

HARBOUR CENTRE DEVELOPMENT LIMITED

海港企業有限公司



2005

Interim Report to Shareholders
致股東中期報告書

for the half-year period ended 30th June, 2005

截至二〇〇五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, 2005 amounted to HK\$197.9 million, an increase of 49.1% as compared with HK\$132.7 million reported for the corresponding period last year. Earnings per share were 63 cents.

Following the adoption of the new accounting standards as detailed hereunder, the Group has included the investment property revaluation surplus after related deferred tax of HK\$86.5 million in the results. Excluding this net surplus, the profit for the half-year under review would be HK\$111.4 million, a decrease of 16% against the comparable period.

The improvement in the Group's net operating profits by 9.5% was principally attributed to better performance of the Group hotel as market conditions continued to improve.

INTERIM DIVIDEND

The Board has declared an interim dividend in respect of the half-year period ended 30th June, 2005 of 5.0 cents (2004: 5.0 cents) per share, payable on Wednesday, 12th October, 2005 to shareholders on record as at 4th October, 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Segment Review

The Marco Polo Hongkong Hotel ("MPHK Hotel") recorded steady occupancy levels and higher average room rates in 2005 in the period. Total revenue and operating profit of the Hotel Segment for the half year under review increased to HK\$173.3 million and HK\$56.7 million in 2005 compared to HK\$154.7 million and HK\$47.6 million in 2004, respectively.

With the opening of Disneyland in September 2005 and economic fundamentals remaining strong, the outlook for the hotel industry is encouraging.

The Property Segment revenue and operating profit were HK\$30.8 million and HK\$25.5 million in the first half of 2005, decreased from HK\$35.6 million and HK\$31.0 million in the same period of 2004, which was due to rental void for certain areas under renovation during the period.

The Group's investment property, the office and retail areas in MPHK Hotel, were revalued by an independent valuer at 30th June, 2005, giving rise to a revaluation surplus of HK\$104.8 million for inclusion as a profit item for the period under review in accordance with the Hong Kong Accounting Standard ("HKAS") 40 "Investment property".

Superstructure work of the property development situated at Kennedy Town is in progress and completion is scheduled for August 2006. It is planned to market the development in the third quarter of 2005. For the development of Sorrento (Kowloon Station Package II development), in which the Group has a 20% interest, 98% of all units were sold as at 30th June, 2005.

Apart from the abovementioned matters, there have been no material changes in respect of the business of the Group since the publication of the last annual report of the Company.



Financial Review

(I) Review of 2005 Interim Results

The unaudited Group's profit attributable to shareholders for the six months ended 30th June, 2005 amounted to HK\$197.9 million, representing an increase of HK\$65.2 million or 49.1% from HK\$132.7 million for the same period last year. Earnings per share were HK\$0.63 (2004 restated: HK\$0.42).

For the purpose of preparing the financial statements for the period under review, the Group has adopted the new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), including all HKASs and relevant Interpretations ("HKAS-INTs" and "HK-INTs"), which took effect on 1st January, 2005. The resulting significant changes in accounting treatment and presentation are detailed in note 1 to the accounts.

Under the new HKFRSs, the Group revalued its investment property as at 30th June, 2005 and accounted for a net surplus after deferred tax of HK\$86.5 million in its profit and loss account for the period under review. No revaluation had been carried out for the same period last year. Excluding this surplus, the profit for the half-year under review would be HK\$111.4 million, a decrease of 16% against the comparable period. A decrease in profit contribution by HK\$33.8 million from sales of Sorrento units held through an associate was reported in the first half of 2005 though MPMK Hotel achieved improved results.

The Group's turnover for the period under review was HK\$232.0 million, an increase by 10.5% from HK\$209.9 million achieved in the first half of 2004. Operating profit was HK\$109.2 million against HK\$99.7 million reported for the comparative period last year. These improvements were mainly attributable to the hotel operations.

Profit before taxation for the period under review included deferred interest income of HK\$2.9 million (2004: HK\$17.3 million), which was earned from a loan advanced to an associate undertaking the Sorrento project and recognised as in previous years on the basis of the sale progress of the project.

Share of profits of associates in the first half of 2005 was HK\$14.5 million, lowered from HK\$47.1 million for the same period last year. This was caused by the reduction in attributable profit by HK\$33.8 million from the Sorrento project as less residential units were sold during the period under review. As all Phase I units and over 98% Phase II units of Sorrento were sold by the end June 2005, profit contribution from this project would be insignificant in future periods.

The taxation charge for the period was HK\$33.5 million, compared to HK\$21.6 million recorded in the same period last year. Included in current period's taxation charge was a deferred tax provision of HK\$18.3 million for the increment of investment property revaluation in accordance with the HKAS 12 "Income taxes" and HKAS-INT 21 "Income taxes - recovery of revalued non-depreciable assets".



(II) Liquidity and Financial Resources

At 30th June, 2005, the Group's shareholders' funds was HK\$3,698.4 million or HK\$11.74 per share based on the currently adopted HKFRSs.

In compliance with the new and revised HKFRSs, with effect from 1st January 2005 retrospectively as detailed in note 1 to the accounts, the Group's shareholders' fund as at 31st December, 2004 has been restated to HK\$3,505.6 million or HK\$11.13 per share from HK\$5,462.7 million or HK\$17.34 per share respectively, decreased by HK\$1,957.1 million or HK\$6.21 per share.

As at 30th June, 2005, the Group had net cash of HK\$1,736.8 million, slightly decreased by HK\$0.7 million from HK\$1,737.5 million as at 31st December, 2004. The cash surpluses were mostly placed as bank deposits. In addition, the Group maintained a portfolio of investments with market value aggregating HK\$854.7 million at 30th June, 2005 (31st December 2004: HK\$820.4 million), which primarily comprised blue chip securities. The performance of the portfolio was in line with the stock markets.

At the period end, the Group had no significant exposure to foreign exchange rate fluctuations.

(III) Employees

The Group has approximately 457 employees working at the Group's hotel. 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 six months ended 30th June, 2005 amounted to HK\$45.3 million (six months ended 30th June, 2004: HK\$42.8 million).

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the financial period under review, the Company has complied with all those code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited which became applicable to the Company in respect of the period under review, except for one code provision with respect to the roles of chairman and chief executive officer to be performed by different individuals. The deviation is deemed appropriate as it is considered to be more efficient to have one single person to be the Chairman of the Company as well as to discharge the executive functions of a chief executive officer. The Board of Directors believe that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high calibre individuals.



CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the six months ended 30th June, 2005

	Note	Unaudited 30/6/2005 HK\$ Million	(Restated) Unaudited 30/6/2004 HK\$ Million
Turnover	2	232.0	209.9
Direct costs and operating expenses		(100.8)	(92.6)
Selling and marketing expenses		(10.3)	(8.5)
Depreciation and amortisation		(9.2)	(7.0)
Administrative and corporate expenses		(2.5)	(2.1)
Operating profit	3	109.2	99.7
Increase in fair value of investment property		104.8	-
Non-operating items	4	2.9	7.5
Share of profits less losses of associates		14.5	47.1
Profit before taxation		231.4	154.3
Taxation	5	(33.5)	(21.6)
Profit attributable to shareholders		197.9	132.7
Proposed interim dividends	6	15.8	15.8
Earnings per share	7	HK\$0.63	HK\$0.42
Proposed interim dividends per share		HK\$0.05	HK\$0.05



CONSOLIDATED BALANCE SHEET
As at 30th June, 2005

	Note	Unaudited 30/6/2005 HK\$ Million	(Restated) Audited 31/12/2004 HK\$ Million
Non-current assets			
Fixed assets		1,327.2	1,076.8
Interest in leasehold land held for own use		15.3	15.3
Interest in associates		2.6	42.4
Long term investments		854.7	820.4
Employee benefits		8.1	8.7
		<u>2,207.9</u>	<u>1,963.6</u>
Current assets			
Inventories		3.2	3.4
Trade and other receivables	8	29.6	51.4
Cash and cash equivalents		1,736.8	1,737.5
		<u>1,769.6</u>	<u>1,792.3</u>
Current liabilities			
Trade and other payables	9	70.9	67.6
Taxation payable		28.3	19.0
		<u>99.2</u>	<u>86.6</u>
Net current assets		<u>1,670.4</u>	<u>1,705.7</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,878.3</u>	<u>3,669.3</u>
Equity			
Share capital	10	157.5	157.5
Reserves	11	3,540.9	3,348.1
		<u>3,698.4</u>	<u>3,505.6</u>
Non-current liabilities			
Deferred income	12	2.6	5.2
Deferred taxation		177.3	158.5
		<u>179.9</u>	<u>163.7</u>
TOTAL EQUITY AND NON-CURRENT LIABILITIES		<u>3,878.3</u>	<u>3,669.3</u>



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30th June, 2005

	Unaudited 30/6/2005 HK\$ Million	(Restated) Unaudited 30/6/2004 HK\$ Million
Total equity as at 1st January		
As previously reported	5,462.7	4,686.6
Prior period adjustments arising from changes in accounting policies for		
- Hotel property	(1,756.9)	(1,589.9)
- Depreciation on hotel property	(56.1)	(54.4)
- Deferred tax on investment property	(144.1)	(118.1)
As restated	3,505.6	2,924.2
Net gains and losses not recognised in the consolidated profit and loss account	34.2	(32.9)
Profit attributable to shareholders (2004: previously reported HK\$133.6 million now restated)	197.9	132.7
Final dividend approved in respect of the previous year	(37.8)	(37.8)
Revaluation reserve transferred to consolidated profit and loss account upon disposal of long term investments - by associates	(1.5)	-
Total equity as at 30th June	3,698.4	2,986.2



CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30th June, 2005

	Unaudited 30/6/2005 HK\$ Million	Unaudited 30/6/2004 HK\$ Million
Net cash from operating activities	153.2	147.2
Net cash (used in)/generated from investing activities	(116.1)	283.6
Net cash used in financing activities	<u>(37.8)</u>	<u>(37.8)</u>
Net (decrease)/increase in cash and cash equivalents	(0.7)	393.0
Cash and cash equivalents at 1st January	<u>1,737.5</u>	<u>1,277.4</u>
Cash and cash equivalents at 30th June	<u>1,736.8</u>	<u>1,670.4</u>
Analysis of the balance of cash and cash equivalents		
Deposits and cash	<u>1,736.8</u>	<u>1,670.4</u>



NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES

The unaudited consolidated accounts have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "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 described in the annual accounts for the year ended 31st December, 2004 except for those changes following the Group's adoption of the new and revised Hong Kong Financial Reporting Standards, including HKASs and relevant Interpretations ("HKAS-INTs" and "HK-INTs") which took effect on 1st January, 2005. The changes in accounting policies that with significant impacts on the accounts are summarised as follows:

HKAS 40 "Investment property"

In prior years, investment property was stated at fair value and its surpluses on revaluation were credited to the investment property revaluation reserve. Deficits arising on revaluation were set off against previous revaluation surpluses and thereafter charged to profit and loss account. Revaluation was only done as at the financial year-end date.

With effect from 1st January, 2005, on adoption of HKAS 40, the Group's investment property is stated at fair value with all the changes in fair value reported in the consolidated profit and loss account. This new accounting policy has been applied retrospectively. Revenue reserve as at 1st January, 2005 and 1st January, 2004 were restated and increased by HK\$823.3 million and HK\$674.6 million, respectively, which represented the transfer from investment property revaluation reserve. Such transfer has no effect on the Group's shareholders' equity. The effect of the change in revaluation surplus credited to the consolidated profit and loss account for the period ended 30th June, 2005 is HK\$104.8 million.

HKAS - INT 21 "Income taxes - recovery of revalued non-depreciable assets"

In previous years, no deferred taxation was recognised on revaluation changes of the Group's investment property on the basis that the recovery of the carrying amount of the investment property would be through sales and such deferred taxation should be calculated at the tax rate applicable on eventual sale, which is nil in Hong Kong.

With effect from 1st January, 2005, HKAS-INT 21 requires deferred taxation to be recognised on any revaluation changes on investment property on the basis that the recovery of the carrying amount of the investment property would be through use and be calculated at the applicable profits tax rate and charged to profit and loss account. This new accounting policy has been applied retrospectively. The shareholders' equity as at 1st January, 2005 and 1st January, 2004 were restated and decreased by HK\$144.1 million and HK\$118.1 million respectively. The adjustments represent deferred tax liabilities on the revaluation on the Group's investment property. The change has increased deferred tax charge of HK\$18.3 million for the period ended 30th June, 2005.



1. PRINCIPAL ACCOUNTING POLICIES (cont'd)

HK - INT 2 "The appropriate accounting policies for hotel properties" and HKAS 17 "Leases"

In prior years, the Group's hotel property was stated at fair value based on an annual professional valuation. No depreciation was provided on the hotel property on the basis that it was maintained in a continuous state of sound repair such that, given the estimated life of the hotel property and its residual value, any depreciation was immaterial.

With effect from 1st January, 2005, on adoption of HK-INT 2 and HKAS 17, the Group's leasehold land and building of the hotel property is split into a lease of land and a lease of building in proportion to the relative fair values of the interest in the land and the building elements at the inception of the lease. The leasehold land is stated at cost and is amortised over the period of the lease on a straight-line basis whereas the building is stated at cost less accumulated depreciation and impairment. These new accounting policies have been applied retrospectively. The shareholders' equity as at 1st January, 2005 and 1st January, 2004 were restated and decreased by HK\$1,813 million, which comprised hotel property revaluation reserve of HK\$1,756.9 million and revenue reserve of HK\$56.1 million, and HK\$1,644.3 million, which comprised hotel property revaluation reserve of HK\$1,589.9 million and revenue reserve of HK\$54.4 million, respectively. The change has increased depreciation charge to the consolidated profit and loss account for the period ended 30th June, 2005 by HK\$1.3 million (six months ended 30th June, 2004 as restated: HK\$0.9 million).

2. 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	
	30/6/2005	30/6/2004	30/6/2005	30/6/2004	30/6/2005	30/6/2004	30/6/2005	30/6/2004
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Segment revenue	173.3	154.7	30.8	35.6	27.9	19.6	232.0	209.9
Segment results	56.7	47.6	25.5	31.0	27.0	21.1	109.2	99.7
Increase in fair value of investment property	-	-	104.8	-	-	-	104.8	-
Non-operating items	-	-	-	-	2.9	7.5	2.9	7.5
Share of profits less losses of associates	-	-	13.3	47.1	1.2	-	14.5	47.1
Profit before taxation							231.4	154.3
Taxation							(33.5)	(21.6)
Profit attributable to shareholders							197.9	132.7



2. SEGMENT REPORTING (cont'd)

(b) Geographical segments

	Segment revenue		Segment results	
	30/6/2005 HK\$ Million	30/6/2004 HK\$ Million	30/6/2005 HK\$ Million	30/6/2004 HK\$ Million
Hong Kong	218.2	198.8	95.4	88.6
Singapore	13.8	11.1	13.8	11.1
	<u>232.0</u>	<u>209.9</u>	<u>109.2</u>	<u>99.7</u>

No inter-segment revenue was recorded during the periods.

3. OPERATING PROFIT

	30/6/2005 HK\$ Million	(Restated) 30/6/2004 HK\$ Million
Operating profit is arrived:-		
After charging:-		
Cost of inventories sold	13.2	13.2
Depreciation and amortisation	9.2	7.0
Staff costs	45.3	42.8
including:		
Contributions to defined contribution pension schemes	1.5	1.5
Increase in liability for defined benefit pension schemes	1.1	0.9
Total pension cost	2.6	2.4
Auditors' remuneration	0.3	0.2
and after crediting:		
Gross rental income from investment property	30.7	35.6
Less: direct outgoings	(3.7)	(3.4)
	<u>27.0</u>	<u>32.2</u>
Interest income on bank deposits	13.2	0.2
Dividend income from listed investments	14.6	19.4

4. NON-OPERATING ITEMS

	30/6/2005 HK\$ Million	30/6/2004 HK\$ Million
Release of deferred income	2.9	17.3
Loss on disposal of long term investments	-	(9.8)
	<u>2.9</u>	<u>7.5</u>



5. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5 per cent on the estimated assessable profits for the period.

	30/6/2005 HK\$ Million	30/6/2004 HK\$ Million
Current taxation		
Provision for Hong Kong profits tax for the period	12.6	15.7
Deferred taxation		
Origination and reversal of temporary differences	0.5	0.2
Revaluation surplus in respect of investment property	18.3	-
	18.8	0.2
Share of associates' Hong Kong profits tax	2.1	5.7
Total tax charge	33.5	21.6

6. PROPOSED INTERIM DIVIDENDS

	30/6/2005 HK\$ Million	30/6/2004 HK\$ Million
Proposed interim dividends of 5.0 cents (2004: 5.0 cents) per share	15.8	15.8

7. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the period of HK\$197.9 million (2004 restated : HK\$132.7 million) and on 315.0 million (2004: 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 earnings per share.

8. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors (net of provision for bad and doubtful debts) and their age analysis as at 30th June, 2005 as follows:

	30/6/2005 HK\$ Million	31/12/2004 HK\$ Million
Due within 30 days	13.4	31.8
Due after 30 days but within 60 days	3.6	4.1
Due after 60 days but within 90 days	0.1	0.1
Over 90 days	-	0.1
	17.1	36.1

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



9. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors and their age analysis as at 30th June, 2005 as follows:

	30/6/2005 HK\$ Million	31/12/2004 HK\$ Million
Due within 30 days	7.3	12.8
Due after 30 days but within 60 days	3.7	3.8
Due after 60 days but within 90 days	0.1	0.1
Over 90 days	0.1	0.1
	11.2	16.8

10. SHARE CAPITAL

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

11. RESERVES

	Share premium HK\$ Million	Investment property revaluation reserve HK\$ Million	Hotel property revaluation reserve HK\$ Million	Investments revaluation reserve HK\$ Million	Revenue reserve HK\$ Million	Total HK\$ Million
(i) Company and subsidiaries						
Balance at 1st January, 2005						
- as previously reported	542.0	823.3	1,756.9	271.0	1,812.2	5,205.4
Prior year adjustments in respect of:						
- Reclassification of revaluation surpluses	-	(823.3)	(1,756.9)	-	823.3	(1,756.9)
- Depreciation on hotel property	-	-	-	-	(56.1)	(56.1)
- Deferred tax on revaluation of investment properties	-	-	-	-	(144.1)	(144.1)
- as restated	542.0	-	-	271.0	2,435.3	3,248.3
Dividend approved in respect of the previous year	-	-	-	-	(37.8)	(37.8)
Revaluation surplus						
- Long term investments	-	-	-	34.2	-	34.2
Profit for the period	-	-	-	-	185.5	185.5
Balance at 30th June, 2005	542.0	-	-	305.2	2,583.0	3,430.2
(ii) Associates						
Balance at 1st January, 2005	-	-	-	1.5	98.3	99.8
Transferred to the consolidated profit and loss account on disposal of long term investments	-	-	-	(1.5)	-	(1.5)
Profit for the period	-	-	-	-	12.4	12.4
Balance at 30th June, 2005	-	-	-	-	110.7	110.7
Total reserves						
At 30th June, 2005	542.0	-	-	305.2	2,693.7	3,540.9
At 31st December, 2004 (restated)	542.0	-	-	272.5	2,533.6	3,348.1



12. DEFERRED INCOME

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

	2005 HK\$ Million	2004 HK\$ Million
Balance at 1st January	5.2	25.3
Additions	0.3	0.8
Credited to the consolidated profit and loss account upon release	(2.9)	(20.9)
Balance at 30th June / 31st December	<u>2.6</u>	<u>5.2</u>

13. MATERIAL RELATED PARTY TRANSACTIONS

- (a) During the period, there was in existence a management agreement with a subsidiary of the ultimate holding company for management of the Group's hotel operations. Fees payable under this arrangement during the current period amounted to HK\$13.3 million (2004: HK\$11.4 million) which included management fees of HK\$11.0 million (2004: HK\$9.3 million) and marketing fees of HK\$2.3 million (2004: HK\$2.1 million). The management fees included a basic fee and an incentive fee which are calculated based on the relevant percentage of gross revenue and gross operating profit respectively. The marketing fee is calculated based on a percentage of gross revenue. Such a management agreement, entered into on 2nd January, 2004, and the relevant transactions thereunder constitute connected transactions as defined under the Listing Rules but are exempted under the provisions of the Listing Rules which were in force prior to 31st March, 2004 from the requirements relating to connected transactions.
- (b) The Group has a tenancy agreement with Lane Crawford (Hong Kong) Limited, which is indirectly wholly owned by a trust of which the chairman of the Company's ultimate holding company is the settlor, in respect of the lease of shops situated on G/F, 1/F & 2/F of The Marco Polo Hongkong Hotel. The duration of tenancy is from 11th April, 2003 to 10th April, 2009. The rental income earned by the Group from the above agreement during the current period, including contingent rental income, amounted to HK\$17.5 million (2004: HK\$22.2 million). Such a transaction does not constitute a connected transaction under the Listing Rules.

14. COMMITMENTS

Capital commitments outstanding at 30th June, 2005 not provided for in the accounts were as follows:-

	30/6/2005 HK\$ Million	31/12/2004 HK\$ Million
Contracted but not provided for	83.8	217.1
Authorised but not contracted for	19.2	9.8
	<u>103.0</u>	<u>226.9</u>

15. The unaudited interim accounts for the six months ended 30th June, 2005 have been reviewed with no disagreement by the audit committee of the Company.



COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' DEALING IN SECURITIES

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors and all the Directors have complied with the required standard set out in the Model Code and its code of conduct regarding Directors' securities transactions.

DIRECTORS' INTERESTS IN SHARES

At 30th June, 2005, Directors of the Company had the following personal beneficial interests, all being long positions, in the ordinary shares of the Company's parent company, namely, The Wharf (Holdings) Limited ("Wharf"), and the percentages which the shares represented to the issued share capital of Wharf are also set out below:

Names of Directors	Number of shares (percentage of issued capital)
Mr. Gonzaga W. J. Li	686,549 (0.028%)
Mr. T. Y. Ng	178,016 (0.007%)

Except as disclosed above, as recorded in the register kept by the Company under section 352 of the SFO in respect of information required to be notified to the Company and the Stock Exchange pursuant to the SFO or to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"):

- (i) there were no interests, both long and short positions, held as at 30th June, 2005 by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO); and
- (ii) there existed during the financial period no rights to subscribe for any shares, underlying shares or debentures of the Company which were held by any of the 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 5% or more of the nominal value of any class of share capital of the Company as at 30th June, 2005, the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at that date as recorded in the register kept by the Company under section 336 of the SFO (the "Register") and the percentages which the shares represented to the issued share capital of the Company:

Names	Number of ordinary shares (percentage of issued capital)
(i) Upfront International Limited	210,379,500 (66.79%)
(ii) Wharf Estates Limited	210,379,500 (66.79%)
(iii) The Wharf (Holdings) Limited	210,379,500 (66.79%)
(iv) WF Investment Partners Limited	210,379,500 (66.79%)
(v) Wheelock and Company Limited	210,379,500 (66.79%)
(vi) HSBC Trustee (Guernsey) Limited	210,379,500 (66.79%)
(vii) Harson Investment Limited	25,357,500 (8.05%)

Notes: (1) *For the avoidance of doubt and double counting, it should be noted that duplication occurs in respect of the shareholdings stated against parties (i) to (vi) above in that they represent the same block of shares.*

(2) *Due to the amalgamation of Bermuda Trust (Guernsey) Limited with HSBC Trustee (Guernsey) Limited into one company known as HSBC Trustee (Guernsey) Limited with effect from 1st January, 2005, the name of Bermuda Trust (Guernsey) Limited, which appeared in the Register prior to 1st January, 2005, has been accordingly amended to become HSBC Trustee (Guernsey) Limited.*

All the interests stated above represented long positions and as at 30th June, 2005, there were no short position interests recorded in the Register.

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, 28th September, 2005 to Tuesday, 4th October, 2005, 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 Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 27th September, 2005.

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

Hong Kong, 10th August, 2005

As at the date of this interim report, the Board of Directors of the Company comprises Mr. Gonzaga W. J. Li and Mr. T. Y. Ng, and three independent Non-executive Directors, namely, Mr. Brian S. Forsgate, Mr. H. M. V. de Lacy Staunton and Mr. Man Kou Tan.