

**NEWS RELEASE**

To: Business/Property Editor

 Date: 10 March 2010  
 For immediate release

**HYSAN DEVELOPMENT COMPANY LIMITED  
 2009 ANNUAL RESULTS**
**Highlights**

- **Resilient performance**  
 (Recurring Underlying Profit up 4.1%; Turnover up 2.6%)
- **Final dividend per share unchanged**
- **Hong Kong Grade “A” office market begins to stabilise**
- **Performance expected to be stable for rest of the year**

**RESULTS**

	<b>Year ended 31 December</b>		
	<u>2009</u>	<u>2008</u>	<u>Change</u>
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>%</i>
Turnover	<b>1,680</b>	1,638	2.6
Recurring Underlying Profit <sup>1</sup>	<b>1,110</b>	1,066	4.1
Underlying Profit <sup>2</sup>	<b>1,113</b>	1,201	(7.3)
Statutory Profit <sup>3</sup>	<b>2,716</b>	1,594	70.4
	<i>HK cents</i>	<i>HK cents</i>	
Earnings per share, based on:			
Recurring Underlying Profit <sup>1</sup>	<b>106.09</b>	102.57	3.4
Underlying Profit <sup>2</sup>	<b>106.38</b>	115.56	(7.9)
Statutory Profit <sup>3</sup>	<b>259.60</b>	153.37	69.3
Dividends per share	<b>68.00</b>	68.00	-
	<b>At 31 December</b>		
	<u>2009</u>	<u>2008</u>	
	<i>HK\$ million</i>	<i>HK\$ million</i>	
Shareholders' funds	<b>33,668</b>	31,469	7.0
Adjusted Shareholders' Funds <sup>4</sup>	<b>37,057</b>	34,660	6.9
	<i>HK\$</i>	<i>HK\$</i>	
Net assets value per share	<b>32.05</b>	30.23	6.0
Adjusted net assets value per share	<b>35.27</b>	33.29	5.9

**Definitions:**

**1. Recurring Underlying Profit**

This is a performance indicator of the Group's core property investment business. It is arrived at by excluding from Underlying Profit gains/losses from disposal of assets, impairment, reversal, recovery and tax provisions for prior year(s).

**2. Underlying Profit**

This is arrived at by excluding from Statutory Profit unrealised fair value changes on investment properties and related deferred tax. As a property investor, the Group's results are principally derived from the rental revenues on its investment properties. The inclusion of the unrealised fair value change on investment properties in the consolidated income statement causes an increase in fluctuation in earnings and poses limitation on the use of the unadjusted earning figures, financial ratios, trends and comparison against prior period(s). Besides, deferred tax on such fair value changes has to be provided for despite the fact that no capital gain tax liability will arise in Hong Kong on disposal of the Group's investment properties. Accordingly, both of these two items are excluded in arriving at the Underlying Profit.

**3. Statutory Profit**

This is the profit attributable to owners of the Company. It is prepared in accordance with Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance.

**4. Adjusted Shareholders' Funds**

This is arrived at by adding back the Group's share of cumulative deferred tax on property revaluation to shareholders' funds figure. Deferred tax on property revaluation has to be provided for despite the fact that no capital gains tax liability will arise in Hong Kong on disposal of properties.

## **HYSAN DEVELOPMENT RECORDED RECURRING UNDERLYING PROFIT OF HK\$1,110 MILLION IN 2009**

### **Results**

Hysan Development Company Limited (Stock Code: 00014) today (10 March 2010) announced the Group's **turnover** was HK\$1,680 million in 2009, representing an increase of 2.6% from HK\$1,638 million in 2008. The Group maintained revenue growth in its core property investment activities.

**Recurring Underlying Profit**, which measures the performance of the Group's core property investment business, was HK\$1,110 million, up 4.1% from HK\$1,066 million in 2008. The increase reflected the improvement in gross profit generated from the Group's core leasing activities.

**Underlying Profit**, arrived at by excluding from Statutory Profit changes in fair value of investment properties and the related deferred tax, was HK\$1,113 million (2008: HK\$1,201 million). This reflected smaller financial investment returns during the year.

**Statutory Profit**, prepared in accordance with Hong Kong Financial Reporting Standards, was HK\$2,716 million (2008: HK\$1,594 million), and mainly due to higher revaluation of the Group's investment properties. At year-end 2009, the independent external valuation of the Group's **investment property portfolio** was HK\$37,363 million (2008: HK\$35,850 million).

In a lower interest rate environment, the Group's **finance costs** were reduced to HK\$131 million (2008: HK\$155 million). The Group's average finance costs decreased to 3.1% from 4.4% in 2008.

**Shareholders' funds** were HK\$33,668 million in 2009 (2008: HK\$31,469 million).

**Adjusted Shareholders' Funds** were HK\$37,057 million in 2009 (2008: HK\$34,660 million).

### **Dividend**

A final dividend of HK54.0 cents per share (2008: HK54.0 cents) was announced. Together with the interim dividend of HK14.0 cents per share (2008: HK14.0 cents), there is an aggregate distribution of HK68.0 cents per share, which is the same as the year before. The dividend will be payable in cash with a scrip dividend alternative. The ex-dividend date will be 5 May 2010. Dividend warrants and definitive share certificates in respect of the scrip dividend will be dispatched on or about 3 June 2010. The share register will be closed from 7 May 2010 to 11 May 2010, both dates inclusive.

## **Financial Management**

Hysan adhered to a policy of financial prudence and maintained a strong financial position.

**Net interest coverage** (defined as gross profit less administrative expenses before depreciation divided by net interest expenses) improved to 11.7 times for 2009 (2008: 10.2 times)

**Net debt to equity** (defined as borrowings less short-term investments, time deposits, cash and bank balances divided by Adjusted Shareholders' Funds) as at 31 December 2009 improved to 5.1% (31 December 2008: 5.9%).

Total gross debt was HK\$3,889 million as at the end of 2009 (31 December 2008: HK\$3,698 million). All Group debts are unsecured.

**Average debt maturity** as at 31 December 2009 was about 3.4 years (31 December 2008: 3.9 years) (gross debt repayable in not exceeding one year: HK\$400 million; more than one year but not exceeding two years: HK\$650 million; more than two years but not exceeding five years: HK\$2,018 million; more than five years: HK\$821 million).

Floating rate debt was approximately 65% of the total debt as at the year end (31 December 2008: 60%).

To ensure sufficient liquidity for the Group's operations, the Group maintained undrawn committed facilities of HK\$2,250 million as at 31 December 2009 (31 December 2008: HK\$3,550 million.)

## **Credit Ratings**

**Credit ratings**, as at 31 December 2009 remained unchanged, being Baa1 from Moody's and BBB from Standard and Poor's.

## **COMMENTS BY SIR DAVID AKERS-JONES, INDEPENDENT NON-EXECUTIVE CHAIRMAN**

“While Grade “A” office rentals began to stabilise, competition remains keen. Hysan has strengthened its occupancy and our performance is expected to remain stable for the rest of the year. At the same time, we shall continue to enhance our portfolio to maximise Causeway Bay’s locational advantages as a prime retail hub as well as office community.”

## **COMMENTS ON OPERATIONS BY GERRY YIM, CHIEF EXECUTIVE OFFICER**

### **Office Sector**

There was a 3.8% increase in office sector revenue in 2009 (2009: HK\$747 million; 2008: HK\$720 million). The sector’s occupancy rate, on a committed basis, as at 2009 year end, was 91% (31 December 2008: 98%).

“We took effective action and strengthened our occupancy,” said Mr. Yim. “The latest occupancy figure, on a committed basis, is 93%. We have, for instance, just signed on a financial institution taking up 100,000 square feet of space to be vacated by another tenant.”

“Our Grade “A” buildings, situated in the prime Causeway Bay district, offer convenience as well as prestige. Around 30% of our portfolio’s floor area is taken by finance and professional services entities, and that’s a much higher ratio than the Causeway Bay district’s average. We look forward to attracting more tenants to our quality buildings and services.”

“For the rest of our portfolio, we shall further exploit the locational advantages of Causeway Bay as a retail centre and grow the presence of semi-retail tenants such as those in the health and beauty sector, as well as showrooms.”

### **Retail Sector**

The retail sector revenue increased by 3.5% (2009: HK\$648 million; 2008: HK\$626 million). The portfolio was virtually fully-let at 99% at 2009 year end (31 December 2008: 97%).

“Causeway Bay continues to be one of the favourite destinations for the people of Hong Kong. However, mainland Chinese visitors are equally important to us. Last year, Mainland tourist spending in The Lee Gardens increased by around 40% when compared to 2008.”

“We have, in fact, been trying to create an optimal tenant mix based on retailers popular with tourists and locals alike. For 2010, we will maximise the potential of One Hysan Avenue and Leighton Centre. A fashion flagship store will transform the former, while the latter will be revitalised.”

“The Hennessy Centre redevelopment, when completed in 2011, will add further excitement to our community,” said Mr. Yim.

## **Residential Sector**

The residential sector's turnover declined slightly (2009: HK\$285 million; 2008: HK\$292 million). Residential sector occupancy rate was 92% at 2009 year end (31 December 2008: 90%).

“The slight decline in turnover was mainly due to negative rental reversion upon the expiration of leases signed in 2007, but was partially offset by improving occupancy starting from second quarter of 2009. We successfully strengthened our residential occupancy rate, which rebounded to 92% at 2009 year-end, from 85% on 30 June 2009,” said Mr. Yim.

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**HYSAN DEVELOPMENT COMPANY LIMITED**  
**CONSOLIDATED INCOME STATEMENT**

*For the year ended 31 December 2009*

	<u>Notes</u>	<u>2009</u> <i>HK\$ million</i>	<u>2008</u> <i>HK\$ million</i>
Turnover	3	<b>1,680</b>	1,638
Property expenses		<b>(235)</b>	(217)
Gross profit		<b>1,445</b>	1,421
Investment income		<b>38</b>	63
Other gains and losses		<b>(3)</b>	146
Administrative expenses		<b>(133)</b>	(134)
Finance costs		<b>(131)</b>	(155)
Change in fair value of investment properties		<b>1,249</b>	(212)
Share of results of associates		<b>768</b>	590
Profit before taxation		<b>3,233</b>	1,719
Taxation	5	<b>(396)</b>	(1)
Profit for the year	6	<b>2,837</b>	1,718
Profit for the year attributable to:			
Owners of the Company		<b>2,716</b>	1,594
Minority interests		<b>121</b>	124
		<b>2,837</b>	1,718
Earnings per share (expressed in HK cents)	7		
Basic		<b>259.60</b>	153.37
Diluted		<b>259.50</b>	153.36

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	<u>Note</u>	<u>2009</u> <i>HK\$ million</i>	<u>2008</u> <i>HK\$ million</i>
Profit for the year		<u>2,837</u>	<u>1,718</u>
<i>Other comprehensive income</i>	8		
Fair value gains (losses) on available-for-sale investments		37	(1,351)
Fair value gains (losses) on cash flow hedges		5	(28)
Gain on revaluation of properties held for own use		1	3
Share of translation reserve of an associate		<u>(1)</u>	<u>155</u>
Other comprehensive income (expense) for the year (net of tax)		<u>42</u>	<u>(1,221)</u>
Total comprehensive income for the year		<u><u>2,879</u></u>	<u><u>497</u></u>
Total comprehensive income attributable to:			
Owners of the Company		2,758	373
Minority interests		<u>121</u>	<u>124</u>
		<u><u>2,879</u></u>	<u><u>497</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	<u>Notes</u>	<u>2009</u> <i>HK\$ million</i>	<u>2008</u> <i>HK\$ million</i>
Non-current assets			
Investment properties		37,363	35,850
Property, plant and equipment		81	80
Prepaid lease payments		121	123
Investments in associates		2,517	1,750
Available-for-sale investments		1,002	1,022
Other financial assets		177	242
Other receivables		31	29
		<u>41,292</u>	<u>39,096</u>
Current assets			
Accounts receivable and other receivables	10	83	94
Amount due from an associate		369	590
Other financial assets		120	41
Short-term investments		-	700
Time deposits		1,945	964
Cash and bank balances		39	51
		<u>2,556</u>	<u>2,440</u>
Current liabilities			
Accounts payable and accruals	11	314	320
Rental deposits from tenants		127	158
Amounts due to minority shareholders		327	327
Borrowings		400	550
Taxation payable		45	351
		<u>1,213</u>	<u>1,706</u>
Net current assets		<u>1,343</u>	<u>734</u>
Total assets less current liabilities		<u>42,635</u>	<u>39,830</u>
Non-current liabilities			
Borrowings		3,491	3,201
Other financial liabilities		36	41
Rental deposits from tenants		273	230
Deferred taxation		3,881	3,648
		<u>7,681</u>	<u>7,120</u>
NET ASSETS		<u>34,954</u>	<u>32,710</u>
Capital and reserves			
Share capital		5,253	5,206
Reserves		28,415	26,263
Equity attributable to owners of the Company		<u>33,668</u>	<u>31,469</u>
Minority interests		1,286	1,241
TOTAL EQUITY		<u>34,954</u>	<u>32,710</u>

Notes:

**1. Basis of Preparation**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

**2. Principal Accounting Policies**

The principal accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2008.

In the current year, the Group had applied a number of new and revised Standards, Amendments to Standards and Interpretations (“new and revised HKFRSs”) issued by the HKICPA.

Except as described below, the adoption of these new and revised HKFRSs had no material effect on the financial statements of the Group for the current and/or prior accounting years. Accordingly, no prior year adjustment has been required.

HKAS 1 (Revised 2007) – Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 – Operating Segments

HKFRS 8 is a disclosure Standard that has resulted in a disclosure of the Group’s reportable segments (see note 4).

Amendments to HKFRS 7 – Financial Instruments: Disclosures

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

The Group have not early applied the following new and revised Standards, Amendments to Standards or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008 <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs 2009 <sup>2</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>3</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statement <sup>1</sup>
HKAS 32 (Amendment)	Classification of Rights Issues <sup>4</sup>
HKAS 39 (Amendment)	Eligible Hedged Items <sup>1</sup>
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters <sup>5</sup>
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosure for First-time Adopters <sup>6</sup>
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions <sup>5</sup>
HKFRS 3 (Revised)	Business Combinations <sup>1</sup>
HKFRS 9	Financial Instruments <sup>7</sup>

HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement <sup>3</sup>
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners <sup>1</sup>
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>6</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2009.

<sup>2</sup> Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2011.

<sup>4</sup> Effective for annual periods beginning on or after 1 February 2010.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2010.

<sup>6</sup> Effective for annual periods beginning on or after 1 July 2010.

<sup>7</sup> Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 “Financial Instruments” introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” to be measured at either amortised cost or fair value. Specially, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 will affect the classification and measurement of the Group’s financial assets.

In addition, as part of “Improvements to HKFRSs 2009”, HKAS 17 “Leases” has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leases were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are 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 amendments to HKAS 17 will affect the classification and measurement of the Group’s leasehold land.

The Directors of the Company anticipate that the application of the other new and revised Standards, Amendments to Standards or Interpretations will have no material impact on the financial statements of the Group.

### 3. Turnover

Turnover represents gross rental income from investment properties and management fee income for the year.

The Group’s principal activities are property investment, management and development and its turnover and results are principally derived from investment properties located in Hong Kong.

### 4. Segment Information

The Group has adopted HKFRS 8 “Operating Segments” with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 “Segment Reporting”) required an entity to identify two sets of segment (business and geographical) using a risks and returns approach.

In the past, the Group's turnover and results are principally derived from investment properties located in Hong Kong, no business or geographical segment is therefore presented. However, information reported to the Group's management for the purpose of resource allocation and assessment of performance is specifically focused on the type of usage of space (e.g. commercial, residential) within the Group's properties portfolio as each type of usage has different tenant base and requires different marketing strategies. As such, the application of HKFRS 8 has resulted in a disclosure of the Group's reportable segments as follows:

Office segment – leasing of high quality office space and related facilities

Retail segment – leasing of space and related facilities to a variety of retail and leisure operators

Residential segment – leasing of luxury residential properties and related facilities

**Segment turnover and results**

The following is an analysis of the Group's turnover and results by reportable segment.

	<u>Office</u> <i>HK\$ million</i>	<u>Retail</u> <i>HK\$ million</i>	<u>Residential</u> <i>HK\$ million</i>	<u>Consolidated</u> <i>HK\$ million</i>
<u>For the year ended 31 December 2009</u>				
<b>Turnover</b>				
Gross rental income from investment properties	635	584	257	1,476
Management fee income	112	64	28	204
	<u>747</u>	<u>648</u>	<u>285</u>	<u>1,680</u>
Property expenses	(109)	(73)	(53)	(235)
<b>Segment profits</b>	<u><u>638</u></u>	<u><u>575</u></u>	<u><u>232</u></u>	<u><u>1,445</u></u>
Investment income				38
Other gains and losses				(3)
Administrative expenses				(133)
Finance costs				(131)
Change in fair value of investment properties				1,249
Share of results of associates				768
Profit before taxation				<u><u>3,233</u></u>
<u>For the year ended 31 December 2008</u>				
<b>Turnover</b>				
Gross rental income from investment properties	603	563	264	1,430
Management fee income	117	63	28	208
	<u>720</u>	<u>626</u>	<u>292</u>	<u>1,638</u>
Property expenses	(101)	(71)	(45)	(217)
<b>Segment profits</b>	<u><u>619</u></u>	<u><u>555</u></u>	<u><u>247</u></u>	<u><u>1,421</u></u>
Investment income				63
Other gains and losses				146
Administrative expenses				(134)
Finance costs				(155)
Change in fair value of investment properties				(212)
Share of results of associates				590
Profit before taxation				<u><u>1,719</u></u>

All of the segment turnover reported above is from external customers.

The accounting policies of the reporting segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of investment income, central administration costs and directors' salaries, other gains and losses, finance costs, change in fair value of investment properties and share of results of associates. This is the measure reported to the Group's management for the purpose of resource allocation and performance assessment.

**Segment assets and liabilities**

The following is an analysis of the Group's assets by reportable segment.

	<u>Office</u> <i>HK\$ million</i>	<u>Retail</u> <i>HK\$ million</i>	<u>Residential</u> <i>HK\$ million</i>	<u>Consolidated</u> <i>HK\$ million</i>
<u>As at 31 December 2009</u>				
Segment assets	<b>14,100</b>	<b>10,580</b>	<b>7,051</b>	<b>31,731</b>
Investment properties under redevelopment				<b>5,640</b>
Investments in associates				<b>2,517</b>
Other assets				<b>3,960</b>
Consolidated assets				<b>43,848</b>
<u>As at 31 December 2008</u>				
Segment assets	13,602	10,156	6,832	30,590
Investment properties under redevelopment				5,270
Investments in associates				1,750
Other assets				3,926
Consolidated assets				41,536

Segment assets represented the fair value of investment properties and accounts receivable of each segment without allocation of property, plant and equipment, prepaid lease payments, investments in associates, amount due from an associate, financial instruments and other receivables. This is the measure reported to the Group's management for the purpose of monitoring segment performances and allocating resources between segments. The investment properties are included in segment assets at their fair values whilst the change in fair value of investment properties is not included in segment profits. No segment liabilities analysis is presented as the Group's management monitored and managed all the liabilities on a group basis.

Other than the investments in associates, which operated in the People's Republic of China and Singapore with carrying amounts of HK\$2,514 million and HK\$3 million respectively, all the Group's assets are located in Hong Kong.

### Other segment information

	<u>Office</u> <i>HK\$ million</i>	<u>Retail</u> <i>HK\$ million</i>	<u>Residential</u> <i>HK\$ million</i>	<u>Consolidated</u> <i>HK\$ million</i>
<u>For the year ended 31 December 2009</u>				
Additions to non-current assets	33	42	2	77
Additions to investment properties under redevelopment				184
				<u>261</u>
<u>For the year ended 31 December 2008</u>				
Additions to non-current assets	39	201	8	248
Additions to investment properties under redevelopment				107
				<u>355</u>

## 5. Taxation

	<u>2009</u> <i>HK\$ million</i>	<u>2008</u> <i>HK\$ million</i>
Current tax		
Hong Kong profits tax		
- current year	161	166
- underprovision in prior years	2	26
- prior years' tax provision ( <i>Note</i> )	-	72
	<u>163</u>	<u>264</u>
Deferred tax		
Change in fair value of investment properties	207	(28)
Other temporary differences	26	(12)
Attributable to change in tax rate	-	(223)
	<u>233</u>	<u>(263)</u>
	<u>396</u>	<u>1</u>

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

#### *Note:*

As disclosed in the annual reports published in previous years, the Group had been in dispute for a considerable period of time with the Hong Kong Inland Revenue Department (the "IRD") on interest deductions made in years of assessment dating back to 1995/1996. Taking into consideration professional advice and recent developments, the Group entered into a settlement with the IRD. Total claim amount of HK\$450 million, which was fully provided at 31 December 2008, was settled during the year by cash payment of HK\$268 million and tax reserve certificates of HK\$182 million already purchased in prior years.

## 6. Profit For The Year

	<u>2009</u> <i>HK\$ million</i>	<u>2008</u> <i>HK\$ million</i>
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	<u>2</u>	<u>2</u>
Amortisation of prepaid lease payments	<u>1</u>	<u>-</u>
Depreciation of property, plant and equipment	<u>6</u>	<u>6</u>
Gross rental income from investment properties	(1,476)	(1,429)
Less:		
- Direct operating expenses arising from properties that generated rental income	231	214
- Direct operating expenses arising from properties that did not generate rental income	<u>4</u>	<u>3</u>
	<u>(1,241)</u>	<u>(1,212)</u>
Staff costs, comprising:		
- Directors' emoluments	17	17
- Share-based payments	2	2
- Other staff costs	<u>135</u>	<u>126</u>
	<u>154</u>	<u>145</u>
Share of income tax of an associate (included in share of results of associates)	<u>286</u>	<u>181</u>

## 7. Earnings per share

### (a) Basic and diluted earnings per share

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	<u>Earnings</u>	
	<u>2009</u> <i>HK\$ million</i>	<u>2008</u> <i>HK\$ million</i>
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the year attributable to owners of the Company	<u>2,716</u>	<u>1,594</u>
	<u>Number of shares</u>	
	<u>2009</u>	<u>2008</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,046,243,250</b>	1,039,339,066
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	<u>384,981</u>	<u>73,471</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><b>1,046,628,231</b></u>	<u>1,039,412,537</u>

The computation of diluted earnings per share does not assume the exercise of certain of the Company's outstanding share options as the exercise prices of those options are higher than the average market price for shares for both 2009 and 2008.

(b) Adjusted basic earnings per share

For the purpose of assessing the performance of the Group's principal activities (i.e. leasing of investment properties), the management is of the view that the profit for the year attributable to the owners of the Company should be adjusted in the calculation of basic earnings per share as follows:

	2009		2008	
	<b>Profit</b>	<b>Basic earnings per share</b>	<b>Profit</b>	<b>Basic earnings per share</b>
	<i>HK\$ million</i>	<i>HK cents</i>	<i>HK\$ million</i>	<i>HK cents</i>
Profit for the year attributable to owners of the Company	2,716	259.60	1,594	153.37
Change in fair value of investment properties	(1,249)	(119.38)	212	20.40
Effect of deferred taxation on change in fair value of investment properties	207	19.78	(236)	(22.71)
Effect of minority interests' shares	45	4.30	43	4.14
Share of change in fair value of investment properties (net of deferred taxation) of an associate	(606)	(57.92)	(412)	(39.64)
Underlying profit attributable to owners of the Company	1,113	106.38	1,201	115.56
Net realised gain on disposal of available-for-sale investments	(3)	(0.29)	(166)	(15.97)
Prior years' tax provision	-	-	72	6.93
Gain on disposal of investment properties of an associate	-	-	(41)	(3.95)
Recurring underlying profit	1,110	106.09	1,066	102.57

The denominators used are the same as those detailed above for basic earnings per share.

## 8. Other Comprehensive Income

	<u>2009</u> <i>HK\$ million</i>	<u>2008</u> <i>HK\$ million</i>
Other comprehensive income comprises:		
Available-for-sale investments		
- Gains (losses) arising during the year	40	(1,165)
- Reclassification adjustments for the cumulative gain included in profit or loss upon disposal	(3)	(186)
	<u>37</u>	<u>(1,351)</u>
Cash flow hedges		
- Losses arising during the year	(12)	(31)
- Reclassification adjustments for losses included in profit or loss	17	3
	<u>5</u>	<u>(28)</u>
Gain on revaluation of properties held for own use	1	4
Share of translation reserve of an associate	(1)	155
Other comprehensive income (expense)	42	(1,220)
Income tax relating to components of other comprehensive income	-	(1)
Other comprehensive income (expense) for the year (net of tax)	<u>42</u>	<u>(1,221)</u>

**9. Dividends**

Dividends recognised as distribution during the year:

	<u>2009</u> <i>HK\$ million</i>	<u>2008</u> <i>HK\$ million</i>
2009 interim dividend paid – HK14 cents per share	147	-
2008 interim dividend paid – HK14 cents per share	-	146
2008 final dividend paid – HK54 cents per share	562	-
2007 final dividend paid – HK48 cents per share	-	498
	<u>709</u>	<u>644</u>

Dividends proposed after the end of the reporting period:

Final dividend proposed – HK54 cents per share (2008: HK54 cents per share)	<u>567</u>	<u>562</u>
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**10. Accounts Receivable**

Rents from leasing of investment properties are normally received in advance. At the end of the reporting period, accounts receivable of the Group with carrying amount of HK\$8 million (2008: HK\$10 million) mainly represented rents receipts in arrears, which were aged less than 90 days.

**11. Accounts Payable**

At the end of the reporting period, accounts payable of the Group with carrying amount of HK\$139 million (2008: HK\$90 million) were aged less than 90 days.