

HARBOUR CENTRE DEVELOPMENT LIMITED



HARBOUR CENTRE DEVELOPMENT LIMITED

海港企業有限公司

2002

**Interim Report to Shareholders**

致股東中期報告書

*for the half-year period ended 30th June, 2002*

截至二〇〇二年六月三十日止半年度



## **GROUP RESULTS**

The unaudited Group profit attributable to Shareholders for the six months ended 30th June, 2002 amounted to HK\$57.4 million, a decrease of 10% as compared with HK\$63.6 million for the corresponding period last year. Earnings per share were 18.0 cents.

## **INTERIM DIVIDEND**

The Board has declared an interim dividend in respect of the half-year period ended 30th June, 2002 of 5.0 cents (2001: 5.0 cents) per share, payable on Monday, 7th October, 2002 to Shareholders on record as at 27th September, 2002.

## **BUSINESS REVIEW & PROSPECTS**

- \* The Marco Polo Hongkong Hotel achieved satisfactory occupancy and average room rate in the first half of 2002 notwithstanding the unstable market conditions after the 911 events in 2001.
- \* Hotel renovations are in progress and the renovation works are expected to be completed by the first quarter of 2003. It is anticipated that the renovation programme will improve business growth.
- \* Pre-sale for Phase I of Sorrento (Kowloon Station Package II development), in which the Group has a 20% interest, was launched with overwhelming market response in November 2001. Preparations are underway for pre-sale of Phase II targeted in the second half of 2002.



## CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30th June, 2002

	Note	Unaudited 30/6/2002 HK\$ Million	(Restated) Unaudited 30/6/2001 HK\$ Million
Turnover	2	157.7	196.7
Other income	2	12.2	15.7
		<u>169.9</u>	<u>212.4</u>
Direct costs and operating expenses		(83.5)	(111.5)
Selling and marketing expenses		(7.8)	(8.6)
Depreciation		(5.4)	(3.6)
Administrative and corporate expenses		<u>(1.7)</u>	<u>(4.9)</u>
Operating profit	2	71.5	83.8
Provision for impairment in value of investment securities		(7.7)	-
Borrowing costs		-	(15.9)
Other non-operating items	3	(1.5)	(1.9)
Share of profits of associates		<u>4.5</u>	<u>4.1</u>
Profit before taxation		66.8	70.1
Taxation	4	<u>(9.4)</u>	<u>(6.5)</u>
Profit attributable to shareholders		<u>57.4</u>	<u>63.6</u>
Proposed interim dividends	5	<u>15.8</u>	<u>15.8</u>
Earnings per share	6	<u>HK\$0.18</u>	<u>HK\$0.20</u>
Proposed interim dividends per share		<u>HK\$0.05</u>	<u>HK\$0.05</u>



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the six months ended 30th June, 2002**

	<b>Unaudited 30/6/2002 HK\$ Million</b>	Unaudited 30/6/2001 HK\$ Million
Total equity as at 1st January	<u>4,793.9</u>	<u>4,959.8</u>
Deficit on revaluation of investment securities	<b>(87.0)</b>	(129.6)
Deficit on revaluation of investment securities transferred to the profit and loss account on impairment	7.7	-
Others	<u>(0.9)</u>	<u>(6.1)</u>
Net losses not recognised in the consolidated profit and loss account	<u>(80.2)</u>	<u>(135.7)</u>
Group profit for the period	57.4	63.6
Final dividend approved in respect of the previous year	<b>(37.8)</b>	(37.8)
Revaluation reserve transferred to profit and loss account upon disposal of investment securities	<u>6.7</u>	<u>3.0</u>
Total equity as at 30th June	<u><b>4,740.0</b></u>	<u>4,852.9</u>



## CONSOLIDATED BALANCE SHEET

As at 30th June, 2002

	Note	Unaudited 30/6/2002 HK\$ Million	Audited 31/12/2001 HK\$ Million
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets		2,762.2	2,774.1
Interest in associates		977.1	897.0
Investment securities		<u>583.5</u>	<u>851.5</u>
		4,322.8	4,522.6
<b>Current assets</b>			
Inventories		3.5	3.9
Debtors	8	19.6	29.1
Cash and cash equivalents		<u>597.3</u>	<u>868.3</u>
		<u>620.4</u>	<u>901.3</u>
<b>Current liabilities</b>			
Creditors	9	60.6	84.8
Unsecured short term bank loan and overdrafts		-	400.9
Taxation		<u>15.3</u>	<u>8.4</u>
		<u>75.9</u>	<u>494.1</u>
<b>Net current assets</b>		<u>544.5</u>	<u>407.2</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>4,867.3</u>	<u>4,929.8</u>
<b>EQUITY AND NON-CURRENT LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	10	157.5	157.5
Reserves	11	<u>4,582.5</u>	<u>4,636.4</u>
		4,740.0	4,793.9
<b>Non-current liabilities</b>			
Deferred income	12	<u>127.3</u>	<u>135.9</u>
<b>TOTAL EQUITY AND NON-CURRENT LIABILITIES</b>		<u>4,867.3</u>	<u>4,929.8</u>



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2002

	Unaudited 30/6/2002 HK\$ Million	(Restated) Unaudited 30/6/2001 HK\$ Million
Net cash inflow from operating activities	77.2	42.5
Net cash inflow from investing activities	90.5	216.7
Net cash (outflow)/inflow from financing activities	<u>(438.7)</u>	<u>662.2</u>
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(271.0)</b>	921.4
Cash and cash equivalents at 1st January	<u>868.3</u>	<u>332.4</u>
<b>Cash and cash equivalents at 30th June</b>	<b><u>597.3</u></b>	<b><u>1,253.8</u></b>
<b>Analysis of the balance of cash and cash equivalents</b>		
Deposits and cash	<u>597.3</u>	<u>1,253.8</u>

### NOTES TO THE ACCOUNTS

#### 1. Principal accounting policies

The unaudited consolidated accounts have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" and Appendix 16 of Listing Rules of The Stock Exchange of Hong Kong Limited. The accounting policies and methods of computation used in the preparation of the interim accounts are consistent with those used in the annual accounts for the year ended 31st December, 2001 except for the changes in accounting policies as described below.

(a) **SSAP 1 (Revised) "Presentation of financial statement"**

The consolidated statement of recognised gains and losses is replaced by the consolidated statement of changes in equity.

(b) **SSAP 11 (Revised) "Foreign currency translation"**

The profit and loss accounts of foreign enterprises are translated into Hong Kong dollars at the weighted average exchange rates during the year. This is a change in accounting policy from prior years where these were translated at the exchange rates ruling at the balance sheet date. The effect of such change is not material to the accounts.

(c) **SSAP 15 (Revised) "Cash flow statement"**

A revised classification of activities from which cash flows are derived has been made.



With effect from 1st January, 2002, with the introduction of SSAP 15 (revised) "Cash flow statements", the Group defines cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement. The accounting policy has been adopted retrospectively. In adjusting prior year's figures, cash and cash equivalents as at 1st January, 2001 and 1st January, 2002 were restated and increased by HK\$100 million and HK\$400.9 million respectively. In addition, certain presentational changes have been made on adoption of SSAP 15 (revised).

**(d) SSAP 34 "Employee benefits"**

The defined benefit scheme provides benefits to the employees based on their final pay and number of years of service. In prior years, contributions to the scheme are charged against profit and loss account in the period in which they are payable to the scheme. The contributions are determined based on the value of the retirement scheme assets and estimates of the effects of future events on the actuarial present value of accrued pension obligations and are determined by a qualified actuary on the basis of triennial valuations using the attained age method. The assets of the scheme are held separately from those of the group in an independently administered fund.

On 1st January, 2002, the Group adopted SSAP 34 "Employee benefits". In accordance with this standard, retirement benefit costs for defined benefit scheme are assessed using the projected unit credit method. Under this method, the cost of providing retirement benefits is charged to the profit and loss account so as to spread the regular cost over the services lives of employees in accordance with the advice of qualified actuaries. The retirement benefit obligation is measured at the present value of the estimated future cash outflows by reference to the market yield on high quality corporate bonds which have a similar term as the related liabilities. Plan assets are measured at fair value. Actuarial gains and losses are recognised over the remaining services lives of employees. The effect of such change is not material to the accounts.

**2. Turnover and operating profit**

**(a) Analysis of the turnover and operating profit of the Group:**

	Turnover		Operating profit	
	30/6/2002	30/6/2001	30/6/2002	30/6/2001
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Principal activities				
Hotel and restaurants	120.3	136.1	39.0	35.9
Investment property	15.4	26.5	11.2	22.9
Investments	22.0	34.1	21.3	25.0
	<u>157.7</u>	<u>196.7</u>	<u>71.5</u>	<u>83.8</u>

**(b) Other income**

	30/6/2002	30/6/2001
	HK\$ Million	HK\$ Million
Service charge	11.4	13.1
Sundry income	0.8	2.6
	<u>12.2</u>	<u>15.7</u>



(c) Operating profit is arrived at after charging:

	30/6/2002 HK\$ Million	30/6/2001 HK\$ Million
Cost of inventories sold	11.3	15.1
Depreciation	5.4	3.6
Staff costs	43.4	51.2
Auditors' remuneration	0.2	0.2
and after crediting:		
Gross rental income from investment properties	15.4	26.5
Less: direct outgoings	(3.1)	(3.8)
	<u>12.3</u>	<u>22.7</u>
Interest on bank deposits	4.2	19.0
Dividend income from listed securities	17.8	15.1

3. Other non-operating items

	30/6/2002 HK\$ Million	30/6/2001 HK\$ Million
Release of deferred income	24.7	-
Loss on disposal of investment securities	(7.4)	(1.9)
Provision for impairment in value of property held for redevelopment	(18.8)	-
	<u>(1.5)</u>	<u>(1.9)</u>

Loss on disposal of investment securities includes a revaluation deficit of HK\$6.7 million (2001: HK\$3.0 million) transferred from the investment securities revaluation reserve to the profit and loss account upon disposal of the related investment securities.

4. Taxation

Hong Kong profits tax has been provided at the rate of 16.0% (2001: 16.0%) on the estimated assessable profit for the period.

	30/6/2002 HK\$ Million	30/6/2001 HK\$ Million
Company and subsidiaries		
Hong Kong profits tax	8.8	6.5
Share of associates' Hong Kong profits tax for the period	0.6	-
	<u>9.4</u>	<u>6.5</u>

5. Proposed interim dividends

	30/6/2002 HK\$ Million	30/6/2001 HK\$ Million
Proposed interim dividends of 5.0 cents (2001: 5.0 cents) per share	<u>15.8</u>	<u>15.8</u>





## 6. Earnings per share

The calculation of earnings per share is based on earnings for the period of HK\$57.4 million (2001: HK\$63.6 million) and on 315.0 million (2001: 315.0 million) ordinary shares in issue during the period. For the period under review and the preceding comparative period, there is no difference between the basic and diluted earning per share.

## 7. Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

### (a) Business segments

	Hotel and restaurants		Property		Investments		Total	
	30/6/2002	30/6/2001	30/6/2002	30/6/2001	30/6/2002	30/6/2001	30/6/2002	30/6/2001
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Segment revenue	132.5	150.2	15.4	28.1	22.0	34.1	169.9	212.4
Segment result	39.0	35.9	11.2	22.9	21.3	25.0	71.5	83.8
Provision for impairment in value of investment securities	-	-	-	-	(7.7)	-	(7.7)	-
Borrowing costs	-	-	-	-	-	-	-	(15.9)
Other non-operating items	-	-	(18.8)	-	17.3	(1.9)	(1.5)	(1.9)
Share of profit of associates	-	-	3.8	-	0.7	4.1	4.5	4.1
Profit before taxation							66.8	70.1
Taxation							(9.4)	(6.5)
Profit attributable to Shareholders							57.4	63.6

### (b) Geographical segments

	Segment revenue		Segment result	
	30/6/2002	30/6/2001	30/6/2002	30/6/2001
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Hong Kong	154.7	199.2	56.3	70.6
Singapore	15.2	13.2	15.2	13.2
	169.9	212.4	71.5	83.8

No inter-segment revenue was recorded during the period.

## 8. Debtors

Included in debtors are trade debtors (net of provision for bad and doubtful debts) and their age analysis as at 30th June, 2002 as follows:

	30/6/2002	31/12/2001
	HK\$ Million	HK\$ Million
Due within 30 days	9.8	14.8
Due after 30 days but within 60 days	2.2	4.4
Due after 60 days but within 90 days	1.3	1.3
Over 90 days	1.6	0.7
	14.9	21.2

The Group has a defined credit policy, the general credit terms allowed range from 0 to 60 days.



## 9. Creditors

Included in creditors are trade creditors and their age analysis as at 30th June, 2002 as follows:

	<b>30/6/2002</b>	31/12/2001
	<b>HK\$ Million</b>	HK\$ Million
Due within 30 days	<b>9.6</b>	9.6
Due after 30 days but within 60 days	<b>1.1</b>	3.3
Due after 60 days but within 90 days	<b>0.3</b>	-
Over 90 days	<b>0.1</b>	0.1
	<b><u>11.1</u></b>	<u>13.0</u>

## 10. Share capital

There were no movements in the share capital of the Company during the period under review.

## 11. Reserves

Extracts from reserves are movements of the investment securities revaluation reserve and revenue reserves for the six months ended 30th June, 2002 as shown below:

	<b>Investment securities revaluation reserve</b>	<b>Revenue reserves</b>
	HK\$ Million	HK\$ Million
i Company and subsidiaries		
Balance at 1st January, 2002	(81.1)	1,598.0
Dividend approves in respect of the previous year	-	(37.8)
Transferred to profit and loss account on disposal of investment securities	6.7	-
Revaluation deficit		
- Investment securities	(87.0)	-
- Deficit transferred to the profit and loss account on impairment of investment securities	7.7	-
Profit attributable to shareholders	-	53.5
Balance at 30th June, 2002	<u>(153.7)</u>	<u>1,613.7</u>
ii Associates		
Balance at 1st January, 2002	5.5	26.1
Revaluation deficit		
- Investment securities	(0.9)	-
Profit attributable to shareholders	-	3.9
Balance at 30th June, 2002	<u>4.6</u>	<u>30.0</u>
At 30th June, 2002	<u>(149.1)</u>	<u>1,643.7</u>
At 31st December, 2001	<u>(75.6)</u>	<u>1,624.1</u>



## 12. Deferred income

The movements of deferred income of the Group are as follows:

	2002 HK\$ Million	2001 HK\$ Million
Balance at 1st January	135.9	135.7
Additions	16.1	63.0
Release of deferred income	(24.7)	(62.8)
Balance at 30th June/31st December	<u>127.3</u>	<u>135.9</u>

## 13. Material related party transactions

- (a) The Group has a management agreement with a subsidiary of the ultimate holding company for the management of the Group's hotel operations. Fees payable under this arrangement during the period ended 30th June, 2002 amounted to HK\$7.6 million (2001: HK\$8.6 million) which included management fees of HK\$5.8 million (2001: HK\$6.5 million) and marketing fees of HK\$1.8 million (2001: HK\$2.1 million). The management fee includes a basic fee and an incentive fee which is calculated based on 3% and 5% of gross revenue and gross operating profit respectively. The marketing fee is calculated based on 1.5% of gross revenue. Such transactions also constitute connected transactions as defined under the Listing Rules, but are exempted from the requirements under paragraph 14.24(2) relating to connected transactions thereof.
- (b) As disclosed in Note 15 to the accounts, the joint venturers have jointly and severally guaranteed the performance and observance of the terms under an agreement for the development of Sorrento (Kowloon Station Package II) undertaken by the project company. The joint venturers have also severally guaranteed loan facilities granted to the project company. The amount attributable to the Company in proportion of the Company's shareholding thereof, is HK\$196.1 million (2001: HK\$433.0 million). Such guarantees given by the Company constitute connected transactions as defined under the Listing Rules, but a waiver from complying with the relevant connected transaction requirements was granted by the Stock Exchange in 1997.
- (c) Loans totalling HK\$942.1 million (2001: HK\$865.0 million) due from an associate involved in the Sorrento project are considered to be related party transactions and also constitute connected transactions as defined under the Listing Rules. Waivers were granted by the Stock Exchange in 1994 and 1997 from complying with the relevant connected transaction requirements. The net interest earned by the Group from the above loan during the period ended 30th June, 2002 amounted to HK\$16.1 million (2001: HK\$39.5 million) which has been deferred and is recognised in the consolidated profit and loss account from when the associate starts to generate profit from the property development project based on the percentage of total area sold to the total area available for sale.



#### 14. Commitments

Capital commitments for property, plant and equipment

	30/6/2002 HK\$ Million	31/12/2001 HK\$Million
Contracted but not provided for	3.8	15.3
Authorised but not contracted for	1.8	3.8
	<u>5.6</u>	<u>19.1</u>

#### 15. Contingencies

The Company, together with its ultimate holding company, The Wharf (Holdings) Limited ("Wharf"), the principal shareholder of Wharf and two subsidiaries thereof (together "joint venturers"), have jointly and severally guaranteed the performance and observance of the terms under an agreement for a property development project undertaken by an associate ("project company"). The joint venturers also severally guaranteed loan facilities granted to the project company. The amount attributable to the Company in proportion of the Company's shareholding thereof, is HK\$196.1 million (2001: HK\$433.0 million).

#### 16. Comparative figures

Certain comparative figures have been adjusted as a result of changes in accounting policies for cash and cash equivalents in the condensed consolidated cash flow statement and the condensed consolidated statement of recognised gains and losses is replaced by the condensed consolidated statement of changes in equity in order to comply with SSAPs 15 (revised) and 1 (revised) respectively. In addition, certain comparative figures for interest in associates and deferred income have also been reclassified in order to present better the results and financial condition of the Group.

17. The unaudited interim accounts for the six months ended 30th June, 2002 have been reviewed by the audit committee of the Company.



## COMMENTARY ON INTERIM RESULTS

### (I) Review of 2002 Interim Results and Segmental Performance

The unaudited Group profit attributable to shareholders for the six months ended 30th June, 2002 amounted to HK\$57.4 million, a decrease of 10% as compared with HK\$63.6 million for the corresponding period last year. Earnings per share were HK\$0.18 compared to HK\$0.20 recorded in the comparative period.

Group turnover for the period under review was HK\$157.7 million, a decrease of 20% from HK\$196.7 million in the comparative period. Operating profit was HK\$71.5 million, compared to HK\$83.8 million for the comparative period.

For the period under review, operating environment was very challenging mainly due to the overall unfavourable global economic downturn. The hotel and rental market remained soft in the 1st half year of 2002. The Marco Polo Hongkong Hotel recorded lower occupancy and average room rates of 79% and HK\$763 respectively for the period under review. Accordingly, total revenue of the hotel segment decreased by 12%. Despite the decrease in revenue for the hotel segment, operating profit increased by 9% to HK\$39.0 million given the write-back of an overprovision for the Group's retirement schemes of HK\$8.2 million. Excluding the HK\$8.2 million write back, operating profit of the hotel segment would have decreased by 14%.

Rental revenues and operating profit from the commercial section of The Marco Polo Hongkong Hotel also decreased due to the commencement of the retail podium upgrade project for the enhancement of value and quality of the retail space.

As the fair value of certain of the Group's investment securities has been persistently below the original cost, these investment securities are considered impaired in value. Accordingly, to comply with the Group's policies, a provision for the impairment of investment securities of HK\$7.7 million was transferred from the investment securities revaluation reserve to the profit and loss account.

Profit before taxation for the period under review included deferred interest income of HK\$24.7 million, arising from a loan advanced to an associate for a property development, recognised on the basis of the pre-sale progress of the development. It also included a HK\$18.8 million provision made for impairment, after taking into account the prevailing market condition, for property under redevelopment.

Share of profits of associates amounting to HK\$4.5 million mainly represented the Group's share of profit from pre-sale of Sorrento (Phase I), which was launched since November 2001.

Taxation charged for this period was HK\$9.4 million compared to HK\$6.5 million for the same period last year.



## **(II) Liquidity and Financial Resources**

As at 30th June, 2002, the Group had net cash of HK\$597.3 million, an increase of 28% from HK\$467.4 million as at 31st December, 2001. In addition, the Group maintained a portfolio of listed investments with market value aggregating HK\$583.5 million at the period end.

The project loan facility relating to the development of Sorrento (Kowloon Station Package II), in which the Group has 20% interest, has been reduced to HK\$1 billion as a result of loan repayment from pre-sale proceeds for the period under review.

The Group has no significant exposure to foreign exchange rate fluctuations.

## **(III) Comments on Segmental Information**

The principal activity of the Company is investment holding.

The principal activities of the Company's subsidiaries and associates are the operation of hotel and restaurants, investment property, property development and investments. Further information on the segmental details is provided in Note 7 to the Accounts.

## **(IV) Employees**

The Group has approximately 438 employees. Employees are remunerated according to nature of the job and market trends, with a built-in merit component incorporated in the annual increment to reward and motivate individual performance. Total staff costs for the six months ended 30th June, 2002 amounted to HK\$43.4 million.

Detailed information is set out in Note 2 to the Accounts.



## DISCLOSURE UNDER PRACTICE NOTE 19

In relation to the provision of financial assistance by the Company and/or its subsidiaries to two wholly-owned subsidiaries (together, the "Borrowers") of an associated company of the Company, namely, Hopfield Holdings Limited ("Hopfield"), as previously disclosed in the Company's annual report for the year ended 31st December, 2001, obligations in relation to the aforesaid financial assistance by the Group continued to exist as at 30th June, 2002.

Set out below is a proforma combined balance sheet of the Borrowers as at 31st July, 2002 (being the latest practicable date for determining the relevant figures) required to be disclosed under Practice Note 19 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"):

### Proforma Combined Balance Sheet of the Borrowers

As at 31st July, 2002

	HK\$ Million
Properties under development	7,529.0
Other net current liabilities	(2,695.5)
Bank loan	(27.3)
Other non-current liabilities	(7.6)
	<u>4,798.6</u>
Shareholders' loan	(4,757.2)
Shareholders' funds	<u>41.4</u>

Financial assistance given by the Company and/or its subsidiary(ies) is made up as follows:

Loan advances	Guaranteed bank facilities		Total
	Amount drawn	Not yet drawn	
HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
<u>951.4</u>	<u>5.5</u>	<u>180.0</u>	<u>1,136.9</u>

*Note: The Group's interest in Hopfield was 20% as at 31st July, 2002.*



### **Terms of the Financial Assistance**

The loan of HK\$951.4 million made to the Borrowers bears interest at such rate as may be agreed from time to time among all Hopfield's shareholders, with reference to interest rates prevailing in the lending market, currently being fixed at 3.25% per annum (also applicable to all the loans made to Hopfield's subsidiaries by all other shareholders of Hopfield). The loan is not repayable for so long as any borrowings under the abovementioned guaranteed bank facilities remain outstanding, except under certain circumstances as permitted under the relevant agreement for those bank facilities. No security is provided to the Group for the loan.

The Group's pro rata share of its financial obligation in respect of the bank facilities available to the Borrowers amounted to HK\$185.5 million of which HK\$5.5 million has been drawn. Such bank facilities have been obtained on normal commercial terms and at interest rates prevailing in the lending market. No security is provided to the Group by the Borrowers against the issue of the relevant guarantee by the Group.

### **COMPLIANCE WITH CODE OF BEST PRACTICE**

None of the Directors of the Company is aware of any information which would reasonably indicate that the Company was not in compliance with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules at any time during the six months period ended 30th June, 2002.

### **DIRECTORS' INTERESTS IN SHARES**

At 30th June, 2002, Directors of the Company had the following personal beneficial interests in the ordinary shares of the Company's parent company, namely, The Wharf (Holdings) Limited:

<b>Name of Directors</b>	<b>Number of Shares</b>
Mr. Gonzaga Wei Jen Li	686,549
Mr. Tze Yuen Ng	178,016
Mr. Chia Lu Pan	56,304

Save as disclosed above, as recorded in the register kept by the Company under section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") in respect of information required to be notified to the Company and the Stock Exchange pursuant to the SDI Ordinance or to the Model Code for Securities Transactions by Directors of Listed Companies:

- (i) there were no interests held as at 30th June, 2002 by any Directors and Chief Executive of the Company in securities of the Company and its associated corporations (within the meaning of the SDI Ordinance), and
- (ii) there existed during the financial period no rights to subscribe for equity or debt securities of the Company which were held by any Directors or Chief Executive of the Company or any of their spouses or children under 18 years of age nor had there been any exercises during the financial period of any such rights by any of them.





## SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties which were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital of the Company and the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at 30th June, 2002 as recorded in the register kept by the Company under section 16(1) of the SDI Ordinance:

	<b>Names</b>	<b>No. of Ordinary Shares</b>
(I)	Upfront International Limited	210,379,500
(II)	Wharf Hotel Investments Limited	210,379,500
(III)	Marco Polo Hotels International Limited	210,379,500
(IV)	Wharf China Limited	210,379,500
(V)	The Wharf (Holdings) Limited	210,379,500
(VI)	WF Investment Partners Limited	210,379,500
(VII)	Wheelock and Company Limited	210,379,500
(VIII)	Bermuda Trust (Guernsey) Limited	210,379,500

*Note: For the avoidance of doubt and double counting, it should be noted that duplication occurs in respect of all of the above-stated shareholdings to the extent that the shareholdings stated against party (I) to (VIII) above represent the same block of shares; all of the abovenamed parties were deemed to be interested in the same shareholdings under the SDI Ordinance as at 30th June, 2002.*

## PURCHASE, SALE OR REDEMPTION OF SHARES

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

## BOOK CLOSURE

The Register of Members will be closed from Wednesday, 25th September, 2002 to Friday, 27th September, 2002, both days inclusive, during which period no transfer of shares of the Company can be registered. In order to qualify for the abovementioned interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Tengis Limited, at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong, not later than 4:00 p.m. on Tuesday, 24th September, 2002.

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

Hong Kong, 19th August, 2002