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CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 127)

FINAL RESULTS FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER, 2009

The board of directors (the “Board”) of Chinese Estates Holdings Limited (the “Company”) would like to announce the audited consolidated results of the Company and its subsidiaries (together, the “Group”) for the financial year ended 31st December, 2009 (the “Year”) pursuant to paragraph 45 of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”). The Group’s consolidated statement of comprehensive income and consolidated statement of financial position, all of which have been reviewed by the Audit Committee, together with the comparative figures of the corresponding year ended 31st December, 2008 are set out as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2009

	<i>Notes</i>	2009 HK\$’000	2008 HK\$’000
Continuing operations			
Revenue	3	2,151,319	1,264,925
Cost of sales		(1,220,382)	(279,811)
Gross profit		930,937	985,114
Other income	5	54,555	38,950
Investment income, net	6	761,155	3,995,971
Administrative expenses		(204,870)	(224,083)
Other expenses	7	(6,994)	(5,260)
Gain on disposals of property and other fixed assets		377	102
Loss on disposals of investment properties		(610)	(2,721)
Fair value changes on investment properties		8,564,301	(7,467,668)
Finance costs	9	(105,485)	(283,171)
Other gains and losses, net	10	84,387	10,168
Share of results of associates		122,630	(8,388)
Profit (loss) before tax		10,200,383	(2,960,986)
Income tax (expense) credit	11	(1,528,111)	1,506,728
Profit (loss) for the year from continuing operations		8,672,272	(1,454,258)
Discontinued operation			
Loss for the year from discontinued operation	12	-	(1,950)
Profit (loss) for the year	8	8,672,272	(1,456,208)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(continued)*
For the year ended 31st December, 2009

	<i>Notes</i>	2009 HK\$'000	2008 HK\$'000
Other comprehensive income (expenses)			
Fair value changes on available-for-sale financial assets		43,925	(4,528,837)
Reclassification relating to disposal of available-for-sale financial assets		-	(3,661,186)
Exchange differences on translation of foreign operations		7,075	212,215
Exchange differences on disposal of foreign operations		-	(9,761)
Revaluation relating to property, plant and equipment		-	704
Share of other comprehensive income of associates		27,458	12,749
Other comprehensive income (expenses) for the year (net of tax)		78,458	(7,974,116)
Total comprehensive income (expenses) for the year		8,750,730	(9,430,324)
Profit (loss) for the year attributable to:			
Equity holders of the parent		8,648,727	(1,494,376)
Non-controlling interests		23,545	38,168
		8,672,272	(1,456,208)
Total comprehensive income (expenses) for the year attributable to:			
Equity holders of the parent		8,710,014	(9,452,631)
Non-controlling interests		40,716	22,307
		8,750,730	(9,430,324)
Earnings (loss) per share (HK\$)	14		
From continuing and discontinued operations			
- Basic and diluted		4.34	(0.67)
From continuing operations			
- Basic and diluted		4.34	(0.67)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31st December, 2009

	<i>Notes</i>	2009 HK\$'000	2008 HK\$'000
Non-current assets			
Investment properties		40,708,482	30,302,580
Property and other fixed assets		90,045	104,739
Properties under development		-	86,496
Prepaid lease payments		328,181	1,536,953
Property interests held for future development		-	-
Intangible assets		7,150	10,010
Goodwill		6,941	8,310
Interests in associates		1,018,346	869,727
Advances to associates		1,931,121	1,784,457
Interests in jointly controlled entities		-	-
Available-for-sale investments		1,787,348	468,127
Advances to investee companies		328,478	332,501
Loans receivable, due after one year		240	60,129
Deferred tax assets		70,905	96,690
Advance to a non-controlling shareholder		14,580	14,580
Pledged deposits		27,840	99,599
		<u>46,319,657</u>	<u>35,774,898</u>
Current assets			
Stock of properties		4,563,177	4,945,495
Investments held-for-trading		643,954	-
Financial assets designated as at fair value through profit or loss		728,238	-
Loans receivable, due within one year		59,889	117
Inventories for cosmetic products		2,993	3,426
Debtors, deposits and prepayments	15	371,742	223,439
Securities trading receivables and deposits		399,313	69,118
Tax recoverable		659	414
Pledged deposits		1,088,845	378,483
Time deposits, bank balances and cash		5,200,666	10,418,877
Sales proceeds held by stakeholders		35,950	63,272
		<u>13,095,426</u>	<u>16,102,641</u>
Current liabilities			
Derivative financial instruments		3,238	24,432
Creditors and accruals	16	503,723	323,026
Securities trading and margin payable		65,162	62,702
Deposits and receipts in advance		657,412	391,298
Tax liabilities		84,271	118,360
Borrowings – due within one year		3,714,963	3,163,925
Provisions		16,054	16,054
Financial guarantee liabilities		76	-
		<u>5,044,899</u>	<u>4,099,797</u>
Net current assets		<u>8,050,527</u>	<u>12,002,844</u>
Total assets less current liabilities		<u>54,370,184</u>	<u>47,777,742</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
At 31st December, 2009

	2009 HK\$'000	2008 HK\$'000
Equity attributable to equity holders of the parent		
Share capital	195,000	207,775
Share premium	9,325	1,463,018
Properties revaluation reserve	704	704
Securities investments reserve	189,529	162,775
Statutory reserve	6,626	4,367
Other reserve	(7,681)	(7,945)
Special reserve	2,499,685	2,499,685
Capital redemption reserve	133,824	121,049
Translation reserve	380,795	346,526
Retained profits		
- proposed dividend	19,500	2,006,305
- others	35,205,605	27,846,334
	<u>38,632,912</u>	<u>34,650,593</u>
Non-controlling interests	798,966	652,056
Total equity	<u>39,431,878</u>	<u>35,302,649</u>
Non-current liabilities		
Financial guarantee liabilities	290	618
Borrowings – due after one year	9,500,018	8,505,258
Amounts due to associates	11,859	9,271
Amounts due to non-controlling shareholders	80,098	77,565
Deferred tax liabilities	5,346,041	3,882,381
	<u>14,938,306</u>	<u>12,475,093</u>
	<u>54,370,184</u>	<u>47,777,742</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2009

1. Basis of Preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which is a collective term that includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards, and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules.

The consolidated financial statements have been prepared under the historical cost basis, except for certain financial assets, financial liabilities and investment properties, which are measured at their fair values.

2. Application of New and Revised HKFRSs

The accounting policies adopted in the consolidated financial statements for the year ended 31st December, 2009 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2008 except as described below.

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations (the “new HKFRSs”) issued by the HKICPA, which are effective for the Group's financial year beginning on 1st January, 2009. The new HKFRSs adopted by the Group in the consolidated financial statements are set out as follows:

HKFRSs (Amendments)	Annual Improvements to HKFRSs issued in 2008*
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Financial Instruments : Disclosures - Improving Disclosures about Financial Instruments
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HK(IFRIC) - Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) - Int 13	Customer Loyalty Programmes
HK(IFRIC) - Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) - Int 18	Transfers of Assets from Customers

* Except for the amendments to HKFRS 5 that is effective for the annual periods beginning on or after 1st July, 2009.

HKFRS 8, “Operating Segments”, was early adopted by the Group in 2008. HKFRS 8 replaces HKAS 14, “Segment Reporting”. The new standard requires a “management approach”, under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

The application of the new HKFRSs has resulted in the following changes:

- a) HKAS 1 (Revised), “Presentation of Financial Statements” changes the titles of the components of a complete set of financial statements. All items of income and expense (including those accounted for directly in equity) must be presented either in a single statement (a “statement of comprehensive income”) or in two statements (a separate “income statement” and “statement of comprehensive income”). For the annual results of the Group for the year ended 31st December, 2009, a single statement is presented.

- b) The amendments to HKAS 27, “Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate”, have removed the requirement to distinguish between pre-acquisition and post-acquisition dividends. The revised Standard requires that dividends from subsidiaries, jointly controlled entities and associates be recognised in profit or loss when the investor’s right to receive the dividends is established and the carrying amount of the investment in the investee will not be reduced. Instead, the investment is subject to impairment if (i) the carrying amount of the investment in the separate financial statements exceeds the carrying amounts in the consolidated financial statements of the investee’s net assets, including associated goodwill; or (ii) the dividend exceeds the total comprehensive income of the subsidiary, jointly controlled entity or associate in the year the dividend is declared. This new policy has been applied from 1st January, 2009 and no restatement for prior years is required according to the transitional provisions set out in the amendment.
- c) The amendments to HKAS 40, “Investment Property” (as part of the improvements to HKFRSs 2008) and HKAS 16, “Property, Plant and Equipment” which amend the Standards and the Group’s accounting policy to bring property under construction or development for future use as an investment property be classified within the scope of HKAS 40 and accounted for under the fair value model when this is reliably determinable or upon completion of its construction. The change in accounting policy has been applied prospectively from 1st January, 2009. Following the change, the property in Chengdu with carrying amounts of HK\$1,208 million and HK\$86 million as at 1st January, 2009 previously reported as Prepaid Lease Payments and Properties Under Development respectively are reclassified to Investment Properties. The property has not been revalued and will be stated at fair value when its fair value becomes reliably measurable or upon completion of its construction.
- d) The amendments to HKFRS 7, “Financial Instruments : Disclosures - Improving Disclosures about Financial Instruments”, enhances disclosures about fair value measurement and liquidity risk of the Group’s financial instruments. A three-level fair value hierarchy has been introduced to categorise the fair value measurements according to the degree to which they are based on observable market data. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provisions set out in the amendments.
- e) The HK(IFRIC) - Int 15, “Agreements for the Construction of Real Estate” (“New Interpretation”) clarifies the timing and accounting treatment of revenue recognition in relation to properties sales in more detail. In the past, revenue and profit for sale of properties stock or any under pre-sale arrangements prior to the completion of development was recognised on the execution of a binding sales agreement or when the relevant occupation permit or certificate of compliance is issued by the respective building authority, whichever is the later. In consideration of the new interpretation, the Group has adopted a change in accounting policy on revenue recognition for sales of properties upon completion of sales agreement and by reference to the timing of the execution of deed of legal assignment or delivery of property to the purchaser, whichever is the earlier. The change in accounting policy has been adopted retrospectively, however, no adjustment to the comparative figures and opening balance of any component of equity for the year are required as there is no material impact to the revenue and gross profit recognised for the whole year of 2008.

Save as described above, there is no material effect on the consolidated financial statements of the Group for the current or prior accounting years by adopting the new HKFRSs, thus no prior year adjustment has been required.

The Group has not early adopted the following new HKFRSs that have been issued but are not yet effective.

HKFRSs (Amendments)	Annual Improvements to HKFRSs issued in 2009 ²
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards ¹
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ³
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ³
HKFRS 3 (Revised)	Business Combinations ¹
HKFRS 9	Financial Instruments ⁷
HKAS 24 (Revised)	Related Party Disclosures ⁶
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKAS 32 (Amendment)	Classification of Rights Issues ⁴
HKAS 39 (Amendment)	Eligible Hedged Items ¹
HK(IFRIC) - Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁶
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments ⁵

Apart from the above, the HKICPA has also issued Improvements to HKFRSs* which set out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 which are effective for the annual periods on or after 1st July, 2009, other amendments are effective for annual periods beginning on or after 1st January, 2010 although there is separate transitional provision for each Standard.

¹ Effective for annual periods beginning on or after 1st July, 2009

² Effective for annual periods beginning on or after 1st July, 2009 and 1st January, 2010, as appropriate

³ Effective for annual periods beginning on or after 1st January, 2010

⁴ Effective for annual periods beginning on or after 1st February, 2010

⁵ Effective for annual periods beginning on or after 1st July, 2010

⁶ Effective for annual periods beginning on or after 1st January, 2011

⁷ Effective for annual periods beginning on or after 1st January, 2013

* Improvements to HKFRSs contain amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 18, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16.

The application of HKFRS 3 (Revised), “Business Combinations” may affect the accounting for business combination for which the acquisition date is on or after 1st January, 2010. HKAS 27 (Revised), “Consolidated and Separate Financial Statements” will affect the accounting treatment for changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

HKFRS 9, “Financial Instruments” introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with early application permitted. Under HKFRS 9, all recognised financial assets that are currently in the scope of HKAS 39 will be measured at either amortised cost or fair value. A debt instrument that (1) is held within a business model whose objective is to collect the contractual cash flows and (2) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are generally measured at amortised cost. All other debt instruments must be measured at fair value with gains or losses recognised in profit or loss. The application of HKFRS 9 might affect the classification and measurement of the Group’s financial assets.

The amendment to HKAS 17, “Leases” (as part of the improvements to HKFRSs 2009) deletes the specific guidance which requires leasehold land be classified as operating leases and presented as prepaid lease payments in the consolidated statement of financial position will be effective from 1st January, 2010. With the removal of such requirement, classification of leasehold land will be based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendment to HKAS 17 might affect the classification and measurement of the Group’s leasehold land.

The Group is in the process of assessing the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs will have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3. Revenue

Revenue represents the aggregate of amounts received and receivable from the gains/losses from sales of investments held-for-trading, sales of properties held-for-sale, property rental income, commission from brokerage, settlement charges from brokerage, interest income from loan financing and cosmetic goods sold less returns.

During the Year, the loss from the sales of investments held-for-trading in “Revenue” on a net basis is HK\$115.5 million (year ended 31st December, 2008: HK\$116.1 million).

4. Operating Segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

The Group has seven reportable segments – property development and trading, property leasing for retail, property leasing for non-retail, listed available-for-sale equity investments, listed held-for-trading investments and treasury products, floating rate and fixed rate notes and unlisted investments, investment holding and brokerage. The segmentations are based on the information about the operation of the Group that management uses to make decisions.

Principal activities are as follows:

Property development and trading	–	Property development and sales of trading properties
Property leasing		
- Retail	–	Property leasing from retail properties
- Non-retail	–	Property leasing from non-retail properties
Listed securities		
- Available-for-sale equity investments	–	Listed equity securities in available-for-sale investments
- Held-for-trading investments and treasury products	–	Listed securities investments in investments held-for-trading, over-the-counter trading and structured products
Floating rate and fixed rate notes	–	Listed and unlisted floating rate notes and fixed rate notes in available-for-sale investments
Unlisted investments, investment holding and brokerage	–	Unlisted securities investments, trading and brokerage

The accounting policies of the operating segments are the same as those described in the principal accounting policies. The Group evaluates performance on the basis of profit or loss from operations after tax expense and non-controlling interests but not including the major non-cash items. The major non-cash items are fair value changes on investments properties together with their respective deferred tax expense. No intersegment revenue is accounted for as the intersegment revenue is mainly the rental income for administrative purpose.

The Group’s measurement methods used to determine reported segment profit or loss remain unchanged from 2008.

The Group’s reportable segments are strategic business units that operate different activities. They are managed separately because each business has different market and requires different marketing strategies.

Further, the business units are also managed to operate in different countries separately. Revenue and result are attributed to countries on the basis of the properties located.

No major customer is for the Group’s revenue and result.

Operating segment information is presented below:
Consolidated Statement of Comprehensive Income
For the year ended 31st December, 2009

	<u>Property leasing</u>			<u>Listed securities</u>			Unlisted investments, investment holding and brokerage HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
	Property development and trading HK\$'000	Retail HK\$'000	Non-retail HK\$'000	Available-for-sale equity investments HK\$'000	Held-for-trading investments and treasury products HK\$'000	Floating rate and fixed rate notes HK\$'000			
Major cash items excluding in revenue									
- Hong Kong	-	-	-	-	3,760,743	-	-	-	3,760,743
- other countries	-	-	-	-	3,434,378	-	-	-	3,434,378
	-	-	-	-	7,195,121	-	-	-	7,195,121
Revenue									
Revenue from external customers									
- Hong Kong	1,217,701	604,583	329,523	-	(72,513)	-	18,865	17,245	2,115,404
- PRC	-	41,313	37,637	-	-	-	-	-	78,950
- other countries	-	-	-	-	(43,035)	-	-	-	(43,035)
	1,217,701	645,896	367,160	-	(115,548)	-	18,865	17,245	2,151,319
Revenue from external customers after non-controlling interests	1,213,856	644,812	365,194	-	(115,548)	-	18,865	17,245	2,144,424
Attributable property sales from associates	17,431	-	-	-	-	-	-	-	17,431
Attributable rental revenue from associates									
- Hong Kong	-	1,153	22,674	-	-	-	-	-	23,827
- PRC	-	54,261	4,245	-	-	-	-	-	58,506
	1,231,287	700,226	392,113	-	(115,548)	-	18,865	17,245	2,244,188
Result									
Segment result									
- Hong Kong	77,976	574,817	313,294	3,722	193,566	11,366	114,039	37,410	1,326,190
- PRC	-	32,095	32,888	-	-	-	4,982	-	69,965
- other countries	-	-	-	-	320,980	-	-	-	320,980
	77,976	606,912	346,182	3,722	514,546	11,366	119,021	37,410	1,717,135
Other income, net	16,060	-	-	-	-	-	-	-	16,060
Share of results of associates									
- attributable property sales	7,599	-	-	-	-	-	-	-	7,599
- attributable gross rental income									
- Hong Kong	-	1,153	22,674	-	-	-	-	-	23,827
- PRC	-	54,261	4,245	-	-	-	-	-	58,506
- attributable operating cost									
- Hong Kong	-	(635)	(6,692)	-	-	-	-	-	(7,327)
- PRC	-	(32,757)	(2,563)	-	-	-	-	(46,711)	(82,031)
- other	-	-	-	-	-	-	162	(9,251)	(9,089)
Non-controlling interests - allocated	(2,009)	-	-	-	-	(5,565)	-	-	(7,574)
Finance cost on listed securities investments and treasury products	-	-	-	-	(13,671)	-	-	-	(13,671)
	99,626	628,934	363,846	3,722	500,875	5,801	119,183	(18,552)	1,703,435
Loss on disposal of investment property	-	-	(610)	-	-	-	-	-	(610)
Other gains and losses, net									
- impairment loss recognised in respect of advance to an associate	-	(488)	-	-	-	-	-	-	(488)
- gain on disposal of subsidiaries	-	-	48,951	-	3,998	-	-	102	53,051
	99,626	628,446	412,187	3,722	504,873	5,801	119,183	(18,450)	1,755,388
Unallocated items									
Unallocated other gains and losses, net									35,124
Unallocated corporate expenses, net									(201,335)
Unallocated finance costs									(91,814)
Income tax expense									(70,633)
Non-controlling interests - unallocated									(9,406)
Core profit (excluding major non-cash items)									1,417,324
Major non-cash items									
- fair value changes on investment properties (including share of results of associates and non-controlling interests)									8,688,881
- deferred tax									(1,457,478)
Profit for the year attributable to equity holders of the parent									8,648,727

Consolidated Statement of Financial Position

At 31st December, 2009

	<u>Property leasing</u>			<u>Listed securities</u>			Unlisted investments, investment holding and brokerage HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
	Property development and trading HK\$'000	Retail HK\$'000	Non-retail HK\$'000	Available-for-sale equity investments HK\$'000	Held-for-trading investments and treasury products HK\$'000	Floating rate and fixed rate notes HK\$'000			
Assets									
Segment assets									
- Hong Kong	1,294,396	29,744,249	12,520,459	1,313,098	646,284	267,009	535,814	114,055	46,435,364
- PRC	5,596,973	703,550	855,537	-	-	-	-	-	7,156,060
- other countries	1,698,480	-	-	-	1,089,568	-	-	-	2,788,048
Interests in associates									
- Hong Kong	116,591	15,220	695,577	-	-	-	-	260	827,648
- PRC	26,964	148,542	15,192	-	-	-	-	-	190,698
Advances to associates									
- Hong Kong	1,079,136	23,587	37,718	-	-	-	-	5,655	1,146,096
- PRC	699,290	77,780	7,955	-	-	-	-	-	785,025
Reportable segment assets	10,511,830	30,712,928	14,132,438	1,313,098	1,735,852	267,009	535,814	119,970	59,328,939
Unallocated corporate assets									86,144
Consolidated total assets									59,415,083
Liabilities									
Segment liabilities									
- Hong Kong	114,374	347,954	159,283	6	1,237,290	466	68,008	17,962	1,945,343
- PRC	506,796	16,690	13,538	-	-	-	-	-	537,024
- other countries	71	-	-	-	16	-	-	-	87
Reportable segment liabilities	621,241	364,644	172,821	6	1,237,306	466	68,008	17,962	2,482,454
Unallocated corporate liabilities									17,500,751
Consolidated total liabilities									19,983,205
Additions to non-current assets (other than financial instruments and deferred tax assets)									
	293,542	769,920	236,952	-	-	-	-	648	

Other Material Items

For the year ended 31st December, 2009

	Reportable segments totals HK\$'000	Adjustments for unallocated HK\$'000	Adjustments for major non-cash items HK\$'000	Consolidated statement of comprehensive income totals HK\$'000
Interest income	184,304	-	-	184,304
Interest expenses	(13,671)	(91,814)	-	(105,485)
Net interest income (expenses)	170,633	(91,814)	-	78,819
Depreciation and amortisation	-	(22,927)	-	(22,927)
Fair value changes on investment properties	-	-	8,564,301	8,564,301
Share of results of associates	(8,515)	-	131,145	122,630
Income tax expense	-	(70,633)	(1,457,478)	(1,528,111)
Non-controlling interests	(7,574)	(9,406)	(6,565)	(23,545)

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2008

	<u>Property leasing</u>			<u>Listed securities</u>			Unlisted investments, investment holding and brokerage HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
	Property development and trading HK\$'000	Retail HK\$'000	Non-retail HK\$'000	Available-for-sale equity investments HK\$'000	Held-for-trading investments and treasury products HK\$'000	Floating rate and fixed rate notes HK\$'000			
Continuing operations									
Major cash items excluding in revenue									
- Hong Kong	-	-	-	6,888,426	160,604	-	-	-	7,049,030
- Other countries	-	-	-	-	1,252,543	-	-	-	1,252,543
	-	-	-	6,888,426	1,413,147	-	-	-	8,301,573
Revenue									
Revenue from external customers									
- Hong Kong	370,393	581,703	299,224	-	(13,237)	-	22,115	26,903	1,287,101
- PRC	-	43,877	36,774	-	-	-	-	-	80,651
- other countries	-	-	-	-	(102,827)	-	-	-	(102,827)
	370,393	625,580	335,998	-	(116,064)	-	22,115	26,903	1,264,925
Revenue from external customers after non-controlling interests									
	311,848	624,602	333,973	-	(116,064)	-	22,115	26,903	1,203,377
Attributable property sales from associates									
	86,144	-	-	-	-	-	-	-	86,144
Attributable rental revenue from associates									
- Hong Kong	-	2,313	18,625	-	-	-	-	-	20,938
- PRC	-	90,777	3,960	-	-	-	-	-	94,737
	397,992	717,692	356,558	-	(116,064)	-	22,115	26,903	1,405,196
Result									
Segment result									
- Hong Kong	190,137	547,092	284,167	3,763,990	25,072	250	246,473	46,591	5,103,772
- PRC	-	36,091	31,999	-	-	-	4,753	-	72,843
- other countries	-	-	-	-	(102,066)	-	(73,660)	-	(175,726)
	190,137	583,183	316,166	3,763,990	(76,994)	250	177,566	46,591	5,000,889
Share of results of associates									
- attributable property sales	36,832	-	-	-	-	-	-	-	36,832
- attributable gross rental income									
- Hong Kong	-	2,313	18,625	-	-	-	-	-	20,938
- PRC	-	90,777	3,960	-	-	-	-	-	94,737
- attributable operating cost									
- Hong Kong	-	(1,172)	(3,093)	-	-	-	-	-	(4,265)
- PRC	-	(40,849)	(3,488)	-	-	-	-	(39,588)	(83,925)
- other	-	-	-	-	-	-	2,791	(12,006)	(9,215)
Non-controlling interests- allocated	(41,019)	-	-	-	-	-	-	-	(41,019)
Finance cost on listed securities investments and treasury products									
	-	-	-	-	3,477	-	-	-	3,477
	185,950	634,252	332,170	3,763,990	(73,517)	250	180,357	(5,003)	5,018,449
Loss on disposal of investment properties									
	-	(1,300)	(1,421)	-	-	-	-	-	(2,721)
Other gains and losses, net									
- impairment loss recognised in respect of advance to an associate	-	342	-	-	-	-	-	(5,814)	(5,472)
- impairment loss recognised in respect of interest in an associate	-	-	-	-	-	-	-	(653)	(653)
	185,950	633,294	330,749	3,763,990	(73,517)	250	180,357	(11,470)	5,009,603
Unallocated items									
Unallocated other gains and losses, net									16,293
Unallocated corporate expenses, net									(210,095)
Unallocated finance costs									(286,648)
Income tax expense									(75,536)
Non-controlling interests- unallocated									(3,798)
									4,449,819
Discontinued operation									
Loss for the year from discontinued operation attributable to equity holders of the parent									
									(979)
Core profit (excluding major non-cash items)									
									4,448,840
Major non-cash items									
- fair value changes on investment properties (including share of results of associates and non-controlling interests)									(7,525,480)
- deferred tax									1,582,264
Loss for the year attributable to equity holders of the parent									
									(1,494,376)

Consolidated Statement of Financial Position

At 31st December, 2008

	Property leasing			Listed securities			Unlisted investments, investment holding and brokerage HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
	Property development and trading HK\$'000	Retail HK\$'000	Non-retail HK\$'000	Available-for-sale equity investments HK\$'000	Held-for-trading investments and treasury products HK\$'000	Floating rate and fixed rate notes HK\$'000			
Assets									
Segment assets									
- Hong Kong	2,274,073	19,406,122	17,845,771	-	330,021	221,813	490,545	103,282	40,671,627
- PRC	5,542,424	612,654	598,822	-	-	-	-	-	6,753,900
- other countries	1,686,144	-	-	-	-	-	-	-	1,686,144
Interests in associates									
- Hong Kong	278,400	64,701	334,951	-	-	-	3,577	545	682,174
- PRC	-	168,765	18,788	-	-	-	-	-	187,553
Advances to associates									
- Hong Kong	923,409	22,683	48,138	-	-	-	1	5,416	999,647
- PRC	699,075	77,147	8,588	-	-	-	-	-	784,810
Reportable segment assets	11,403,525	20,352,072	18,855,058	-	330,021	221,813	494,123	109,243	51,765,855
Unallocated corporate assets									111,684
Consolidated total assets									51,877,539
Liabilities									
Segment liabilities									
- Hong Kong	201,537	336,100	76,877	-	25,048	150	64,229	16,073	720,014
- PRC	67,231	16,022	14,745	-	-	-	-	-	97,998
- other countries	118	-	-	-	-	-	-	-	118
Reportable segment liabilities	268,886	352,122	91,622	-	25,048	150	64,229	16,073	818,130
Unallocated corporate liabilities									15,756,760
Consolidated total liabilities									16,574,890
Additions to non-current assets (other than financial instruments and deferred tax assets)									
	537,590	294,128	154,194	-	-	-	2,791	13	

Other Material Items

For the year ended 31st December, 2008

	Reportable segments totals HK\$'000	Adjustments for unallocated HK\$'000	Adjustments for major non-cash items HK\$'000	Consolidated statement of comprehensive income (continuing operations) HK\$'000	Consolidated statement of comprehensive income (discontinued operation) HK\$'000	Consolidated statement of comprehensive income totals HK\$'000
Interest income	228,405	-	-	228,405	38	228,443
Interest expenses	3,477	(286,648)	-	(283,171)	-	(283,171)
Net interest income (expenses)	231,882	(286,648)	-	(54,766)	38	(54,728)
Depreciation and amortisation	-	(20,810)	-	(20,810)	-	(20,810)
Fair value changes on investment properties	-	-	(7,467,668)	(7,467,668)	-	(7,467,668)
Share of results of associates	55,102	-	(63,490)	(8,388)	-	(8,388)
Income tax (credit) expense	-	(75,536)	1,582,264	1,506,728	-	1,506,728
Non-controlling interests	(41,019)	(3,798)	5,678	(39,139)	971	(38,168)

5. Other Income

	2009 HK\$'000	2008 HK\$'000
Continuing operations		
Included in other income are:		
Building management fee income	74,614	68,109
Building management fee expenses	(47,060)	(42,113)
	27,554	25,996
Forfeiture of deposits received on sales of properties	10,141	655
Exchange gain, net	1,681	-

6. Investment Income, Net

	2009 HK\$'000	2008 HK\$'000
Continuing operations		
Financial assets at fair value through profit or loss classified as held-for-trading:		
Unrealised gain arising on change in fair value of investments held-for-trading	18,173	-
Financial assets designated as at fair value through profit or loss:		
Unrealised loss arising on change in fair value of bonds	(16,771)	-
Realised gain arising on change in fair value of bonds	197,320	-
Realised gain (loss) arising on change in fair value of credit-linked/equity-linked notes	48,087	(16,221)
Net gain (loss) arising on change in fair value of financial assets designated as at fair value through profit or loss	228,636	(16,221)
Financial liabilities at fair value through profit or loss classified as held-for-trading:		
Unrealised (loss) gain arising on change in fair value of derivative financial instruments	(3,238)	26,419
Realised gain arising on change in fair value of derivative financial instruments	24,432	-
Net gain arising on change in fair value of financial liabilities at fair value through profit or loss classified as held-for-trading	21,194	26,419
Impairment loss recognised in respect of available-for-sale investment	-	(78,881)
Transfer from equity on disposals of available-for-sale investments:		
Listed investments	-	3,647,768
Unlisted investments	-	5,221
Dividend income from:		
Listed investments		
- available-for-sale investments	3,722	116,222
- other listed investments	258,579	761
Unlisted investments	37,712	57,791
Interest income	177,489	209,738
Imputed interest income on:		
Advances to associates	15,322	26,772
Advance to a non-controlling shareholder	328	381
	<u>761,155</u>	<u>3,995,971</u>
Discontinued operation		
Interest income from discontinued operation	-	38
	<u>761,155</u>	<u>3,996,009</u>

Included in interest income are interests from bonds, credit-linked notes, derivative financial instruments, listed floating rate notes and unlisted floating rate and fixed rate notes approximately HK\$60,703,000, HK\$13,000,000, HK\$29,809,000, HK\$1,608,000 and HK\$8,969,000 respectively (year ended 31st December, 2008: nil, nil, HK\$28,111,000, HK\$1,481,000 and HK\$4,961,000).

7. Other Expenses

	2009 HK\$'000	2008 HK\$'000
Continuing operations		
Included in other expenses are:		
Amortisation of intangible assets	2,860	2,860
Expenses for specific transactions	<u>3,994</u>	<u>2,400</u>

8. Profit (loss) for the Year

	2009 HK\$'000	2008 HK\$'000
Profit (loss) for the year has been arrived at after (charging) crediting:		
Continuing operations		
Total staff costs:		
Staff costs, including Directors' emoluments	(117,383)	(117,116)
Retirement benefits scheme contributions, net of forfeited contributions of HK\$320,000 (2008: HK\$192,000)	(5,302)	(4,118)
	(122,685)	(121,234)
Auditors' remuneration	(3,479)	(3,119)
Depreciation	(22,137)	(20,005)
Amortisation	(790)	(805)
Cost of trading properties recognised	(1,091,214)	(191,515)
Cost of cosmetic products recognised	(3,189)	(2,778)
Share of tax of associates (included in share of results of associates)	(26,381)	(1,594)
Gross proceeds on sale of investments held-for-trading	7,195,121	1,413,147
Carrying amount on investments held-for-trading disposed	(7,295,811)	(1,525,028)
Transaction cost on investments held-for-trading disposed	(14,858)	(4,183)
Net loss on sales of investments held-for-trading included in revenue	(115,548)	(116,064)
Gross rental income from investment properties	1,013,056	961,578
Less: Direct operating expenses from investment properties that generated rental income during the year	(47,046)	(50,876)
Direct operating expenses from investment properties that did not generate rental income during the year	(12,916)	(11,353)
	<u>953,094</u>	<u>899,349</u>
Discontinued operation		
Staff costs	-	(684)
Retirement benefits scheme contributions	-	(21)

9. Finance Costs

	2009 HK\$'000	2008 HK\$'000
Continuing operations		
Interest on:		
Bank loans wholly repayable within five years	90,920	306,807
Bank loans wholly repayable over five years	6,220	10,775
Other loans wholly repayable within five years	2,733	4,420
	<u>99,873</u>	<u>322,002</u>
Imputed interest on:		
Amounts due to associates	465	813
Amounts due to non-controlling shareholders	2,934	5,057
Convertible bonds	-	5,305
	<u>3,399</u>	<u>11,175</u>
Total interest	103,272	333,177
Exchange loss (gain) on translation of foreign currency loans	10,938	(7,897)
Other finance costs	13,683	10,607
	<u>127,893</u>	<u>335,887</u>
Less: Interest capitalised to stock of properties under development	(15,082)	(20,502)
Interest capitalised to investment properties under development	(7,326)	(32,214)
	<u>105,485</u>	<u>283,171</u>

10. Other Gains and Losses, Net

	2009 HK\$'000	2008 HK\$'000
Continuing operations		
Included in other gains and losses, net are:		
Gain on deemed disposal of a subsidiary (<i>Note 1</i>)	35,134	-
Gain on disposal of subsidiaries (<i>Note 2</i>)	53,051	-
Impairment loss reversed in respect of advances to associates	-	187
Impairment loss recognised in respect of advance to an associate	(488)	(5,472)
Gain on purchase of convertible bonds of a subsidiary (<i>Note 3</i>)	-	6,396
Gain on redemption of convertible bonds of a subsidiary (<i>Note 4</i>)	-	5,595
Gain on disposal of subsidiaries (<i>Note 5</i>)	-	3,870
Impairment loss recognised in respect of interest in an associate	<u>(3,300)</u>	<u>(653)</u>

- Notes:
- Gain on deemed disposal of a subsidiary arose from deemed disposal of 8.27% interest in G-Prop (Holdings) Limited ("G-Prop") by placing on 17th June, 2009. The Group then holds 41.93% shareholding in G-Prop and G-Prop remained a subsidiary of the Company.
 - Gain on disposal of subsidiaries arose from connected transaction by selling two properties in United Kingdom and two credit-linked notes to Wisdom Hero Limited (a company wholly-owned by a director).
 - Gain on purchase of convertible bonds of a subsidiary arose from acquisition of convertible bonds in face value of HK\$108,000,000 of G-Prop from Fame Ascent Investments Limited in April 2008.
 - Gain on redemption of convertible bonds of a subsidiary arose from redemption of convertible bonds in face value of HK\$72,000,000 of G-Prop.
 - Gain on disposal of subsidiaries arose from disposal of the Methanol Project.

11. Income Tax Expense (Credit)

	2009 HK\$'000	2008 HK\$'000
Continuing operations		
The charge (credit) comprises:		
Current tax:		
Hong Kong Profits Tax	42,500	67,775
Other than Hong Kong	10,266	10,145
	52,766	77,920
(Overprovision) underprovision in prior years:		
Hong Kong Profits Tax	(14,094)	12,297
Other than Hong Kong	(6)	155
	(14,100)	12,452
Deferred tax:		
Current year	1,489,445	(1,296,232)
Overprovision in prior years	-	(8,539)
Attributable to a change in tax rate	-	(292,329)
	1,489,445	(1,597,100)
	<u>1,528,111</u>	<u>(1,506,728)</u>

Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) on the estimated assessable profits. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Deferred tax of HK\$1,489,445,000 included the deferred tax expenses of HK\$1,457,478,000 (year ended 31st December, 2008: credit of HK\$1,289,805,000) on fair value changes on investment properties recognised for the year.

12. Loss for the Year from Discontinued Operation

	2009 HK\$'000	2008 HK\$'000
Revenue	-	-
Investment income, net	-	38
Administrative expenses	-	(1,988)
Loss for the year from discontinued operation	<u>-</u>	<u>(1,950)</u>

On 1st February, 2008, G-Prop entered into a conditional agreement with Fame Ascent Investments Limited to dispose of the operation in production and sale of methanol (the "Methanol Project") for approximately HK\$183,699,000. The disposal was completed on 25th July, 2008. Following the disposal, the results of the Methanol Project was reported as a discontinued operation and presented separately in the consolidated statement of comprehensive income in accordance with HKFRS 5, "Non-current Assets Held for Sale and Discontinued Operations".

13. Dividends

	2009 HK\$'000	2008 HK\$'000
(a) Final dividend for 2008 of HK1 cent (2007: HK22.5 cents) and special dividend of HK99 cents (2007: nil) per share paid on 8th June, 2009		
Cash	2,006,305	469,152
Share alternative under scrip dividend scheme	-	48,006
	<u>2,006,305</u>	<u>517,158</u>
(b) Interim dividend for 2009 paid on 7th October, 2009 of HK2 cents (2008: HK13.5 cents) per share		
Cash	39,197	302,272
Share alternative under scrip dividend scheme	-	3,915
	<u>39,197</u>	<u>306,187</u>
(c) Special dividend for 2009 paid on 10th November, 2009 of HK63 cents (2008: nil) per share		
Cash	1,228,500	-
Total dividends paid	<u>3,274,002</u>	<u>823,345</u>

Final dividend of HK1 cent (2008: final dividend HK1 cent and special dividend HK99 cents) per share have been proposed by the Directors and are subject to approval by the shareholders in the forthcoming annual general meeting.

14. Earnings (Loss) Per Share

The calculation of the basic and diluted earnings (loss) per share attributable to equity holders of the parent is based on the following data:

	2009 HK\$'000	Continuing operations 2008 HK\$'000	Discontinued operation 2008 HK\$'000	Continuing and discontinued operations 2008 HK\$'000
Earnings (loss):				
Earnings (loss) for the purposes of basic earnings (loss) per share and diluted earnings (loss) per share (profit (loss) for the year attributable to equity holders of the parent)	<u>8,648,727</u>	<u>(1,493,397)</u>	<u>(979)</u>	<u>(1,494,376)</u>

	Number of shares	
	2009	2008
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share and diluted earnings (loss) per share	<u>1,995,051,304</u>	<u>2,228,668,314</u>

Diluted earnings (loss) per share for the year ended 31st December, 2009 and 2008 is the same as the basic earnings (loss) per share as there was no dilutive potential ordinary shares outstanding.

15. Debtors, Deposits and Prepayments

Included in debtors, deposits and prepayments are trade receivables of approximately HK\$21,530,000 (2008: HK\$35,353,000) comprising mainly rental receivables which are billed in advance and settlements are expected upon receipts of billings and properties sales proceeds receivable.

The following is an aged analysis of trade receivables at the end of reporting period:

	2009 HK\$'000	2008 HK\$'000
0 - 30 days	8,832	18,634
31 - 60 days	1,982	3,024
61 - 90 days	576	1,890
Over 90 days	10,140	11,805
	<u>21,530</u>	<u>35,353</u>

The Directors consider that the fair value of the Group's debtors, deposits and prepayments at the end of reporting period was approximately their carrying amounts.

16. Creditors and Accruals

Included in creditors and accruals are trade payables of approximately HK\$230,781,000 (2008: HK\$141,563,000).

The following is an aged analysis of trade payables at end of reporting period:

	2009 HK\$'000	2008 HK\$'000
0 - 90 days	174,341	111,874
Over 90 days	56,440	29,689
	<u>230,781</u>	<u>141,563</u>

The Directors consider that the fair value of the Group's creditors and accruals at the end of reporting period was approximately their carrying amounts.

17. Capital Commitments and Contingent Liabilities

	2009 HK\$'000	2008 HK\$'000
(a) Capital commitments:		
Authorised and contracted for:		
Development expenditure of properties in Hong Kong	555,149	1,269,073
Development expenditure of properties in Mainland China	1,685,418	724,969
Development expenditure of properties in Macau	27,685	36,412
Shareholder's contribution	97,800	-
Share of commitment of an associate	466,451	-
Renovation of properties	125,289	268,571
	<u>2,957,792</u>	<u>2,299,025</u>
Authorised but not contracted for:		
Development expenditure of properties in Hong Kong	382,603	205,320
	<u>382,603</u>	<u>205,320</u>
(b) Contingent liabilities:		
Guarantees given to bank, in respect of banking facilities utilised by an associate/an investee company	1,069,650	1,069,650
Guarantee given to a bank in respect of banking facilities in lieu of the cash public utility deposit jointly utilised by subsidiaries	10,000	10,000
Repurchase guarantee given to banks in respect of mortgages facilities given to property purchaser by a subsidiary	114,103	-
	<u>1,193,753</u>	<u>1,079,650</u>

18. Comparative figures

As a result of the application of HKAS 1 (Revised), "Presentation of Financial Statements", certain comparative figures have been adjusted to conform to the current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in Note 2.

DIVIDEND AND SHARE REPURCHASE

In October and November 2009, the Company has paid interim and special dividends in total of HK65 cents per share or HK\$1,267 million to shareholders, which represents 91.5% of the core profit for the Year of HK71.0 cents per share or HK\$1,417.3 million. As such, the Board considers that proposal for final dividend for the Year is not required. However, in order to maintain a continuous dividend payment record, the Board has recommended the payment of a nominal final dividend of HK1 cent per share for the Year (the “Final Dividend”) (2008: HK1 cent).

During the Year, the Company has allocated an aggregate cash amount of HK\$2,740.5 million (2008: HK\$4,648.4 million) (or HK138.8 cents per share (2008: HK216.2 cents)) which would be paid to shareholders. Out of such sum, (i) an amount of HK\$39.2 million (2008: HK\$306.2 million) (or HK2 cents per share (2008: HK13.5 cents)) and an amount of HK\$1,228.5 million (2008: HK\$2,033.8 million) (or HK63 cents per share (2008: HK99 cents)) have been applied for the payment of interim dividend and special dividend respectively; (ii) an amount of HK\$19.5 million (2008: HK\$20.5 million) (or HK1 cent per share (2008: HK1 cent)) would be applied for the payment of Final Dividend; and (iii) an amount of HK\$1,453.3 million (2008: HK\$2,287.9 million) (or HK72.8 cents per share (2008: HK102.7 cents)) has been utilized for the repurchase of the Company’s shares during the Year. With such a total cash sum of HK138.8 cents per share (2008: HK216.2 cents) and a core profit of HK71.0 cents per share (2008: HK199.6 cents), a ratio of 195% (2008: 108%) is recorded, which is summarized as follows:

	For the year ended 31st December	
	2009	2008
Core profit (HK\$m)	1,417.3	4,448.8
Share repurchase (HK\$m)	1,453.3	2,287.9
Interim Dividend (HK\$m)	39.2	306.2
Special Dividend (HK\$m)	1,228.5	2,033.8
		<i>(Note)</i>
Final Dividend (HK\$m)	19.5	20.5
		<i>(Note)</i>
<u>On a share basis</u>		
Core profit (HK cents)	71.0	199.6
Share repurchase (HK cents)	72.8	102.7
Interim Dividend (HK cents)	2.0	13.5
Special Dividend (HK cents)	63.0	99.0
Final Dividend (HK cent)	1.0	1.0
Interim, Special and Final Dividend (HK cents)	66.0	113.5
As a percentage of core profit	93%	57%
Share repurchase, Interim, Special and Final Dividend (HK cents)	138.8	216.2
As a percentage of core profit	195%	108%

Note: as a result of repurchase of shares prior to the record date of dividends payment, the actual amount paid for final dividend and special dividend in aggregate was HK\$2,006.3 million.

Approval of Dividend by Shareholders and Expected Timeframe

Subject to shareholders’ approval at the forthcoming annual general meeting of the Company to be held on 28th May, 2010, the dividend warrants will be posted on or about 9th June, 2010 to shareholders whose names appear on the register of members of the Company on 28th May, 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 25th May, 2010 to 28th May, 2010, both days inclusive. In order to qualify for the recommended final dividend and for the purpose of ascertaining the members' entitlement to the attendance of the forthcoming annual general meeting of the Company, all share transfers documents accompanied by the relevant share certificates must be lodged with the Company's Branch Registrar and Transfer Office in Hong Kong, namely Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 24th May, 2010.

FINANCIAL OPERATION REVIEW

Results

Revenue

Revenue for the Year amounted to HK\$2,151.3 million (year ended 31st December, 2008: HK\$1,264.9 million), a 70.1% increase over last year. The increase was mainly due to recording of revenue of sales proceeds recognised from York Place and i-home of HK\$1,126.0 million and other properties of HK\$91.7 million (year ended 31st December, 2008: property revenue of HK\$370.4 million).

The loss in the sales of held-for-trading investment on a net basis was HK\$115.5 million (year ended 31st December, 2008: HK\$116.1 million) was included in revenue.

Rental

For property leasing, the rental revenue in retail section jumped by 3.3% to HK\$645.9 million. Rental revenue from non-retail section had also shown an increase of 9.3% to HK\$367.2 million during the Year. The Year recorded an increase of 5.4% in total rental revenue to HK\$1,013.1 million as compared with HK\$961.6 million in 2008. Together with the attributable rental revenue generated from associates of HK\$82.3 million (year ended 31st December, 2008: HK\$116.0 million), the total attributable rental revenue to the Group after non-controlling interests reached to approximately HK\$1,092.3 million (year ended 31st December, 2008: HK\$1,074.6 million), which achieved a 1.7% increase over last year.

Attributable net rental income for the Year showed HK\$992.8 million, a 2.7% increase over HK\$966.4 million in 2008.

Property Development and Trading

In relation to property sales, an attributable profit of HK\$83.6 million (year ended 31st December, 2008: HK\$186.0 million) was recorded. The major components recorded in gross profit are: sales of MOD 595 in Mongkok and i-home in Tai Kok Tsui had contributed an attributable profit to the Group of approximately HK\$17.0 million (year ended 31st December, 2008: HK\$52.3 million) and HK\$82.5 million (year ended 31st December, 2008: nil) respectively, York Place in Wanchai had a book loss of approximately HK\$34.9 million. Book loss represented sales revenue less book cost. York Place was previously an investment property and was transferred to stock of properties in 2008 at its then market value. For those units sold and recognised in the Year, the book cost included a valuation surplus of HK\$451.6 million. If the valuation surplus is excluded from the book cost, a profit of HK\$416.7 million would be resulted.

A unit of Gemstar Tower in Hunghom (61.96% interest) and a unit of The Zenith in Wanchai (87.5% interest) sold during the Year had contributed an attributable profit to the Group of HK\$2.5 million (year ended 31st December, 2008: HK\$61.3 million) and HK\$2.3 million (year ended 31st December, 2008: HK\$9.8 million) respectively.

In respect of properties held by an associate, Indihome in Tsuen Wan (50% interest) and Miami Crescent in Sheung Shui (50% interest) continuously generated profit of HK\$1.6 million (year ended 31st December, 2008: HK\$5.8 million) and HK\$4.0 million (year ended 31st December, 2008: HK\$26.6 million) respectively, the mentioned profits was reflected in the share of results of associates. For the sale of Parc Palais in Homantin (10% interest), a contribution of HK\$7.4 million (year ended 31st December, 2008: HK\$25.4 million) was recorded in investment income.

In the current year, the forfeited deposits received for York Place and i-home recorded in other income were approximately HK\$9.5 million and HK\$0.7 million respectively (year ended 31st December, 2008: HK\$0.7 million being forfeited deposits of The Zenith).

Deposit received for stock of properties contracted to be sold and revenue be recognised in 2010 at 31st December, 2009 amounted to HK\$319.2 million. The presale recorded for Phase I of Splendid City in Chengdu at 31st December, 2009 was 542 units of RMB363.5 million equivalent to HK\$413.1 million, profit of which is expected to be recognised in late 2010 and HK\$316.7 million deposit was received, the average selling price approximately RMB670,680 per unit.

In summary, the Group together with associated companies and investee company, executed property sale agreements to third parties in 2009 with an attributable amount of HK\$1,332.0 million (year ended 31st December, 2008: HK\$731.0 million). Property sale and other property income in total recognised in 2009 was HK\$99.6 million (year ended 31st December, 2008: HK\$186.0 million).

Listed Securities

During the Year, the total gains recognised on listed securities investments were HK\$508.6 million (year ended 31st December, 2008: HK\$3,690.5 million), comprised of listed available-for-sale investments equity investment of HK\$3.7 million (year ended 31st December, 2008: HK\$3,764.0 million), listed held-for-trading investments and treasury products of HK\$500.9 million (year ended 31st December, 2008: loss HK\$73.5 million) and disposal of subsidiaries of HK\$4.0 million (year ended 31st December, 2008: nil).

Listed Securities: Available-for-sale

The Group recorded dividend income of HK\$3.7 million and had not disposed any available-for-sale investments for the year of 2009 (year ended 31st December, 2008: gain on disposal of listed available-for-sale investments HK\$3,647.8 million was recognised as investment income).

Listed Securities: Held-for-trading and Treasury Products

The performance of the listed held-for-trading investments and treasury products improved significantly and generated a profit before or after finance costs of HK\$514.6 million and HK\$500.9 million respectively for the Year (year ended 31st December, 2008: loss before/after finance costs HK\$77.0 million/HK\$73.5 million).

Profit from the listed held-for-trading investments reflected in the consolidated statement of comprehensive income for the Year comprised of a gross loss of totaling HK\$115.5 million (year ended 31st December, 2008: HK\$116.1 million), an unrealised loss on fair value change amounted to HK\$1.8 million (year ended 31st December, 2008: gain of HK\$26.4 million), a realised gain on bonds of HK\$197.3 million (include a gain of HK\$98.3 million from disposal to connected persons as announced on 2nd September, 2009) (year ended 31st December, 2008: nil), a realised gain on credit-linked notes of HK\$48.1 million (year ended 31st December, 2008: a realised loss on equity-linked notes of HK\$16.2 million) and release of the fair value liability on the knocked-out derivative financial instruments of HK\$24.4 million (year ended 31st December, 2008: nil) and dividend and interest income of HK\$362.1 million (year ended 31st December, 2008: HK\$28.9 million). The relevant finance costs incurred in the Year of HK\$13.7 million (year ended 31st December, 2008: net gain HK\$3.5 million) including interest expense and exchange loss of HK\$2.8 million (year ended 31st December, 2008: HK\$4.4 million) and HK\$10.9 million (year ended 31st December, 2008: exchange gain HK\$7.9 million) respectively.

Listed Securities: Other Comprehensive Income from Available-for-sale Investments

The listed equity securities included in available-for-sale investments also bring an addition of fair value of HK\$41.4 million (year ended 31st December, 2008: deduction of fair value of HK\$4,501.1 million) was recognised in other comprehensive income as an equity transaction of securities investments reserve.

Other Income and Expenses

During the Year, administrative expenses and finance costs decreased by 8.6% to HK\$204.9 million (year ended 31st December, 2008: HK\$224.1 million) and 62.7% to HK\$105.5 million (year ended 31st December, 2008: HK\$283.2 million) respectively.

Other gains and losses recorded a net gain of HK\$84.4 million (year ended 31st December, 2008: HK\$10.2 million), including gain on deemed disposal of 8.27% interest in G-Prop (Holdings) Limited (“G-Prop”) through a placing exercise completed on 17th June, 2009 of HK\$35.1 million; and gain on disposal of subsidiaries to connected persons as announced on 2nd September, 2009 of HK\$53.1 million.

Associates

The share of results of associates for the Year was a profit of HK\$122.6 million as compared to loss of HK\$8.4 million for last year, it was mainly due to the increase of fair value gain on investment properties.

Disposal of Assets to Connected Persons

On 2nd September, 2009, the Company issued an announcement in respect of the execution of agreements for disposal of certain assets to connected persons, the considerations are determined by reference to cost or market value, whichever is higher. The assets mainly comprise of (a) an investment property at Eaton Square in London; (b) an investment property at Hans Crescent and a carpark at Basil Street in London; (c) an investment in credit-linked note with Japan Airlines International Co., Ltd as underlying securities; (d) an investment in credit-linked note with Cathay Pacific Airways Limited as underlying securities; (e) an investment in bonds issued by Morgan Stanley; (f) an investment in bonds issued by Atlantic Finance Limited; (g) an investment in bonds issued by Barclays Bank PLC; and (h) a derivative financial instrument for interest rate yield curve range accrual swap and its margin deposit.

Prior to completion, the derivative financial instrument in (h) above has been knocked-out by its issuer with no further payment, the financial liability was then vanished, and the margin deposit placed with issuer of HK\$161.2 million was released, a realised gain on derivative financial instruments of HK\$24.4 million was recorded in investment income.

Subsequent to 2nd September, 2009 and prior to completion, certain assets were revalued. The investment properties in (a) and (b) above were revalued, fair value gains of HK\$54.2 million was recorded in fair value changes on investment properties. The credit-linked notes in (c) and (d) above were revalued, a realised gain on credit-linked notes of HK\$48.1 million was recorded in investment income.

The disposal of assets in (a) to (g) above were completed in October and December 2009 with an aggregate consideration of HK\$1,893.6 million. Upon completion, gain on disposal of subsidiaries in (a) to (b) and (c) to (d) above of HK\$49.0 million and HK\$4.0 million respectively were recorded in other gains and losses; and realised gain on bonds in (e) to (g) above of HK\$98.3 million was recorded in investment income and included as part of the gain.

Fair Value Gain on Investment Properties

Investment properties of the Group were revalued as at 31st December, 2009 and recorded an increase in fair value of HK\$8,564.3 million (year ended 31st December, 2008: loss HK\$7,467.7 million) as a result of the upturn of the property markets in Hong Kong and Mainland China.

Profit, Core Profit, Dividends, Repurchase and Cash Payment Ratio

Profit

Profit attributable to equity holders of the parent for the Year was HK\$8,648.7 million as compared to loss of HK\$1,494.4 million for last year. The profit for the Year was mainly due to the fair value gains on investment properties. Earnings per share was HK\$4.34 (year ended 31st December, 2008: loss per share HK\$0.67).

Core Profit

If the net gain on the major non-cash items of HK\$7,231.4 million (year ended 31st December, 2008: net loss HK\$5,943.2 million) are excluded, the Group will have a core profit attributable to equity holders of the parent for the Year of HK\$1,417.3 million (year ended 31st December, 2008: HK\$4,448.8 million) and a core earnings per share of HK71.0 cents (year ended 31st December, 2008: HK199.6 cents), a decrease of 68.1% and 64.5% over 2008 respectively.

The major non-cash items are fair value gains on investment properties together with their respective deferred tax expenses of HK\$7,231.4 million (year ended 31st December, 2008: loss of HK\$6,235.7 million and credit effect of deferred tax on reduction in tax rate in respect of the fair value changes on investment properties of HK\$292.5 million).

Dividends

In June 2009, final dividend of HK1.0 cent (year ended 31st December, 2007: HK22.5 cents) and special dividend of HK99.0 cents (year ended 31st December, 2007: nil) per share in total amount of HK\$2,006.3 million for the year ended 31st December, 2008 were paid in cash.

In October 2009, an interim dividend of HK2.0 cents per share in amount of HK\$39.2 million for the half year ended 30th June, 2009 (half year ended 30th June, 2008: HK13.5 cents) was paid in cash.

In November 2009, a special dividend for connected transaction of HK63.0 cents per share with a total amount of HK\$1,228.5 million was paid in cash.

Total dividend of HK\$3,274.0 million were paid in cash during the Year.

Repurchase

During the Year, the Company has utilised HK\$1,453.7 million (including transaction cost) (year ended 31st December, 2008: HK\$2,289.2 million) in repurchase of the Company's shares, such amount is equivalent to HK72.9 cents (year ended 31st December, 2008: HK102.7 cents) per share, calculated based on weighted average number of ordinary shares during the Year.

Cash Payment Ratio

Based on (a) the core profit for the Year of HK\$1,417.3 million (year ended 31st December, 2008: HK\$4,448.8 million) or HK71.0 cents (year ended 31st December, 2008: HK199.6 cents) per share; (b) the amount utilised for share repurchase during the Year of HK\$1,453.7 million (including transaction cost) (year ended 31st December, 2008: HK\$2,289.2 million) or HK72.9 cents (year ended 31st December, 2008: HK102.7 cents) per share and (c) final dividend of HK1.0 cent (year ended 31st December, 2008: final dividend HK1.0 cent and special dividend HK99.0 cents) per share proposed, interim dividend of HK2.0 cents (half year ended 30th June, 2008: HK13.5 cents) and special dividend HK63.0 cents per share were paid for the Year, the ratio of such cash payment to the core profit is 195.6% (year ended 31st December, 2008: 108.3%).

Net Asset Value

As at 31st December, 2009, the Group's total net asset to equity holders of the parent amounted to approximately HK\$38,632.9 million (31st December, 2008: HK\$34,650.6 million), an increase of HK\$3,982.3 million or 11.5% when compared with 31st December, 2008. With the total number of ordinary shares in issue of 1,950,000,079 as at 31st December, 2009 (31st December, 2008: 2,077,750,079 shares), the net asset value per share to equity holders of the parent was HK\$19.81, an increase of 18.8% over 31st December, 2008 (HK\$16.68). The movement in net asset value was mainly due to (a) Profit for the Year of HK\$8,648.7 million; (b) addition in the reserve for the listed available-for-sale investments of HK\$41.4 million; (c) reduction in equity for share repurchase of HK\$1,453.7 million, and (d) payment of final, interim and special dividend of HK\$3,274.0 million.

An addition in fair value on the listed equity securities investments categorised as available-for-sales investments of approximately HK\$41.4 million (year ended 31st December, 2008: reduction HK\$4,501.1 million) was recognised for the Year and the carrying amount of the Listed Equity Securities Investments Reserve as at 31st December, 2009 amounted to approximately HK\$41.4 million (31st December, 2008: nil).

Included in the total net asset is net deferred tax liabilities of HK\$5,220.9 million on fair value gains of investment properties. If the deferred tax liabilities are excluded, the total net asset to equity holders of the parent will become HK\$43,853.8 million or HK\$22.5 per share (31st December, 2008: HK\$18.5 per share).

During the Year, the Group had bought and sold listed and unlisted securities investments and deemed disposal of 8.27% interest in G-Prop through placing. The indirect shareholding of the Group in G-Prop decreased from 50.20% to 41.93%, but the Group still has control over the board and the power to govern the financial and operating policies of G-Prop, thus G-Prop remains as a subsidiary of the Company. Other than the existing projects and those disclosed in the annual results, the Group did not have any future plans for material investment or capital assets.

Securities Investments

As at 31st December, 2008, the carrying amount of the treasury products was HK\$24.4 million, which was included in derivative financial instrument under current liabilities. During the Year, the portfolio was increased by a net purchase of HK\$2,641.6 million and was increased by the release of the fair value liability on the knocked-out derivative financial instruments of HK\$24.4 million. After adding the fair value gain of HK\$39.6 million for the Year, the listed securities investments portfolios of the Group reached HK\$2,681.2 million as at 31st December, 2009 representing 4.5% of total assets, which formed part of the Group's cash management activities.

The portfolio HK\$2,681.2 million (31st December, 2008: liabilities HK\$24.4 million) comprised of (a) equity securities (available-for-sale) HK\$1,312.3 million (31st December, 2008: nil); (b) equity securities (held-for-trading) HK\$644.0 million (31st December, 2008: nil); (c) bonds (financial assets designated as at fair value through profit or loss) HK\$728.2 million (31st December, 2008: nil); and (d) derivative financial instrument liabilities HK\$3.3 million (31st December, 2008: liabilities HK\$24.4 million).

Notes held by Listed Subsidiaries

As at 31st December, 2009, the carrying amount of the floating rate and fixed rate notes amounted to HK\$254.9 million (31st December, 2008: HK\$216.7 million) representing 0.4% of the total assets of the Group at the year end. The increase mainly represented fair value gain during the Year.

Risk Management

The Group has established adequate risk management procedures that enable it to identify, measure, monitor and control various types of risk it faces. This is supplemented by active management involvement, effective internal controls and adequate internal audit in the best interests of the Group.

Equity

The number of issued ordinary shares as at 31st December, 2009 and 31st December, 2008 were 1,950,000,079 and 2,077,750,079 respectively.

Debt and Gearing

As at 31st December, 2009, the Group's bank and other borrowings amounted to HK\$13,215.0 million (31st December, 2008: HK\$11,669.2 million). Cash and deposit at bank amounted to HK\$5,200.7 million (31st December, 2008: HK\$10,418.9 million), pledged deposit amounted to HK\$1,116.7 million (31st December, 2008: HK\$478.1 million) and net borrowings amounted to HK\$6,897.6 million (31st December, 2008: HK\$772.2 million).

Total debt to equity ratio was 33.5% (31st December, 2008: 33.1%) and net debt to equity ratio was 17.5% (31st December, 2008: 2.2%), which are expressed as a percentage of total borrowings, and net borrowings respectively, over the total equity of HK\$39,431.9 million (31st December, 2008: HK\$35,302.6 million).

The increase of net debt to equity ratio mainly due to the decrease of cash and deposit balances and increase of borrowings for the repurchase of the Company's shares, payment of dividends and additions to listed available-for-sales investments.

As at 31st December, 2009, the Group's bank and other borrowings were denominated in Hong Kong dollars (88.8%), United States dollars (2.5%), Renminbi (3.4%), Euro (5.2%) and Japanese Yen (0.1%). Of the Group's bank and other borrowings of HK\$13,215.0 million, 28.1%, 18.0%, 53.5% and 0.4% were repayable within 1 year, 1 to 2 years, 2 to 5 years and over 5 years respectively. The Group's bank and other borrowings carrying interest rates were calculated mainly with reference to HIBOR and inter-bank rate. No hedging for interest rate as subsisted at the end of the year. Borrowing in Japanese Yen was for hedging of Japanese Yen securities investments and such securities turned into cash at 31st December, 2009.

Pledge of Assets

As at 31st December, 2009, the Group had pledged the following assets:

- (a) The Group's investment properties, property and other fixed assets, prepaid lease payments, stock of properties and time deposits with their respective carrying amount of approximately HK\$37,844.3 million (31st December, 2008: HK\$28,643.2 million), HK\$58.4 million (31st December, 2008: HK\$60.3 million), HK\$318.8 million (31st December, 2008: HK\$319.6 million), HK\$1,242.8 million (31st December, 2008: HK\$2,995.2 million) and HK\$1,116.7 million (31st December, 2008: HK\$149.3 million) were pledged to the Group's bankers to secure general banking and loan facilities granted to the Group.
- (b) The Group's investments held-for-trading, available-for-sale investment and bonds with carrying amount of approximately HK\$731.7 million (31st December, 2008: deposit HK\$328.7 million) was pledged to the Group's financial institutions to secure margin and securities facilities granted to the Group in respect of securities transactions and utilised by the Group as borrowings due within one year of approximately HK\$1,236.5 million (31st December, 2008: nil).
- (c) Interests in certain subsidiaries of the Company have been pledged as part of the security to secure certain bank borrowings granted to the Group.
- (d) The Group has subordinated and assigned its advance to an associate and advance to an investee company of approximately HK\$1,415.9 million (31st December, 2008: HK\$1,275.0 million) to financial institutions to secure banking general credit facilities granted to an associate and an investee company.

Repurchase Guarantee

Certain mortgagee banks have provided end-user financing to purchasers of Splendid City and the Group has provided repurchase guarantees to these mortgagee banks for securing the obligations of such purchasers for repayments. Such guarantees will be terminated upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within one year upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with any accrued interest and penalty owed by the defaulted purchasers to the mortgagee banks.

The total outstanding amount of repurchase guarantee as at 31st December, 2009 was RMB100.4 million (HK\$114.1 million) (31st December, 2008: nil) and disclosed in the contingent liabilities.

Financial and Interest Income/Expenses

Interest income was included in revenue and investment income. Interest income for the Year was HK\$184.3 million, representing a decrease of 19.3% from that of 31st December, 2008 (HK\$228.4 million).

Finance costs included interest expenses on bank and other loans, imputed interest expenses, exchange difference on foreign currency loans, arrangement fee and facility and commitment fee expenses. Excluding imputed interest, interest expenses for the Year amounted to HK\$80.4 million, representing a 70.7% decrease over the

interest expenses of HK\$274.3 million recorded for the same period last year. The decrease in interest expenses was mainly due to decrease in interest rate during the Year. Interest capitalised for the Year was HK\$22.4 million as compared to HK\$52.7 million for last year. The average interest rate over the year under review was 0.83% (2008: 2.63%), which was expressed as a percentage of total interest paid over the average total borrowings.

Remuneration Policies, Share Option Scheme and Share Award Scheme

During the year under review, the Group employed a total of 320 staff (year ended 31st December, 2008: 306 staff) (excluding about a total of 316 staff (year ended 31st December, 2008: 301 staff) for estate management employed under the Group's estate management company, Perfect World Company Limited).

Employees were remunerated on the basis of their performance, experience and prevailing industry practice. Remuneration packages comprised salary and year-end discretionary bonus based on market conditions and individual performance. The Executive Director continued to review employees' contributions and to provide them with necessary incentives and flexibility for their better commitment and performance. No share option scheme was adopted for the Year.

A share award scheme (the "Scheme") was adopted by the shareholders of the Company at the special general meeting on 14th January, 2009. The Scheme is to recognise and reward certain employees for their contributions to the Group and to give long-term incentives for retaining them for the continued operations and development of the Group. Details of the Scheme were set out in the Company's circular dated 23rd December, 2008. No share was granted under the Scheme during the Year.

Mainland China and Macau

Profit contribution from the Group's investment in the Mainland China (including gross profit, fair value changes on investment properties, share of results of associates and taxation) for the Year amounted to HK\$77.5 million (year ended 31st December, 2008: HK\$116.7 million). The Group's net investment as at 31st December, 2009 amounted to HK\$6,355.3 million (31st December, 2008: HK\$6,877.5 million) representing approximately 10.7% of the Group's total asset value and 16.5% of the Group's net asset value.

Further, the Group's net investment in Macau as at 31st December, 2009 amounted to HK\$1,696.8 million (31st December, 2008: HK\$1,665.0 million) representing approximately 2.9% of the Group's total asset value.

Listed Subsidiaries

At the year end date, the Group owned 61.96% interest in Chi Cheung Investment Company, Limited.

On 5th February, 2008, the Group acquired 36.51% shareholding in G-Prop. Accordingly, the Group held 50.20% shareholding of G-Prop and G-Prop became a subsidiary of the Company. After G-Prop's placement completed on 17th June, 2009, the indirect shareholding of the Company in G-Prop decreased from 50.20% to 41.93% but the Group still has control over the board and the power to govern the financial and operating policies of G-Prop, thus G-Prop remains as a subsidiary of the Company.

Property Valuation

A property valuation has been carried out by Messrs. Norton Appraisals Limited, independent qualified professional valuers, in respect of the Group's investment properties as at 31st December, 2009 and that valuation was used in preparing 2009 year results. The Group's investment properties were valued at HK\$40,708.5 million (31st December, 2008: HK\$30,302.6 million), a 26.4% increase over 2008 after adjusted for additions and disposals of investment properties during the Year. The increase in fair value of approximately HK\$8,564.3 million was recognised in the consolidated statement of comprehensive income for the Year. The Group also shared an increase in fair value of investment properties of the associates of HK\$131.1 million (net of deferred tax of HK\$21.7 million) for the Year. Development properties and non-investment properties of the Group were stated at cost less impairment, if any, in the consolidated financial statements. Investment property under development at Chinese Estates Plaza, Chengdu was stated at cost of HK\$1,402 million and will be carried at fair value when its fair value first become reliably measurable or the date of its completion of the property.

BUSINESS REVIEW

Hong Kong Property Investment

Rentals from investment properties continued to be one of the major sources of our income. The overall occupancy rate of the Group's retail portfolio was 88.65% during the Year excluding the renovation area of Windsor House. The occupancy rate achieved 93.60% if non-core properties are excluded. The satisfactory occupancy rate is attributable to the prime locations of the majority of the Group's retail properties.

Despite the economic turmoil in the first half of 2009, the Group's overall gross rental growth remained positive of 5.35% with rental income of HK\$1,013.1 million for the Year as compared with last year. The respective increases in Hong Kong retail and non-retail portion have been 3.93% and 10.13%. The increase in gross rental income is mainly attributable to the high reversionary rental rate of the office properties and pleasant rental rate achieved by shopping malls after renovation.

During the Year, the shops of Excelsior Plaza – Laforet were fully let out and the average occupancy rate of Causeway Place was approximately 93.33%.

The first phase renovation of Windsor House was completed in the third quarter of 2007 and the second phase renovation commenced in March 2008. Works include reconfiguration of the mall layout from basement level to 7th level to provide greater varieties of prime retail shops and specialty restaurants, addition of atrium void and introduction of skylight to provide a high-end shopping environment. Portions of the circulation areas and shops at ground floor and first floor have been re-opened in December 2008 and June 2009 respectively and it is anticipated that the whole renovation work will be completed in May 2010. The revamped Windsor House will have improved and diversified trade mix.

As for Silvercord, the overall rental income was raised 16.01% for the Year as compared with last year and its average occupancy rate was 95.29% during the Year. The rental growth and high occupancy rate reflect the success of the Group's rental enhancement strategy of renovation and repackaging of its shopping malls. In order to further enhance the circulation at third floor, improvement works to third floor is being planned and site works are tentatively scheduled to be commenced on the second half of 2010.

The ONE, i.e. the redevelopment project of the former Tung Ying Building in Tsim Sha Tsui is being developed to a 29-storey integrated shopping, entertainment and food and beverage complex with more than 400,000 square feet of retail spaces. It will be the tallest retail complex of its kind in Hong Kong and is expected to be a landmark shopping arcade in Tsim Sha Tsui upon completion scheduled for the first half of 2010. Pre-lease marketing has been commenced after the formal naming of The ONE in June 2009. Overall marketing response is positive and a number of offers are received from prospective tenants.

During the Year, the average occupancy rates of Windsor House, MassMutual Tower and Harcourt House were approximately 89.02%, 98.93% and 75.54% respectively, bringing the approximate occupancy rate of the overall office portfolio to 89.06%. The drop of occupancy rate in Harcourt House was mainly due to the closure of businesses in Hong Kong or down-size of office area of several anchored tenants in the building caused by the global financial tsunami.

Hong Kong Property Development

In general, the Group's development projects have been progressing satisfactorily and the sales have been achieving pleasing results.

York Place is a high-end residential tower located in prime area of Wanchai, having 94 units with flat size ranging from gross floor area of approximate 576 square feet to 2,037 square feet. As at 31st December, 2009, 77 units were sold, representing 81.91% of total units. The occupation permit has been obtained in March 2009 and the transacted units had been handed over to the purchasers.

i-home is a joint venture project with the Urban Renewal Authority located in Tai Kok Tsui. It provides a single residential tower block comprises 182 units with flat size ranging from gross floor area of approximate 462 square feet to 1,182 square feet. The occupation permit and the certificate of compliance from the government have been obtained in March 2009 and June 2009 respectively. Since its sales launch commenced in end of March 2009, 142 units (representing 78.02% of total units) were sold up to 31st December, 2009.

MOD 595 is another joint venture project with the Urban Renewal Authority located in Mongkok. It provides a single residential tower block comprises 85 units with flat size ranging from gross floor area of approximate 483 square feet to 1,188 square feet. 98.82% of total units (i.e. 1 unit remaining) were sold up to 31st December, 2009, all of which had been handed over to the purchasers.

The Zenith (87.5% interest) is a two-phase redevelopment project at Tai Yuen Street, Wanchai undertaken with the Urban Renewal Authority. All residential units of phase I were sold up to 31st December, 2009. Phase II will be a residential/commercial complex development with a gross floor area of approximately 159,700 square feet. Redevelopment work with preservation of the core elements of Wanchai Market and foundation work are in progress. Completion of phase II is re-scheduled to end 2012.

The Hermitage (25% interest), is one of the Group's joint venture development projects in West Kowloon Reclamation Area. It is located at Hoi Ting Road and junction of Hoi Wang Road and Hoi Ting Road. Its superstructure work is in progress. The Hermitage will comprise six residential tower blocks, which provides in aggregate 962 residential units and retail properties with a total gross floor area of around 1,095,980 square feet. The whole project is expected to be completed in end 2010. The launching of the Hermitage is currently re-scheduled to the second quarter of 2010.

Another West Kowloon - joint venture development project is located at the junction of Hoi Wang Road, Yan Cheung Road and Yau Cheung Road (15% interest). Its substructure work is in progress. Six residential tower blocks with residential and retail properties of total gross floor area of approximately 650,600 square feet will be developed. Completion of the whole project is scheduled for end 2011.

Sun Fair Mansions, 12 Shiu Fai Terrace, located in Mid-Levels East, is a traditional prestigious location for luxury residential project in Hong Kong. A luxury residential tower which provides a total residential gross floor area of around 42,900 square feet will be redeveloped. Demolition work has been completed, site formation work is in progress. The whole project is expected to be completed in end 2012.

No. 55 Conduit Road (70% interest), a residential site in Mid-Levels with site area about 36,000 square feet which can provide a total residential gross floor area of around 87,800 square feet. This site will be developed into a luxury residential project. The first phase of the site formation work has been completed. Piling works and the associated substructure works are in progress.

Macau Property Development

The Group is planned to develop the site at Avenida Wai Long, Taipa, Macau (70.01% interest) into a high-end residential project with total gross floor area of approximately 5,786,242 square feet (excluding basement car park). It will comprise 26 residential tower blocks and will be developed in phases. The revised master layout plan of the whole development had been agreed by the government whereas detailed proposal for execution of the phase I development are being formulated for the approval of the government.

Mainland China Property Investment

Evergo Tower, located at Central Huaihai Road in Shanghai, is a 21-storey office and shopping complex and has a gross floor area of around 263,708 square feet. The average occupancy rates of the office and retail spaces for the Year were 86.03% and 67.43% respectively.

Hilton Beijing (50% interest), having 503 rooms, average occupancy rate was 56.26% for the Year.

Oriental Place (50% interest), a 10-storey office building next to Hilton Beijing, average occupancy rate was 96.76% for the Year.

The average occupancy rate of the 79 retail outlets with a total area of approximately 29,000 square feet in Lowu Commercial Plaza, Shenzhen was 94.35% for the Year.

Mainland China Property Development

Splendid City, a residential project located at Yingbin Road of Jinniu District in Chengdu, has site area of approximately 795,625 square feet and corresponding gross floor area of approximately 3.74 million square feet. Phase I of Splendid City is under superstructure construction and expected to be completed in end 2010. Since its first sales launch of Phase I commenced in end of October 2009, 542 out of 648 units launched (i.e. 83.64%) were presold up to 31st December, 2009, representing 44.21% of total units of Phase I.

Metropolis Height is a residential project located at Dongda Street of Jinjiang District in Chengdu, with site area of approximately 194,411 square feet and corresponding gross floor area of approximately 1.65 million square feet. Substructure construction is in progress, project completion is scheduled for end 2012 and the launching of this project is scheduled for end 2010.

Chinese Estates Plaza, a commercial and residential project at South Taisheng Road of Qingyang District in Chengdu, has a site area of about 404,267 square feet with a development scale of 3.2 million square feet. Foundation and substructure construction works are in progress. Completion of the project is re-scheduled to end 2013.

The commercial and residential project at Huaxinjie Street of Jiangbei District in Chongqing (25% interest), with a site area of around 2,207,546 square feet and a gross floor area of approximately 11.08 million square feet, is at design stage.

In late 2009, the Group formed a joint venture (30% interest) with a third party, contracted to acquire indirectly a Grade A office building in Shanghai. The said acquisition is expected to complete in April 2010 and is expected to be financed by bank borrowing and internal resources.

OTHER INFORMATION

Disposal of Subsidiaries and Assets

As announced on 2nd September, 2009, the Group has entered into eight sets of conditional sale and purchase agreements, in relation to, inter alia, disposal of properties in United Kingdom and certain financial instruments to Wisdom Hero Limited (a company wholly-owned by Mr. Joseph Lau, Luen-hung, the Chairman and Chief Executive Officer of the Company (“Mr. Joseph Lau”)) or Mr. Joseph Lau as the case may be at an aggregate consideration of HK\$1,893.6 million (the “Transactions”). The Transactions constituted discloseable and connected transactions for the Company under the Listing Rules which are subject to the approval of the independent shareholders of the Company. The Transactions were approved by the independent shareholders of the Company at the special general meeting held on 12th October, 2009 and were completed in October and December 2009 respectively, except one of the Transactions that held a financial instrument which had been revoked prior to completion. Details of the Transactions were set out in the circular of the Company dated 23rd September, 2009.

EVENT AFTER THE FINANCIAL YEAR END

On 11th February, 2010, the Group has entered into a sale and purchase agreement with third parties, in relation to, inter alia, the acquisition of the remaining 50% interests in Canaria Holding Limited which indirectly held the commercial property at Tuen Mun Centre, New Territories (the “Property”) at a consideration of HK\$17 million. Canaria Holding Limited is 50% owned by the Group before the acquisition. As a result of the said acquisition, the Group obtained 100% control over the Property.

In March 2010, a syndicated loan facility of HK\$3,600 million was arranged, of which the proceeds of approximately HK\$1,309 million was used to repay the existing loan facility and the remaining proceeds of approximately HK\$2,291 million will be used as general working capital requirement.

The presale recorded for Phase I of Splendid City, Chengdu as at 31st December, 2009 was 542 units of RMB363.5 million, equivalent to HK\$413.1 million, profit of which will be recognised in 2010. The deposit of totalling HK\$316.7 million was received as at 31st December, 2009 and the average selling price was approximately RMB670,680 per unit.

PROSPECTS

The global economy has continued to recover since the last quarter of last year. Although there will be different market signals from time to time, causing short term market fluctuations, the general ascending trend will remain this year.

The Group carries an optimistic view to its core businesses. Economic growth of Mainland China is expected to continue taking the lead. While the Central Government is likely to continue monitoring the property market through her macro policies, such policies will serve to ensure sustainable growth of the property market. In addition, the Central Government's consistent policy of promoting investments and growth of her western cities is also positive factor to our projects in Chengdu. We expect the sales of such projects to continue performing satisfactorily.

The financial sector has rebounded strongly since the third quarter of last year, with aggressive plans to taking up expansion space. We expect to see occupancies to lift further for the Group's office portfolio this year. Meanwhile, retailers have also continued seeking prominent locations for new outlets to capture affluent customers and tourist shoppers. Our new shopping centre, The ONE, has become a spotlight for retailers since pre-leasing commenced, and will bring a fresh outlook to the shopping arena in Tsim Sha Tsui when it opens.

Our Group has been monitoring the property markets of Hong Kong and Mainland China closely, and will replenish its land bank and expand its investment property portfolio at opportune times.

The Board will continue to review the share price of the Company and its underlying net asset value regularly and consider repurchase its shares on the Stock Exchange, as and when the share price represents a significant discount to its net asset value.

CORPORATE GOVERNANCE

The Company will continue putting effort in maintaining high standards of corporate governance so as to ensure better transparency and protection of interest of the shareholders and the Company as a whole. Throughout the Year, the Company has applied the principles of the Code on Corporate Governance Practices (the "Code") and complied with the code provisions ("Code Provisions") and certain recommended best practices set out in the Code contained in Appendix 14 to the Listing Rules, save for the deviations from Code Provisions A.2.1 and E.1.2, which state that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual, and the chairman of the board should attend the annual general meeting respectively.

Reasons for the deviations from Code Provisions A.2.1 and E.1.2 were set out in the Company's interim report for the six months ended 30th June, 2009. Detailed information of the Company's corporate governance practices will be set out in the corporate governance report contained in the Company's annual report 2009.

SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms without deviation from the required standard set out in Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 to the Listing Rules ("Model Code"). All Directors, after specific enquiries by the Company, confirmed they have complied with the required standard set out in the Model Code and the said code of conduct during the Year.

The Company has also adopted a code of conduct regarding securities transactions by relevant employees on terms no less exacting than the required standard set out in the Model Code. All the relevant employees ("Relevant Employees") who, because of office or employment, is likely to be in possession of unpublished price-sensitive information in relation to the Group's securities have been requested to follow such code when dealing in the securities of the Company. All Relevant Employees, after specific enquiries by the Company, confirmed they have complied with the required standard set out in the said code during the Year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Year, the Company purchased a total of 127,750,000 ordinary shares of HK\$0.10 each on the Stock Exchange at an aggregate consideration of HK\$1,453,263,115. All of the purchased shares were cancelled.

Month of the purchases	Total number of the ordinary shares purchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate consideration HK\$
January 2009	8,813,000	9.65	8.52	79,731,270
February 2009	14,576,000	9.66	9.04	137,089,570
March 2009	8,717,000	9.46	9.16	81,379,700
April 2009	39,339,500	10.66	9.31	384,069,795
May 2009	6,304,500	12.18	11.52	74,519,420
June 2009	19,511,000	15.04	13.98	283,425,210
July 2009	18,349,000	14.18	12.72	247,440,850
August 2009	2,280,000	14.18	13.64	31,741,790
September 2009	9,860,000	13.94	13.28	133,865,510
	<hr/> <hr/> 127,750,000			<hr/> <hr/> 1,453,263,115

The Directors considered that the aforesaid shares were purchased at a discount to the net asset value per share and resulted in an increase in the net asset value per share then in issue.

Save as disclosed herein, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Year.

PROPOSED AMENDMENTS TO THE BYE-LAWS

It is proposed that amendments to the Company's Bye-laws be made in line with certain changes of the Listing Rules which came into effect on 1st January, 2009. The effects of the proposed amendments to the Bye-laws are as follows:

- (i) all votes of shareholders at a general meeting shall be taken by poll if required by the Listing Rules; and
- (ii) allow the Company to send corporate communication materials to its shareholders by electronic means as and when the Company considers appropriate and cost effective, subject to compliance with the requirements of the Listing Rules.

Details of the proposed amendments will be set out in a circular and the notice convening the annual general meeting of the Company to be held on 28th May, 2010 which will be dispatched to the shareholders in due course. The proposed amendments will be subject to the approval of the shareholders by way of a special resolution at the said meeting.

APPRECIATION

We would like to take this opportunity to express our gratitude to the shareholders for their continued support and staff members for their dedication and hard work.

On behalf of the Board
Joseph Lau, Luen-hung
Chairman

Hong Kong, 30th March, 2010

As at the date of this announcement, the Board comprised Mr. Joseph Lau, Luen-hung as Executive Director, Mr. Lau, Ming-wai and Ms. Amy Lau, Yuk-wai as Non-executive Directors and Mr. Chan, Kwok-wai, Ms. Phillis Loh, Lai-ping and Mr. Ma, Tsz-chun as Independent Non-executive Directors.

Website: <http://www.chineseestates.com>

This announcement is published on the website of the Company (<http://www.chineseestates.com>) and the designated issuer website of the Stock Exchange (<http://www.hkexnews.hk>).

The Financial Highlights will also be posted on the Company's website on 30th March, 2010.