



HARBOUR
CENTRE
DEVELOPMENT
LIMITED

海港企業有限公司

2008

Interim Report to Shareholders

for the six months ended 30 June 2008

致股東中期報告書

截至二〇〇八年六月三十日止六個月

Stock Code 股份代號 : 51



GROUP RESULTS

The unaudited Group profit attributable to Shareholders for the six months ended 30 June 2008 amounted to HK\$289.2 million, an increase of 30% as compared with HK\$223.3 million reported for the corresponding period last year. Earnings per share were HK\$0.71 based on weighted average issued shares of 407 million (2007: HK\$0.71 based on 315 million issued shares).

The Group's profit has included an investment property revaluation surplus (after related deferred tax) of HK\$104.7 million and the related tax credit of HK\$10.9 million resulting from the 1% tax rate reduction in the results. Excluding these items in total of HK\$115.6 million, the profit for the period under review would be HK\$173.6 million, a decrease of 14% over the comparable period.

The Group's operating profit increased by 9% to HK\$238.4 million, principally attributable to increase in investment return from the Investment Segment.

INTERIM DIVIDEND

The Board has declared an interim dividend in respect of the half-year period ended 30 June 2008 of HK\$0.05 (2007: interim dividend of HK\$0.05) per share, payable on Monday, 13 October 2008 to shareholders on record as at 2 October 2008, absorbing a total amount of HK\$23.6 million based on 472.5 million shares as enlarged by the rights issue completed in March 2008 (2007: interim dividend of HK\$15.8 million based on 315.0 million shares).

MANAGEMENT DISCUSSION AND ANALYSIS

Segment Review

Total revenue and operating profit of the Hotel Segment during the first half of 2008 increased by 14% and 5% to HK\$229.5 million and HK\$71.1 million respectively. This was mainly attributable to a double-digit growth in average room rates, partially offset by a slight drop in occupancy during the period. In the wake of unfavourable factors including the economic slowdown in the US and UK and China's visa restriction policy for overseas travelers, average occupancy dropped to 81% from 84% recorded a year earlier. Nevertheless, strong demand for hotel rooms during trade fairs and Rugby Sevens event spurred a 17% year-on-year growth in average room rates.

In the Property Investment Segment, a sustained robust leasing market prevailed and total revenue and operating profit increased by 6% and 1% to HK\$63.9 million and HK\$52.7 million respectively. However, occupancy for the retail space in Marco Polo Hongkong Hotel ("MPHK") and Star House was 84% and 50% respectively during the period as a result of a realignment of tenant mix.

The Group's investment properties, comprising the office and retail areas in MPHK and the Star House units, were independently revalued as at 30 June 2008. A net revaluation surplus after deferred tax of HK\$104.7 million (2007: HK\$21.9 million) has been recorded.



New Acquisitions

The Group started to make suitable investments in the Mainland property market in September 2007. Either by itself or through joint ventures with strong local property developers, the Group has acquired five valuable sites in the cities of Changzhou, Suzhou, Chongqing and Hangzhou. With these acquisitions, the total developable area attributable to the Group as at the end of June 2008 has reached about 26 million square feet.

A lot in Jiangbei City (江北區) of Jiangbei District (江北城), Chongqing, was acquired by the Group together with China Overseas Land and Investment Limited ("COLI") at a land auction in September 2007 for RMB2.54 billion. The Group and COLI will jointly develop the land, on a 55:45 ownership basis, for the high end residential market. It has a total site area of about one million square feet and offers a plot-ratio GFA of 2.5 million square feet attributable to the Group. Completion is scheduled for 2012.

In October 2007, the Group acquired two land parcels in Xinghu Jie (星湖街) and Xiandai Da Dao (現代大道) in Suzhou Industrial Park (蘇州工業園區) at a public auction for a total of RMB3.073 billion. The Group and Genway Housing Development Group Co. Ltd (蘇州工業園區建屋發展集團有限公司) will jointly develop the sites, on an 80:20 ownership basis. The parcels command a total site area of about 5,650,000 square feet and offer a plot-ratio GFA of 13.5 million square feet attributable to the Group. A skyscraper landmark which will be the tallest building in Suzhou will be built at the site in Xinghu Jie (星湖街). Final completion is scheduled for 2013.

Also in October 2007, the Group entered into an agreement for the joint development of a land parcel in Hangzhou, which is superbly situated in the new Hangzhou Central Business District (錢江新城) and frontal to the Qiantang Jiang (錢塘江). The Group and Greentown China Holdings Limited will take respectively 40% and 60% stake in the joint-venture company. The land parcel, at a total consideration of RMB3.49 billion, has a total site area of about 906,921 square feet and offers a plot-ratio GFA of 1.3 million square feet attributable to the Group. The development will be a high end residential, commercial and hotel complex. Completion is scheduled for 2012.

The Group acquired its fifth site in December 2007 at a public auction for RMB1.47 billion. Ideally located in the prime area of Xinbei District (新北區), Changzhou City (常州市), the land parcel has a total site area of about 4.4 million square feet and offers a plot ratio GFA of 8.7 million square feet. Planning is underway to develop the site into a residential and hotel project. It is 5 km away from the city centre, in the vicinity of China Changzhou Dinosaur Land (中華恐龍園) theme park and Xin Qu Park (新區公園) and boasts superb air-sea-land transportation links including Changzhou Civil Aviation Airport and Huning Express Railway. The project is slated for completion by 2014.



Financial Review

(I) Review of 2008 Interim Results

Turnover

The Group's turnover in the first half of 2008 was HK\$329.7 million (2007: HK\$324.1 million).

Hotel Segment recorded a total revenue of HK\$229.5 million (2007: HK\$201.3 million) for an increase of 14%. Room revenue grew by 14% year-on-year as higher room rates were achieved during the period. Food and beverage revenue also grew by 16% resulting from the opening of a new restaurant, Cucina.

Property Investment revenue rose by 6% to HK\$63.9 million (2007: HK\$60.5 million) as rental income generated from MPHk's retail areas continued to rise steadily. This favourable result was partly off set by the loss of rental income from the Star House units while the tenant mix was being realigned.

Investment Segment's interest and dividend income derived from the Group's surplus cash and investment decreased by 42% to HK\$36.3 million (2007: HK\$62.3 million) mainly due to a decrease in interest income, reflecting the decrease in the Group's surplus cash and lower interest rate.

Operating Profit

The Group's consolidated operating profit increased by 9% to HK\$238.4 million (2007: HK\$219.0 million). The Investment Segment recorded an operating profit of HK\$116.0 million (2007: HK\$99.2 million), which was mainly attributable to the disposal of certain listed securities. For the period under review, interest income was significantly reduced as a result of the Group's lower available surplus cash and the reduction in interest rates. Supported by the growth in room revenue as well as food and beverage income, Hotel Segment's profit increased by 5% to HK\$71.1 million. Property Investment Segment reported an operating profit of HK\$52.7 million for a marginal increase over the same period of 2007.

Finance Costs

Net finance costs for the period was HK\$32.9 million (2007: Nil), mainly related to the borrowings for the Group's property investments in China. The Group's average effective borrowing cost for the period under review was 2.9% p.a.

Increase in Fair Value of Investment Properties

The Group's investment properties were revalued by an independent valuer as at 30 June 2008, producing a surplus of HK\$125.4 million (2007: HK\$26.6 million). The net surplus after deferred tax taken to the profit and loss account was HK\$104.7 million (2007: HK\$21.9 million).

Share of Results after Tax of Associate and Jointly Controlled Entities

Share of losses after tax of the associate and jointly controlled entities was HK\$2.0 million (2007: profit of HK\$3.9 million). No profit was attributable to the period under review as all the trading properties held by the associate were sold in previous years and those undertaken through the jointly controlled entities are at their early stages of the developments.



Taxation

The taxation charge for the period increased by 51% to HK\$39.6 million (2007: HK\$26.2 million) as a result of the increase in the Group's operating profit as well as its revaluation surplus of investment properties during the period. This charge has been reduced by a tax credit of HK\$12.2 million (2007: Nil) benefited from a downward adjustment of deferred tax mainly on the investment property surplus brought forward from the previous years as a result of a reduction in Hong Kong profits tax rate by 1% to 16.5%.

Profit Attributable to Equity Shareholders

Group profit attributable to equity shareholders for the period ended 30 June 2008 amounted to HK\$289.2 million (2007: HK\$223.3 million), representing an increase of HK\$65.9 million or 30%. Earnings per share were HK\$0.71 based on the weighted average issued shares of 407 million (2007: HK\$0.71 based on 315 million issued shares).

Excluding the net investment property surplus of HK\$104.7 million (2007: HK\$21.9 million) and the related deferred tax credit of HK\$10.9 million (2007: Nil) resulted from the 1% tax rate reduction, the Group's net profit for the period was HK\$173.6 million, representing a decrease of 14% over last year. The decrease was mainly due to increase in finance costs incurred during the period.

(II) Liquidity and Financial Resources

Rights Issue

In March 2008, the Company completed its Rights Issue for 157.5 million new ordinary shares at HK\$12.80 each with net proceeds of HK\$2,006.7 million.

Shareholders' Equity

As at 30 June 2008, the Group's shareholders' equity was HK\$7,727.4 million, equivalent to HK\$16.35 per share based on 472.5 million issued shares as enlarged by the Rights Issue in March 2008 (31 December 2007: HK\$18.25 per share based on 315.0 million issued shares).

The Group's hotel property is stated at cost less accumulated depreciation according to the prevailing Hong Kong Financial Reporting Standards. By restating the hotel property based on the valuation carried out by an independent valuer on 30 June 2008 would result in a revaluation surplus of HK\$2,737.8 million and increase the Group's shareholders' equity to HK\$10,465.2 million, equivalent to HK\$22.15 per share.

Debt and Gearing

As at 30 June 2008, the Group had a net debt of HK\$2,121.5 million, which was made up of HK\$803.5 million cash less HK\$2,925.0 million bank borrowings, versus a net debt of HK\$1,274.1 million as at 31 December 2007. The increase in net debt was mainly caused by the increase in investments in the China development projects. The gearing ratio to shareholders' equity was 27.5% (31 December 2007: 22.2%).

As at 30 June 2008, the Group maintained a portfolio of investments primarily consisting of blue chip securities, with an aggregate market value of HK\$1,479.0 million (2007: HK\$2,516.6 million). The performance of the portfolio was in line with the stock markets.



Capital Commitments

As at 30 June 2008, the Group's attributable outstanding commitments to properties under development in China, both by the Group and through jointly controlled entities, amounted to HK\$17.5 billion, including committed land cost of HK\$1.1 billion payable by installments in 2008 and 2009 and development cost of about HK\$16.4 billion that are authorised but not contracted for. The developments will be carried out by stages in the forthcoming years and funded by internal financial resources, including proceeds from property pre-sales and bank loans.

Finance and Availability of Facilities

As at 30 June 2008, the Group's available loan facilities amounted to HK\$4,315.2 million of which HK\$2,925.0 million was drawn. Certain banking facilities of the Group were secured by mortgages over the Group's hotel property and certain investment property and certain available-for-sale investments with total carrying value of HK\$2,766.3 million.

As at 30 June 2008, the Group had exposure to foreign exchange rate fluctuations from expenditures in respect of the China projects, which are denominated in RMB. RMB borrowings will be sourced to finance the development cost of the China projects apart from their land cost. The Group also entered into certain forward exchange contracts primarily for management of its foreign currency assets and related interest rate exposures. The outstanding contracts were marked to market value in accordance with the financial reporting standards at the balance sheet date and reported a net asset of HK\$13.0 million (2007: net liability of HK\$106.5 million). The Group has no other significant exposure to foreign exchange fluctuations except for those mentioned above.

(III) Human Resources

The Group has approximately 490 employees. Employees are remunerated according to the 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 period ended 30 June 2008 amounted to HK\$63.7 million (2007: HK\$53.5 million).

CODE ON CORPORATE GOVERNANCE PRACTICES

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



CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2008

	Note	Unaudited 30/6/2008 HK\$ Million	Unaudited 30/6/2007 HK\$ Million (Restated)
Turnover	2	329.7	324.1
Other net income	3	88.3	38.0
Direct costs and operating expenses		(140.0)	(117.5)
Selling and marketing expenses		(12.8)	(11.0)
Depreciation and amortisation		(17.7)	(11.6)
Administrative and corporate expenses		(9.1)	(3.0)
Operating profit	4	238.4	219.0
Increase in fair value of investment properties		125.4	26.6
Finance costs	5	(32.9)	-
		330.9	245.6
Share of results after tax of:			
Associate		(0.2)	3.9
Jointly controlled entities		(1.8)	-
Profit before taxation		328.9	249.5
Taxation	6(b)	(39.6)	(26.2)
Profit for the period		289.3	223.3
Profit attributable to:			
Equity shareholders		289.2	223.3
Minority interests		0.1	-
		289.3	223.3
Interim dividend declared after the balance sheet date	7	23.6	15.8
Earnings per share	8	HK\$0.71	HK\$0.71
Interim dividend per share		5.0 cents	5.0 cents



CONSOLIDATED BALANCE SHEET

As at 30 June 2008

	Note	Unaudited 30/6/2008 HK\$ Million	Audited 31/12/2007 HK\$ Million
Non-current assets			
Fixed assets			
Investment properties		1,955.0	1,827.0
Leasehold land		15.2	15.2
Other properties, plant and equipment		95.3	104.9
Interest in an associate		0.6	0.8
Interest in jointly controlled entities		2,500.5	1,964.6
Available-for-sale investments		1,479.0	2,516.6
Long term receivables		0.6	1.7
Employee benefits		8.3	8.5
		<u>6,054.5</u>	<u>6,439.3</u>
Current assets			
Properties under development for sale		4,930.0	985.3
Inventories		3.4	3.4
Trade and other receivables	9	74.0	425.2
Derivative financial assets		13.0	-
Pledged bank deposits		-	452.4
Bank deposits and cash		803.5	132.4
		<u>5,823.9</u>	<u>1,998.7</u>
Current liabilities			
Trade and other payables	10	157.2	187.2
Derivative financial liabilities		-	106.5
Bank loans		225.0	1,278.9
Taxation payable	6(c)	102.0	80.3
		<u>484.2</u>	<u>1,652.9</u>
Net current assets		<u>5,339.7</u>	<u>345.8</u>
Total assets less current liabilities		<u>11,394.2</u>	<u>6,785.1</u>
Non-current liabilities			
Bank loans		2,700.0	580.0
Deferred taxation		267.8	260.0
		<u>2,967.8</u>	<u>840.0</u>
NET ASSETS		<u>8,426.4</u>	<u>5,945.1</u>
Capital and reserves			
Share capital	11	236.3	157.5
Reserves		7,491.1	5,590.6
Shareholders' equity	12	<u>7,727.4</u>	<u>5,748.1</u>
Minority interests	12	699.0	197.0
TOTAL EQUITY		<u>8,426.4</u>	<u>5,945.1</u>



CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the six months ended 30 June 2008

		Unaudited 30/6/2008	Unaudited 30/6/2007
	Note	HK\$ Million	HK\$ Million
Net (expense)/income recognised directly in equity		(190.6)	138.3
Profit for the period	12	289.3	223.3
Total recognised income and expense for the period		98.7	361.6
Attributable to equity shareholders		86.0	361.6
Attributable to minority interests		12.7	-
Total	12	98.7	361.6

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

		Unaudited 30/6/2008	Unaudited 30/6/2007
		HK\$ Million	HK\$ Million
Net cash (used in)/generated from operating activities (Note)		(3,254.9)	205.4
Net cash generated from/(used in) investing activities		477.3	(500.9)
Net cash generated from/(used in) financing activities		3,448.7	(75.6)
Net increase/(decrease) in cash and cash equivalents		671.1	(371.1)
Cash and cash equivalents at 1 January		132.4	1,840.2
Cash and cash equivalents at 30 June		803.5	1,469.1

Note:

Included HK\$3,874.4 million attributable to increase in properties under development for sale.



NOTES TO INTERIM FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The unaudited interim consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants and applicable disclosure provisions of Appendix 16 of Listing Rules of The Stock Exchange of Hong Kong Limited.

The preparation of the interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2007.

In 2008, the Group adopted the new interpretation of Hong Kong Financial reporting Standards ("HKFRS") below, which is relevant to its operations.

HK (IFRIC) - Int 14 HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction

The Group has assessed the impact of the adoption of this new interpretation and considered that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies and presentation of the financial statements will be resulted.



2. SEGMENT INFORMATION

(a) Business segments

	Revenue		Results	
	30/6/2008 HK\$ Million	30/6/2007 HK\$ Million	30/6/2008 HK\$ Million	30/6/2007 HK\$ Million (Restated)
Hotel and restaurants	229.5	201.3	71.1	68.0
Property investment	63.9	60.5	52.7	52.0
Property development	-	-	(1.4)	(0.2)
Investments and others	36.3	62.3	116.0	99.2
	<u>329.7</u>	<u>324.1</u>	<u>238.4</u>	<u>219.0</u>
Increase in fair value of investment properties			125.4	26.6
Finance costs			(32.9)	-
			<u>330.9</u>	<u>245.6</u>
Associate			(0.2)	3.9
Property development			(0.2)	3.9
Jointly controlled entities			(1.8)	-
Property development			(1.8)	-
Profit before taxation			<u>328.9</u>	<u>249.5</u>

(b) Geographical segments

	Revenue		Operating Profit	
	30/6/2008 HK\$ Million	30/6/2007 HK\$ Million	30/6/2008 HK\$ Million	30/6/2007 HK\$ Million (Restated)
Hong Kong	301.7	304.7	156.5	199.6
Singapore	23.4	19.4	74.8	19.4
China	4.6	-	7.1	-
Turnover/operating profit	<u>329.7</u>	<u>324.1</u>	<u>238.4</u>	<u>219.0</u>

No inter-segment revenue has been recorded during the current and prior periods.

3. OTHER NET INCOME

	30/6/2008 HK\$ Million	30/6/2007 HK\$ Million
Release of deferred income	-	0.8
Profit on disposal of available-for-sale investments (including HK\$130.4 million (2007: HK\$40.4 million) transferred from the investments revaluation reserve)	88.3	37.2
	<u>88.3</u>	<u>38.0</u>



4. OPERATING PROFIT

Operating profit is arrived at:

	<u>30/6/2008</u> <u>HK\$ Million</u>	<u>30/6/2007</u> <u>HK\$ Million</u>
After charging:		
Cost of inventories sold	16.1	11.3
Depreciation and amortisation	17.7	11.6
Staff costs, including retirement scheme costs HK\$2.9 million (2007: HK\$1.8 million)	63.7	53.5
Net foreign exchange loss (Note)	2.5	-
and crediting:		
Rental income less direct outgoings including contingent rentals HK\$21.9 million (2007: HK\$15.1 million)	47.9	44.8
Interest income on bank deposits	7.6	40.0
Dividend income from listed investments	<u>28.7</u>	<u>22.3</u>

Note:

During the period, total exchange gain arising from the translation of the net investments in China subsidiaries and jointly controlled entities amounted to HK\$278.0 million (2007: Nil) for the Group, which has been dealt with as an equity movement.

5. FINANCE COSTS

	<u>30/6/2008</u> <u>HK\$ Million</u>	<u>30/6/2007</u> <u>HK\$ Million</u>
Interest on bank borrowings wholly repayable within five years	28.3	-
Other finance costs	<u>4.6</u>	<u>-</u>
	<u>32.9</u>	<u>-</u>

6. TAXATION

- (a) The provision for Hong Kong profits tax is based on the profit for the period as adjusted for tax purposes at the rate of 16.5% (2007: 17.5%).



6. TAXATION (CON'T)

(b) Taxation in the consolidated profit and loss account represents:

	30/6/2008 HK\$ Million	30/6/2007 HK\$ Million
Current taxation		
Provision for Hong Kong profits tax for the period	31.8	20.9
Overprovision in respect of prior years	-	(0.2)
	<u>31.8</u>	<u>20.7</u>
Deferred taxation		
Origination and reversal of temporary differences	(0.7)	0.8
Change in fair value of investment properties	20.7	4.7
Effect on decrease in tax rate on deferred tax balances	(12.2)	-
	<u>7.8</u>	<u>5.5</u>
Total tax charge	<u>39.6</u>	<u>26.2</u>

(c) The taxation payable in the consolidated balance sheet is expected to be settled within one year.

7. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	30/6/2008 HK\$ Million	30/6/2007 HK\$ Million
Interim dividend of 5.0 cents proposed after the balance sheet date (2007: 5.0 cents) per share	<u>23.6</u>	<u>15.8</u>

(a) The amount of the proposed interim dividend in respect of 2008 is based on 472.5 million shares (2007: 315.0 million shares) as enlarged by the rights issue completed in March 2008. The proposed interim dividends have not been recognised as liabilities at the balance sheet dates.

(b) The final dividend of HK\$113.4 million for 2007 was approved and paid in 2008.

8. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the period of HK\$289.2 million (2007: HK\$223.3 million) and the weighted average of 407.0 million ordinary shares (2007: 315.0 million shares) in issue during the period, calculated as follows:

Weighted average number of ordinary shares

	30/6/2008 Million	30/6/2007 Million
Issued ordinary shares at 1 January	315.0	315.0
Effect of rights issue	92.0	-
Weighted average number of ordinary shares at 30 June	<u>407.0</u>	<u>315.0</u>



8. EARNINGS PER SHARE (CON'T)

For the period under review and the preceding comparative period, there is no difference between the basic and diluted earnings per share.

9. TRADE AND OTHER RECEIVABLES

Included in this item are trade receivables (net of allowance for doubtful debts) with the following ageing analysis as at 30 June 2008 as follows:

	30/6/2008 HK\$ Million	31/12/2007 <u>HK\$ Million</u>
Trade receivables		
0 - 30 days	37.7	64.2
31 - 60 days	1.9	2.9
61 - 90 days	<u>0.2</u>	<u>0.4</u>
	39.8	67.5
Other receivables	27.8	351.1
Amounts due from fellow subsidiaries	<u>6.4</u>	<u>6.6</u>
	74.0	425.2

(a) The Group has defined credit policies for each of its core business. The general credit terms allowed range from 0 to 60 days.

(b) Other receivables as at 31 December 2007 included a land bidding deposit of HK\$330.9 million.

10. TRADE AND OTHER PAYABLES

Included in this item are trade creditors with an ageing analysis as at 30 June 2008 as follows:

	30/6/2008 HK\$ Million	31/12/2007 <u>HK\$ Million</u>
Trade creditors		
0 - 30 days	14.2	15.0
31 - 60 days	2.2	6.1
61 - 90 days	<u>0.2</u>	-
	16.6	21.1
Other payables and provisions	97.7	118.2
Amounts due to fellow subsidiaries	6.4	12.4
Amounts due to an associate	<u>36.5</u>	<u>35.5</u>
	157.2	187.2



11. SHARE CAPITAL

	30/6/2008		31/12/2007	
	No. of shares		No. of shares	
	Million	HK\$ Million	Million	HK\$ Million
Authorised				
Ordinary shares of HK\$0.50 each	1,200.0	600.0	380.0	190.0
Ordinary shares, issued and fully paid				
At 1 January	315.0	157.5	315.0	157.5
Rights issue	157.5	78.8	-	-
At 30 June/31 December	472.5	236.3	315.0	157.5

By an ordinary resolution passed at the extraordinary general meeting held on 3 March 2008, the Company's authorised ordinary share capital was increased to HK\$600,000,000 by the creation of an additional 820,000,000 ordinary shares of HK\$0.50 each, ranking pari passu with the existing ordinary shares of the Company in all respects. On 25 March 2008, 157,500,000 ordinary shares were issued at HK\$12.80 per share on completion of the rights issue exercise.

12. CAPITAL AND RESERVES

	Shareholders' equity								
	Share capital	Share premium	Investments			Exchange reserve	Total Shareholders' equity	Minority interests	Total equity
			revaluation reserve	Revenue reserve					
			HK\$ Million	HK\$ Million	HK\$ Million				
Balance at 1 January 2008	157.5	542.0	1,096.2	3,909.9	42.5	5,748.1	197.0	5,945.1	
Deficit on revaluation of available-for-sale investments	-	-	(338.2)	-	-	(338.2)	-	(338.2)	
Transferred to the consolidated profit and loss account on disposal of available-for-sale investments	-	-	(130.4)	-	-	(130.4)	-	(130.4)	
Exchange difference	-	-	-	-	265.4	265.4	12.6	278.0	
	-	-	(468.6)	-	265.4	(203.2)	12.6	(190.6)	
Profit for the period	-	-	-	289.2	-	289.2	0.1	289.3	
Total recognised income and expense	-	-	(468.6)	289.2	265.4	86.0	12.7	98.7	
Shares issued by a subsidiary	-	-	-	-	-	-	489.3	489.3	
Rights issue	78.8	1,927.9	-	-	-	2,006.7	-	2,006.7	
Dividends approved in respect of the previous year	-	-	-	(113.4)	-	(113.4)	-	(113.4)	
Balance at 30 June 2008	236.3	2,469.9	627.6	4,085.7	307.9	7,727.4	699.0	8,426.4	



13. MATERIAL RELATED PARTY TRANSACTIONS

- (a) During the period, there was in existence a management agreement with a fellow subsidiary for the management of the Group's hotel operations. Fees payable under this arrangement during the current period amounted to HK\$17.2 million (2007: HK\$15.3 million) which included management fees of HK\$14.1 million (2007: HK\$12.6 million) and marketing fees of HK\$3.1 million (2007: HK\$2.7 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 transaction constitutes a connected transaction as defined under the Listing Rules.
- (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 11 April 2003 to 10 April 2009. The rental income earned by the Group from the above agreement during the current period, including contingent rental income, amounted to HK\$46.8 million (2007: HK\$38.7 million). Such a transaction does not constitute a connected transaction under the Listing Rules.

14. CONTINGENT LIABILITIES

As at 30 June 2008, there were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to bank overdrafts and credit facilities up to HK\$4,218.3 million (2007: HK\$503.1 million).

The Company has not recognised any deferred income for the guarantees given in respect of borrowings and other banking facilities for subsidiaries as their fair value cannot be reliably measured and their transaction price was HK\$Nil (2007: Nil).

As at the balance sheet date, the directors do not consider it is probable that a claim will be made against the Company under any of the guarantees.

15. COMMITMENTS

	30/6/2008	31/12/2007
	HK\$ Million	HK\$ Million
(a) Capital commitments		
Contracted but not provided for	13.4	9.0
Authorised but not contracted for	<u>48.6</u>	<u>19.8</u>
	<u>62.0</u>	<u>28.8</u>
(b) Properties under development		
Contracted but not provided for	348.8	3,965.3
Authorised but not contracted for	<u>13,563.4</u>	<u>11,914.0</u>
	<u>13,912.2</u>	<u>15,879.3</u>
(c) Properties under development undertaken by jointly controlled entities (attributable)		
Contracted but not provided for	797.9	1,126.8
Authorised but not contracted for	<u>2,713.5</u>	<u>2,052.0</u>
	<u>3,511.4</u>	<u>3,178.8</u>



15. COMMITMENTS (CON'T)

Included in properties under development and those undertaken by jointly controlled entities are land cost of HK\$1,146.7 million payable by installments in 2008 and 2009.

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation.

17. REVIEW OF RESULTS

The unaudited interim results for the six months ended 30 June 2008 have been reviewed with no disagreement by the Audit Committee of the Company.

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 (the "Model Code") 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 30 June 2008, Directors of the Company had the following beneficial interests, all being long positions, in the share capitals of the Company, the Company's parent company, namely, The (Wharf) Holdings Limited ("Wharf"), Wharf's parent company, namely, Wheelock and Company Limited ("Wheelock"), two fellow subsidiaries, namely, i-CABLE Communications Limited ("i-CABLE") and Wheelock Properties Limited ("WPL"), and the percentages which the relevant shares represented to the issued share capitals of the five companies respectively are also set out below:

Names of Directors	Number of shares (percentage of issued capital)	Nature of Interest
The Company		
Mr. Michael T. P. Sze	25,000 (0.0053%)	Family interest
Wheelock		
Mr. Gonzaga W. J. Li	1,486,491 (0.0732%)	Personal interest
Mr. T. Y. Ng	70,000 (0.0034%)	Personal interest
Wharf		
Mr. Gonzaga W. J. Li	772,367 (0.0280%)	Personal interest
Mr. T. Y. Ng	200,268 (0.0073%)	Personal interest
Mr. Michael T. P. Sze	50,099 (0.0018%)	Family interest
i-CABLE		
Mr. Gonzaga W. J. Li	68,655 (0.0034%)	Personal interest
Mr. T. Y. Ng	17,801 (0.0009%)	Personal interest
WPL		
Mr. Gonzaga W. J. Li	2,900 (0.0001%)	Personal interest



DIRECTORS' INTERESTS IN SHARES (CON'T)

Except as disclosed above, as recorded in the register kept by the Company under section 352 of the Securities and Futures Ordinance ("SFO") in respect of information required to be notified to the Company and the Stock Exchange by the Directors and/or Chief Executive of the Company pursuant to the SFO or to the Model Code, there were no interests, both long and short positions, held during the financial period 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), nor had there been any exercises during the financial period of any rights to subscribe for any shares, underlying shares or debentures of the Company.

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 30 June 2008, 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	332,496,131 (70.37%)
(ii) Wharf Estates Limited	332,496,131 (70.37%)
(iii) The Wharf (Holdings) Limited	332,496,131 (70.37%)
(iv) WF Investment Partners Limited	332,496,131 (70.37%)
(v) Wheelock and Company Limited	332,496,131 (70.37%)
(vi) HSBC Trustee (Guernsey) Limited	332,496,131 (70.37%)
(vii) Harson Investment Limited	38,036,250 (8.05%)

Note: 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.

All the interests stated above represented long positions and as at 30 June 2008, 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 Thursday, 25 September 2008 to Thursday, 2 October 2008, 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, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 24 September 2008.

By Order of the Board

Wilson W. S. Chan

Company Secretary

Hong Kong, 14 August 2008

As at the date of this interim report, the Board of Directors of the Company comprises Mr. Gonzaga W. J. Li, Mr. T. Y. Ng and Mr. Clement K. H. Wong, together with three independent non-executive Directors, namely, Mr. H. M. V. de Lacy Staunton, Mr. Michael T. P. Sze and the late Mr. Man Kou Tan (the late Mr. Man Kou Tan passed away on 14 August 2008).

