK\$11,462.9 million (2010: HK\$10,673.9 million), equivalent to HK\$16.17 per share (2010: HK\$15.06 per share). Including non-controlling interests, the Group's total equity stood at HK\$12,278.7 million (2010: HK\$11,439.7 million).

The hotel property is stated at cost less accumulated depreciation according to the prevailing Hong Kong Financial Reporting Standards. Restating the hotel property at the valuation as at 31 December 2011 carried out by an independent valuer would give rise to an additional revaluation surplus of HK\$3,503.2 million and increase the Group's shareholders' equity as at 31 December 2011 to HK\$14,966.1 million, equivalent to HK\$21.11 per share.

Total Assets

The Group's total assets increased by 25% to HK\$22,844.6 million (2010: HK\$18,266.6 million), including HK\$15,857.0 million of business assets, HK\$5,841.5 million of bank deposits and cash, as well as HK\$1,119.1 million of available-for-sale investments.

The Group's major business assets included properties for sale of HK\$8,716.5 million plus interest held through jointly controlled entities of HK\$1,558.8 million and investment properties of HK\$4,289.7 million. Geographically, HK\$11,906.2 million or 75% of the Group's total business assets were located in Mainland China.

Debt / Cash

As at 31 December 2011, the Group had net cash of HK\$2,700.3 million (2010: HK\$171.8 million), which was made up of HK\$5,841.5 million of cash and HK\$3,141.2 million of bank borrowings.

Finance and Availability of Facilities and Funds

As at 31 December 2011, the Group's available loan facilities amounted to HK\$4,616.8 million, of which HK\$3,141.2 million was drawn. Certain banking facilities of the Group were secured by mortgages mainly over the Group's hotel and investment properties and properties under development for sale with total carrying value of HK\$4,200.4 million (2010: HK\$2,503.2 million).

The Group's debts were denominated in HKD, USD and RMB. 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.

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 2011, the Group also maintained a portfolio of investments primarily consisting of blue chip securities, with an aggregate market value of HK\$1,119.1 million (2010: HK\$1,744.3 million), which is available for liquidation to meet the Group's commitment if necessary. The performance of the portfolio was largely in line with the general stock market.

Net Cash Flows from Operating and Investing Activities

For the year under review, the Group generated HK\$2,453.6 million of net cash inflow from operating activities (2010: HK\$2,350.3 million), primarily from the pre-sales of the Group's development projects. For investing activities, the Group had net cash inflow of HK\$86.3 million, mainly representing purchase of fixed assets offset by decrease in advance to jointly control entities.

Commitments

As at 31 December 2011, the Group's total contracted commitments amounted to HK\$2.6 billion which was substantially related to Mainland development projects. Apart from that, the Group plans to invest HK\$16.9 billion mainly on construction costs to complete the Group's China development projects, which will be carried out by 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 680 employees as at 31 December 2011. 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 2011

	Note	2011 HK\$ Million	2010 HK\$ Million
Turnover	2	1,296.6	667.3
Direct costs and operating expenses		(645.4)	(281.1)
Selling and marketing expenses		(83.5)	(42.6)
Administrative and corporate expenses		<u>(36.3)</u>	<u>(22.4)</u>
Operating profit before depreciation, interest and tax		531.4	321.2
Depreciation		<u>(47.3)</u>	<u>(38.6)</u>
Operating profit	3	484.1	282.6
Increase in fair value of investment properties		759.5	788.9
Other net loss	4	<u>(56.7)</u>	<u>(14.7)</u>
		1,186.9	1,056.8
Finance costs	5	(9.9)	(9.1)
Share of results after tax of:			
Associate		—	0.1
Jointly controlled entities		<u>(15.1)</u>	<u>(4.5)</u>
Profit before taxation		1,161.9	1,043.3
Income tax	6(a)	<u>(66.7)</u>	<u>(29.0)</u>
Profit for the year		<u>1,095.2</u>	<u>1,014.3</u>
Profit attributable to:			
Equity shareholders		1,095.5	1,014.9
Non-controlling interests		<u>(0.3)</u>	<u>(0.6)</u>
		<u>1,095.2</u>	<u>1,014.3</u>
Earnings per share	7		
Basic		HK\$1.55	HK\$1.43
Diluted		<u>HK\$1.55</u>	<u>HK\$1.43</u>

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2011

	2011	2010
	HK\$ Million	HK\$ Million
Profit for the year	1,095.2	1,014.3
Other comprehensive income		
Exchange difference on translation of:	462.4	312.3
- financial statements of overseas subsidiaries	378.7	254.4
- financial statements of jointly controlled entities	83.7	57.9
Net revaluation reserves of available-for-sale investments:	(573.9)	336.4
- (deficit)/surplus on revaluation	(575.7)	428.7
- transferred to consolidated income statement on disposal	1.8	(92.3)
Actuarial (losses)/gains on defined benefit pension schemes	(7.9)	2.6
Other comprehensive income for the year	(119.4)	651.3
TOTAL COMPREHENSIVE INCOME OF THE YEAR	975.8	1,665.6
Total comprehensive income attributable to:		
Equity shareholders of the Company	937.8	1,640.6
Non-controlling interests	38.0	25.0
	975.8	1,665.6

Consolidated Statement of Financial Position
As at 31 December 2011

	Note	2011 <u>HK\$ Million</u>	2010 <u>HK\$ Million</u>
Non-current assets			
Fixed assets			
Investment properties		4,289.7	3,351.6
Leasehold land		54.2	15.2
Other properties, plant and equipment		305.2	100.9
Interest in an associate		0.1	0.1
Interest in jointly controlled entities		1,558.8	1,756.3
Available-for-sale investments		1,119.1	1,744.3
Employee retirement benefit assets		10.7	16.1
Deferred tax assets		21.8	11.7
		<u>7,359.6</u>	<u>6,996.2</u>
Current assets			
Properties for sale		8,716.5	7,335.3
Inventories		2.9	2.7
Trade and other receivables	8	690.2	301.6
Prepaid tax		228.7	102.3
Derivative financial assets		5.2	6.7
Bank deposits and cash		5,841.5	3,521.8
		<u>15,485.0</u>	<u>11,270.4</u>
Current liabilities			
Trade and other payables	9	724.0	465.6
Pre-sale deposits and proceeds		6,561.7	2,855.8
Derivative financial liabilities		31.2	46.5
Bank loans		300.0	900.0
Taxation payable		78.5	79.2
		<u>7,695.4</u>	<u>4,347.1</u>
Net current assets		<u>7,789.6</u>	<u>6,923.3</u>
Total assets less current liabilities		<u>15,149.2</u>	<u>13,919.5</u>
Non-current liabilities			
Derivative financial liabilities		4.3	6.2
Bank loans		2,841.2	2,450.0
Deferred tax liabilities		25.0	23.6
		<u>2,870.5</u>	<u>2,479.8</u>
NET ASSETS		<u>12,278.7</u>	<u>11,439.7</u>
Capital and reserves			
Share capital		354.4	354.4
Reserves		11,108.5	10,319.5
Shareholders' equity		<u>11,462.9</u>	<u>10,673.9</u>
Non-controlling interests		<u>815.8</u>	<u>765.8</u>
TOTAL EQUITY		<u>12,278.7</u>	<u>11,439.7</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 interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2010 except for the changes mentioned below.

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:

HKAS 24 (revised 2009)	<i>Related party disclosures</i>
Improvements to HKFRSs (2010)	
Amendments to HK(IFRIC) 14	<i>HKAS 19 - The limit on a defined benefit assets, minimum funding requirements and their interaction – Prepayments of a minimum funding requirement</i>

The amendments to HK(IFRIC) 14 have had no material impact on the Group’s financial statements as they were consistent with policies already adopted by the Group.

The impacts of other developments are discussed below:

- HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group’s related party disclosures in the current and previous period. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.
- Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, *Financial instruments: Disclosures*. The disclosures about the Group’s financial instruments have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the consolidated financial statements in the current and previous periods.

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. Some of the Group's development projects in Mainland China include hotel properties.

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.

(a) Analysis of segment results

	Turnover HK\$ Million	Operating profit HK\$ Million	Increase in fair value of investment properties HK\$ Million	Other net loss 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 before taxation HK\$ Million
2011								
Hotel	553.4	174.5	-	-	(7.8)	-	-	166.7
Property investment	194.0	169.4	759.5	-	-	-	-	928.9
Property development	453.5	97.7	-	1.2	-	-	(15.1)	83.8
Segment total	1,200.9	441.6	759.5	1.2	(7.8)	-	(15.1)	1,179.4
Investment and others	95.7	95.7	-	(57.9)	(2.1)	-	-	35.7
Corporate expenses	-	(53.2)	-	-	-	-	-	(53.2)
Total	1,296.6	484.1	759.5	(56.7)	(9.9)	-	(15.1)	1,161.9
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

- (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

	2011	2010
	HK\$ Million	HK\$ Million
Hotel	407.7	161.5
Property investment	4,386.6	3,428.5
Property development	11,062.7	9,392.1
Total segment business assets	15,857.0	12,982.1
Unallocated corporate assets	6,987.6	5,284.5
Total assets	22,844.6	18,266.6

(i) Hotel is stated at amortized cost. Should the completed hotel property be stated based on the valuation as at 31 December 2011 of HK\$3,540.0 million (2010: HK\$3,010.0 million), the total segment business assets would be increased to HK\$19,360.2 million (2010: HK\$15,968.8 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		Operating profit/(loss)	
	2011	2010	2011	2010
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Hong Kong	760.1	623.0	349.0	280.1
Mainland China	506.8	11.5	105.4	(30.3)
Singapore	29.7	32.8	29.7	32.8
Group total	1,296.6	667.3	484.1	282.6

	Specified non-current assets		Total business assets	
	2011	2010	2011	2010
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Hong Kong	3,800.0	3,017.8	3,950.8	3,143.4
Mainland China	2,408.0	2,206.3	11,906.2	9,838.7
Group total	6,208.0	5,224.1	15,857.0	12,982.1

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.

Geographically, HK\$11,906.2 million or 75% of the Group's total business asset, based on book cost, were located in Mainland China.

The geographical location of revenue and operating profit/(loss) are analysed based on the location at which services are provided and in case of equity instruments, where they are listed. The geographical location of specified non-current assets and total business assets are based on the physical location of operations.

3. OPERATING PROFIT

Operating profit is arrived at:

	2011 HK\$ Million	2010 HK\$ Million
After charging/(crediting):		
Depreciation	47.3	38.6
Staff costs	159.2	137.5
Auditors' remuneration		
- Audit services	1.4	1.0
Cost of trading properties for recognised sales	325.1	—
Rental charges under operating leases	9.0	5.4
Rental income less direct outgoings (Note)	(173.7)	(141.7)
Interest income on bank deposits	(54.1)	(11.8)
Dividend income from listed investments	(41.6)	(37.6)

Note: Rental income included contingent rentals of HK\$92.0 million (2010: HK\$65.1 million).

4. OTHER NET LOSS

	2011 HK\$ Million	2010 HK\$ Million
(Loss)/profit on disposal of available-for-sale investments		
- including HK\$1.8 million (2010: HK\$92.3 million)		
reclassified from the investments revaluation reserve	(0.6)	132.4
Net exchange loss	(56.1)	(147.1)
	(56.7)	(14.7)

Apart from the above net exchange differences, the Group also had a total exchange gain arising from the translation of the net investments in Mainland China subsidiaries and jointly controlled entities of HK\$462.4 million (2010: HK\$312.3 million), which has been dealt with as other comprehensive income.

5. FINANCE COSTS

	2011 HK\$ Million	2010 HK\$ Million
Interest on bank borrowings wholly repayable within five years	20.8	23.8
Other finance costs	5.6	5.4
	<u>26.4</u>	<u>29.2</u>
Less: Amount capitalised	(17.5)	(19.7)
	<u>8.9</u>	<u>9.5</u>
Fair value changes on cross-currency interest rate swaps	1.0	(0.4)
	<u>9.9</u>	<u>9.1</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) Taxation charged to the consolidated income statement represents:

	2011 HK\$ Million	2010 HK\$ Million
Current tax		
Hong Kong		
- Provision for the year	46.5	38.4
- Over-provision in respect of prior years	-	(0.3)
Mainland China		
- Provision for the year	13.8	-
	<u>60.3</u>	<u>38.1</u>
Land appreciation tax ("LAT") (Note (d))	<u>14.4</u>	<u>-</u>
Deferred tax		
Origination and reversal of temporary differences	1.8	2.6
Withholding tax on undistributed retained profits of Mainland China subsidiary (Note (e))	1.7	-
Benefit of previously unrecognised tax losses now recognised	(11.5)	(11.7)
	<u>(8.0)</u>	<u>(9.1)</u>
Total tax charge	<u>66.7</u>	<u>29.0</u>

(b) The provision for Hong Kong profits tax is at the rate 16.5% (2010: 16.5%) of the estimated assessable profits for the year.

(c) Income tax on profits assessable in Mainland China is calculated at a rate of 25%.

- (d) Under the Provisional Regulations on LAT, all gains arising from transfer to real estate property in Mainland 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.
- (e) The China tax law also imposes a withholding tax at 10% unless reduced by a treaty or agreement, for dividends distributed by a PRC-resident enterprise to its immediate holding company outside Mainland China for earnings generated beginning on 1 January 2008 and undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax. As at 31 December 2011, the Group has provided HK\$1.7 million (2010: HK\$Nil) for withholding tax on accumulated earnings generated by its Mainland China subsidiary which will be distributed to its immediate holding company outside Mainland China in the foreseeable future.
- (f) There is no share of tax in respect of the associate and 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\$1,095.5 million (2010: HK\$1,014.9 million) and the weighted average of 708.8 million ordinary shares (2010: 708.8 million) ordinary shares in issue during the year.

There were no potential dilutive ordinary shares in existence during the years ended 31 December 2011 and 2010.

8. TRADE AND OTHER RECEIVABLES

Included in this item are trade receivables (net of allowance for doubtful debts) with an ageing analysis as at 31 December 2011 as follows:

	2011	2010
	HK\$ Million	HK\$ Million
Trade receivables		
0 - 30 days	105.3	86.5
31 - 60 days	7.2	1.0
60 - 90 days	1.5	-
Over 90 days	0.2	1.7
	114.2	89.2
Prepayments	458.7	190.6
Other receivables	105.8	9.5
Amounts due from fellow subsidiaries	11.5	12.3
	690.2	301.6

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 2011 as follows:

	2011 HK\$ Million	2010 HK\$ Million
Trade creditors		
0 - 30 days	12.2	14.5
31 - 60 days	6.0	3.0
61 - 90 days	0.5	1.1
Over 90 days	0.1	0.5
	18.8	19.1
Other payables and provisions	144.3	192.8
Construction costs payable	529.4	222.8
Amounts due to fellow subsidiaries	30.2	28.2
Amounts due to an associate	1.3	2.7
	724.0	465.6

10. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	2011 HK\$ Million	2010 HK\$ Million
Interim dividend declared and paid of 6.0 cents (2010: 5.0 cents) per share	42.5	35.4
Second interim dividend of 18.0 cents (2010: Final dividend of 15.0 cents) per share proposed after the end of reporting period	127.6	106.3
	170.1	141.7

- (a) The proposed second interim dividend has not been recognised as a liability at the end of reporting period.
- (b) The final dividend of HK\$106.3 million for 2010 was approved and paid in 2011.

11. REVIEW OF RESULTS

The financial results for the year ended 31 December 2011 have been reviewed with no disagreement by the Audit Committee of the Company. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2011 have been agreed with the Company's Auditors to the amounts set out in the Group's consolidated financial statements for the year.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the financial year ended 31 December 2011, 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 Friday, 18 May 2012 to Friday, 25 May 2012, both days inclusive, during which period no transfer of shares of the Company can be registered. In order to qualify for the abovementioned second interim dividend and to ascertain Shareholders' rights for the purpose of attending and voting at the forthcoming Annual General Meeting to be held on 25 May 2012, 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, 17 May 2012.

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

Hong Kong, 8 March 2012

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.